With the government shutdown currently at 6 days, hard data feels like it is getting thin. With no official data to run on, the market is left to the private data that is still being reported. While the data is far from perfect (not insinuating that the gov't data is perfect), they do support the current positioning in the portfolio.

Let's go through a quick rundown of recent private data. ADP issued their estimate of private sector payrolls on October 1 and showed a contraction of -32,000 jobs. On October 3, ISM issued their services index which came in at 50.0. While not yet showing the sub-50 contraction level, it did come in under the avg estimate. In addition, ISM services employment continued to show contraction at 47.2. This makes four months of employment contraction. On September 30, the Dallas Fed showed contraction in both the manufacturing and services sector. While none of these individually is of great concern, when taken in concert they do seem to indicate that the US economy is slowing. With Fed Funds futures currently indicating a 92.5% chance of a rate cut on October 29, odds are certainly high that we see the Fed follow suit with another 0.25% cut.

In addition to the US private data, there have been a couple big pieces of political news. First, in France, the PM, Lecornu, tendered his resignation 14 hours after appointing his new government. I am not sure if that is the shortest tenure for a French PM, but it certainly has to be in the running. With his 3rd PM gone since June 2024, this puts Macron in a bind. Does he pivot left to cobble together a government that can actually do something? No matter how this goes down politically, it is becoming obvious that budget cuts will be a tough pill to swallow. Pivoting over to Asia, Takaichi became the first female Japanese Prime Minister. While her gender doesn't mean much to me, her policies mean a lot. With an aversion to cutting government spending and the BOJ raising rates, the continual flow of fiat money is most likely unabated. Individually, these are not major market movers for our positions, but when aggregated alongside the never-ending US deficit spending, they are most certainly a tailwind.

For the reasons stated above, the portfolio appears to be in a good position. Gold and silver should continue to move higher as monetary debasement continues. As for the US yield curve, the high probability that the Fed continues to cut rates should allow for the front end to fall further than the back end. Without a change to government policies, these positions will continue to be held.

Sincerely,

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