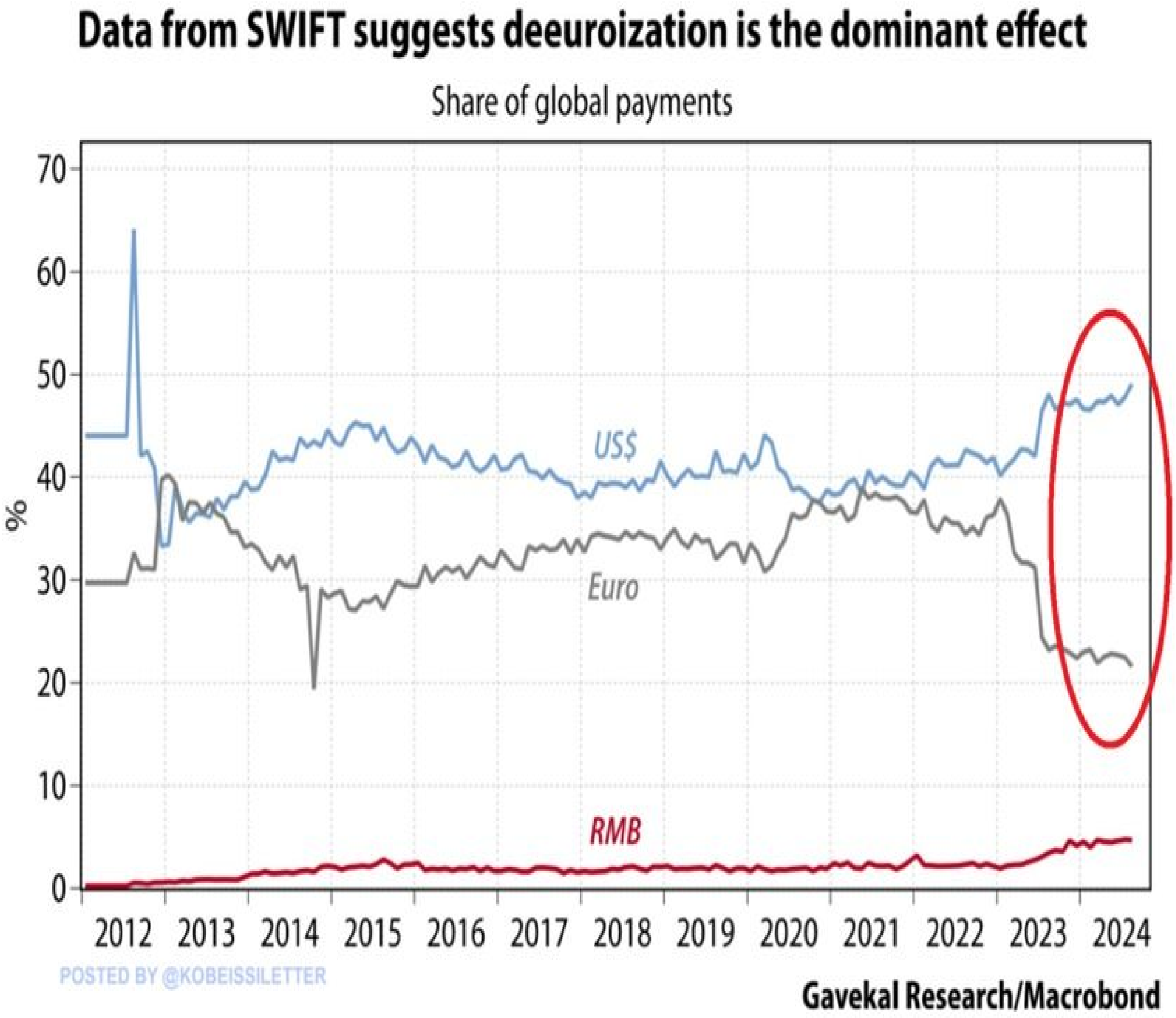
De-dollarization Or Re-dollarization? - RIA

Some gold and Bitcoin bugs claim the U.S. dollar is being inflated away and that our politicians and the Fed are abusing its status as the world?s reserve currency. While the narrative may sound logical, the fact of the matter is that the opposite is occurring. Despite growing de-dollarization narratives in traditional and social media, the dollar?s use in global transactions is increasing.

The Gavekal Research graph below shows that the dollar?s share of global payments using the SWIFT system is at its highest level in twelve years. Moreover, the Euro, the one currency some experts thought could be a replacement reserve currency, has seen its share of global payment transactions nearly cut in half over the last five years. A few people believe China?s Yuan might be a viable replacement at some point. While its share has risen, it only represents 5% of global payments. Since 2021, the dollar?s share has risen 9% to the yuan?s 4%.

