



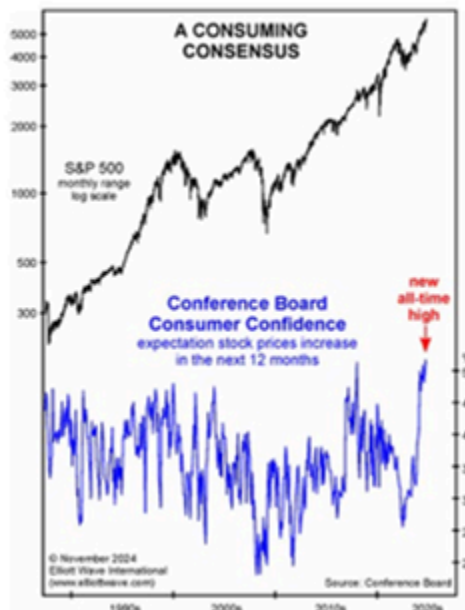
Harry's Take

November 5, 2024

Consumer Confidence Higher Than Ever: Not Good for Stocks

If I had to show just one chart for why investors should be getting more defensive and selling stocks, it would be this one. COVID threw everything for a loop and consumers have been recovering from that simple shock. Consumer confidence last peaked prior to COVID and has been down since, until the last 2 years wherein it has shot up higher than ever. Consumers watched this shock and saw how easy the economy bounced back – with the help of \$11T in combined stimulus I would add. My surprise is that confidence has kept rising despite the tightening cycle from early 2022 into mid-2023 – and currently it is the highest EVER!

This Looks Like Most Convincing Chart of All: Stocks Heading Down!



Source: www.elliottwave.com

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When consumers are this confident, they have likely already maxed out their discretionary expenditures like trading up homes, furnishings and cars, etc.

And since March 2022, the Fed has tightened policy the most since 1980-81 and it still remains restrictive, raising the cost of borrowing. It's easing again has been mild with one 50bps cut and two more 25bps expected, back to 4.50%, which does not even get rates back near to neutral around 3.00% - 3.25%.

Hence, this is the perfect time to see a new term I have been using recently, "the exhaustion of demand!" We should see consumer demand start to weaken by early next year, or something else is going on that isn't obvious yet.

This is another reason to be out of stocks - or lightening positions and accelerating that if stocks do start to fall for no obvious reason just ahead. A weak Christmas would be the first sign, or a weak first quarter just after.

Harry

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

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