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Macro View

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By Hubert Marleau

A Moment for Macroeconomics:

Fed's open market committee will meet this week. No change in the policy rate is anticipated. Chairman Powell will push back against the market's expectation of sooner-rather-than-later rate cuts. The reason being that the economy is much stronger than generally believed, thanks to the surge in productivity. The latter has probably risen at another extraordinary annual pace in Q4/2023. My quest is 3.0%. It further explains why inflation has fallen so quickly. Indeed, the tide of inflation has clearly turned for the better. The TrueInflation Index is now up only 1.8% from last year.

The reduction in the inflation rate accounts for the recent bull-performance of the stock market. The S&P 500 is back to record levels, touching 4894 last week. It should be noted that the bull run was narrow and concentrated in the technology sector. As a matter of fact, all the other sectors of the S&P 500 are trading on average 15% below all-time high. While this situation may stall the rally in the immediate future, I'm still maintaining the view that the S&P 500 will nudge to 5400 sometime this year.

P.S. I'm on a cruise ship for the next month. There will be fewer letters (unedited plus short and sweet.)

Huber Marleau's Macro View

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