De-dollarization is a myth. What those pushing de-dollarization fail to appreciate is that the rule of law, the world?s most liquid capital markets, military might, and economic status make the dollar the only option as a reserve currency. The reality, as the graph shows, is that re-dollarization is the current trend. For more on the topic, read our two-part article, Four Reasons The Dollar Is Here To Stay.



What To Watch Today

Earnings

Wednesday Nov 6	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Qualcomm QCOM:US		2.56	2.02		9.9B	8.67B	$183.96B	Q4	PM
Gilead Sciences GILD:US		1.51	2.29		7.01B	7.1B	$112.9B	Q3	AM
CVS Health CVS:US		1.55	2.21		92.7B	89.76B	$70.52B	Q3	AM
McKesson MCK:US		6.92	6.23		89.33B	77.2B	$68.91B	Q2	AM
Williams Companies WMB:US		0.42	0.45		2.48B	2.56B	$63.18B	Q3	PM
American Electric Power AEF		1.80	1.77		5.43B	5.3B	$51.28B	Q3	PM
Sempra Energy SRE:US		1.05	1.08		3.54B	3.33B	$51.23B	Q3	PM
Fair Isaac FICO:US		6.36	5.01		448.66M	390M	$49.51B	Q4	PM
Corteva CTVA:US		-0.29	-0.23		2.71B	2.41B	$42.53B	Q3	AM
Howmet Aerospace HWM:US		0.65	0.46		1.85B	1.66B	$41.04B	Q3	AM
Iron Mountain IRM:US		0.48	0.45		1.55B	1.39B	$35.83B	Q3	PM
Ansys ANSS:US		1.78	1.41		525.36M	458.8M	$28.3B	Q3	AM
Take Two Interactive Software		0.42	-3.20		1.43B	1.44B	$27.76B	Q2	AM
Texas Pacific Land TPL:US		5.35	13.74		180.75M	157.97M	$27.61B	Q3	PM
Ameren AEE:US		1.91	1.87		2.18B	2.06B	$22.84B	Q3	AM
Steris STE:US		2.13	2.03		1.33B	1.34B	$22.61B	Q2	PM
PTC PTC:US		1.45	1.20		620.75M	547M	$22.3B	Q4	PM
Atmos Energy ATO:US		0.82	0.80		878.39M	587.64M	$20.86B	Q4	AM
Sun Communities SUI:US		1.70	1.31		976.7M	983.2M	$16.38B	Q3	PM
Fidelity National Financial FNF:		1.39	1.23		3.32B	2.78B	$16.26B	Q3	PM
Marathon Oil MRO:US		0.63	0.77		1.7B	1.81B	$16.02B	Q3	PM
Owens Corning OC:US		4.05	4.15		3.04B	2.48B	$15.93B	Q3	PM
Trimble Navigation TRMB:US		0.62	0.68		862.78M	957M	$15.17B	Q3	PM
Western Gas Partners WES:US		0.83	0.70		924.83M	776.01M	$14.02B	Q3	AM
Coherent IVI:US		0.61	0.16		1.31B	1.05B	$14.01B	Q1	PM
Jones Lang LaSalle JLL:US		2.74	2.01		5.62B	5.1B	$12.68B	Q3	PM
Host Hotels & Resorts HST:US		0.10	0.16		1.29B	1.21B	$12.28B	Q3	PM
Instacart CART:US		0.12	-20.86		817.59M	736.9M	$11.93B	Q3	
Albemarle ALB:US		-0.44	2.74		1.37B	2.31B	$11.83B	Q3	PM
Sarepta Therapeutics SRPT:US		-0.06	-0.46		407.73M	331.8M	$11.47B	Q3	PM
MarketAxess MKTX:US		1.82	1.47		206.9M	171M	$10.96B	Q3	PM
Pinnacle West Capital PNW:US		3.48	3.50		1.68B	1.63B	$10.61B	Q3	PM
Fortune Brands Innovations FE		1.14	1.19		1.24B	1.26B	$10.53B	Q3	PM
Zillow Z:US		0.26	0.33		555.36M	496M	$10.52B	Q3	AM
Match MTCH:US		0.48	0.57		902.86M	882M	$9.69B	Q3	PM
Primerica PRI:US		4.81	4.28		745.25M	713.2M	$9.59B	Q3	PM
Charles River Laboratories CRI		2.42	2.72		976M	1.03B	$9.49B	Q3	PM
APA APA:US		0.97	1.33		2.27B	2.31B	$7.12B	Q3	AM
MKS Instruments MKSI:US		1.45	1.46		874.29M	932M	$6.75B	Q3	AM
EnLink Midstream ENLC:US		0.14	0.06		1.74B	1.75B	$6.71B	Q3	PM
Starwood Property STWD:US		0.47	0.49		488.63M	521.5M	$6.22B	Q3	AM

