



Rodney's Take

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Taking Advice from 'In Living Color'

Thirty years ago, Keenan Ivory Wayans, his brothers, Jim Carey, and a host of other relatively unknown talents did a sketch comedy show called "In Living Color." If you haven't seen it, old episodes are worth looking up on YouTube. The show was hilarious, and even now it will make you laugh hard enough that you have to remember to breathe. As I considered the election results, one particular bit came to mind.

We have to wait two months for the Senate runoff races in Georgia before we find out if the Democrats can run the political table or if the Republicans will retain a majority and be able to demand compromise. In the meantime, we might or might not get a stimulus package and President Trump seems determined to pursue legal action regarding the election. While investors cheered the unexpected result of a split decision on Wednesday and Thursday, the unsettled nature of things might give them reason for pause for the next several months and possibly longer.

To keep things going we need one thing... "mo' money!"

That was from a sketch on the old show, which featured the Wayans as street smart scam artists who would show others how to get rich quick. In one show, they put together a seminar that included their workbook entitled, *How to Get Mo' Money Not Using Yo Money*. They rhetorically asked, "If you're not using your money, the who's money would you use? Who has the most money?" To which they answered, "The government!"

They went on to explain a scam using food stamps, but my thoughts on the current environment went elsewhere. While the government might have the most money, it's the Fed that has the most money and the least controls. This is where investors need to pay attention.

Last week after their regularly scheduled meeting, the Federal Reserve held steady. The central bankers didn't change their monetary policy or bring out any new ideas like pursuing "average inflation" over an unspecified time frame. But they did reiterate the need for continued monetary and fiscal policy to keep the U.S. economy climbing out of the lockdown-induced downturn.

Fiscal policy is anybody's guess. I still believe we'll get another stimulus measure, and likely before the end of the year, because it serves political purposes. This should boost investor confidence at least in the short run and keep the good times rolling. The size of the initiative and the recipients are up for debate.

As for monetary policy, the bankers must be looking at the current resurgence of the pandemic with trepidation. We're recording more than 100,000 cases per day as the recent surge continues. If we don't get a therapeutic, vaccine, or both, soon, then we'll likely see more shutdowns and capacity limitations on businesses. The Fed only has a few tools but, as the old proverb says, "When all you have is a hammer, everything looks like a nail." The central bank must attack every problem with cash.

They might not be successful at the main goal of reviving economic activity and jump-starting inflation, but they should push gobs of capital into the financial markets, which eventually will fuel another run in equities.

As we await the next set of election results in January to decide the fate of the Senate, keep a watchful eye on the Fed and its balance sheet. As they add “mo’ money” to the system, we should see it translate into higher returns for stock investors... at least for a little while.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.