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Economy

Wednesday November 06 2024			Actual	Previous	Consensus	Forecast
07:00 AM	US	MBA 30-Year Mortgage Rate NOV/01		6.73%		
07:00 AM	US	MBA Mortgage Applications NOV/01		-0.1%		
07:00 AM	US	MBA Mortgage Market Index NOV/01		214.5		
07:00 AM	US	MBA Mortgage Refinance Index NOV/01		630.0		
07:00 AM	US	MBA Purchase Index NOV/01		137.8		
10:30 AM	US	EIA Crude Oil Stocks Change NOV/01		-0.515M	1.8M	
10:30 AM	US	EIA Gasoline Stocks Change NOV/01		-2.707M	-1.65M	
10:30 AM	US	EIA Crude Oil Imports Change NOV/01		-0.605M		
10:30 AM	US	EIA Cushing Crude Oil Stocks Change NOV/01		0.681M		
10:30 AM	US	EIA Distillate Fuel Production Change NOV/01		-0.148M		
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10:30 AM	US	EIA Gasoline Production Change NOV/01		-0.259M		
10:30 AM	US	EIA Heating Oil Stocks Change NOV/01		0.571M		
10:30 AM	US	EIA Refinery Crude Runs Change NOV/01		-0.031M		
11:30 AM	US	17-Week Bill Auction		4.430%		
01:00 PM	US	30-Year Bond Auction		4.389%		

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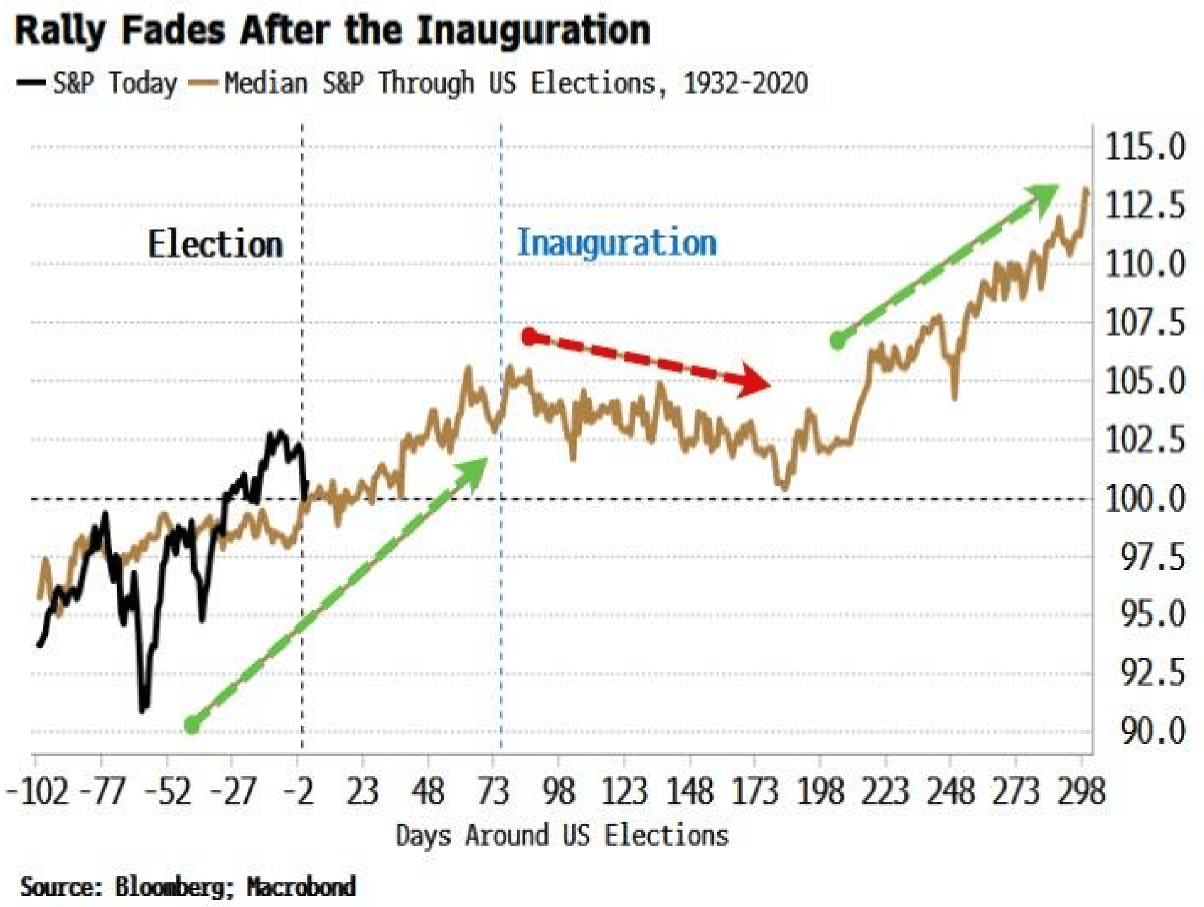
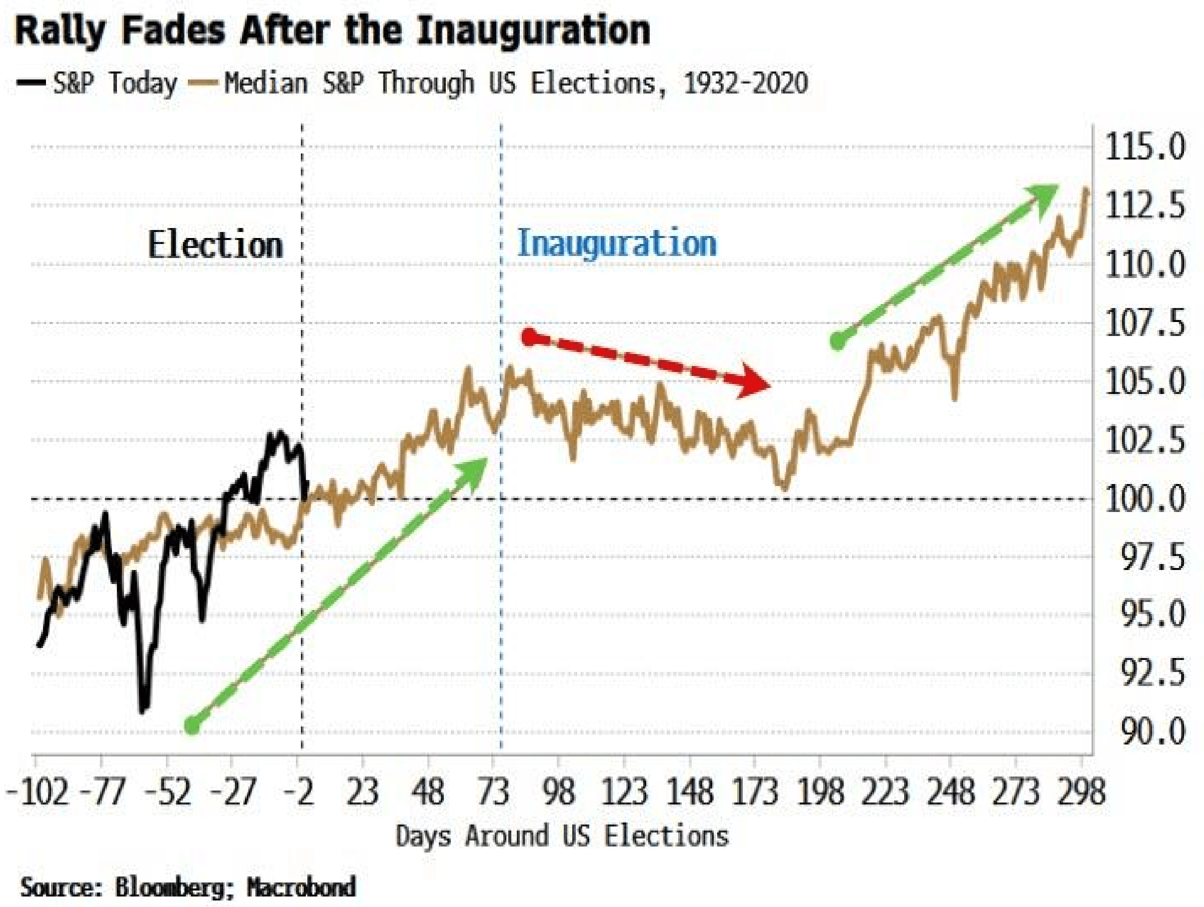
Market Trading Update

As ***discussed yesterday***, the market held support at the 50-DMA and bounced nicely off that level on election day. With the election behind us, we now focus on the Federal Reserve and its next rate-cut decision today. Overall, the market continues to trade mostly as expected. Once past the FOMC announcement, the market should begin to pick up into year-end as buybacks, performance chasing, and window dressing all commence.

The good news is that regardless of your opinion of the election, the market doesn?t care much. Historically, market returns are fairly standard across elections and tend to rise into year-end. The market tends to fade through the inauguration, mostly because it reverses the previous overbought and extended conditions, which then sets up a rally for the rest of the year.

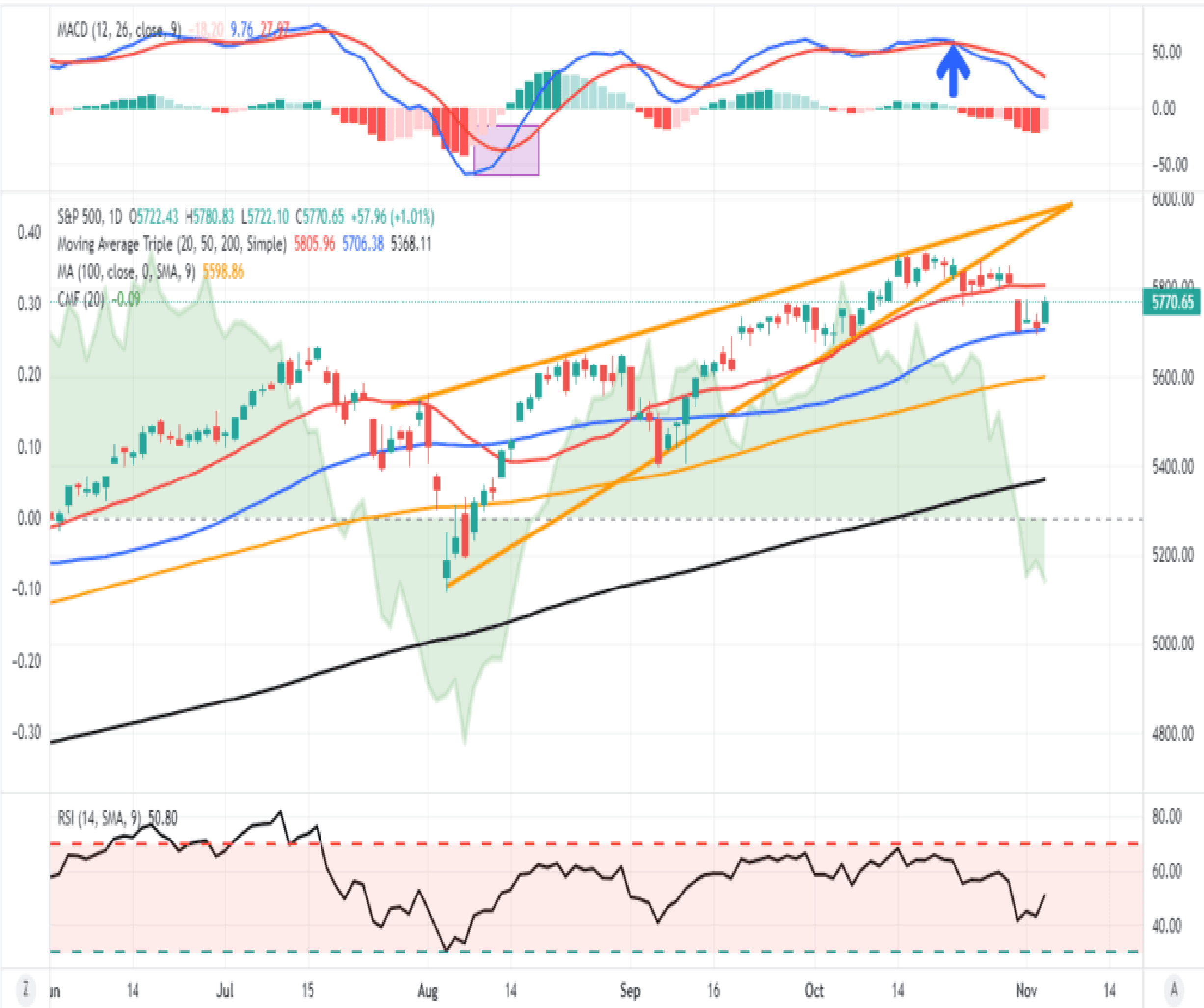




As shown, the market continues to perform bullishly for now. The recent correction and retest of the 50-DMA reversed enough of the previous overbought condition to set up a potential year-end rally.

Continue to manage risk as always, but there is little need to be overly defensive.

TradingView



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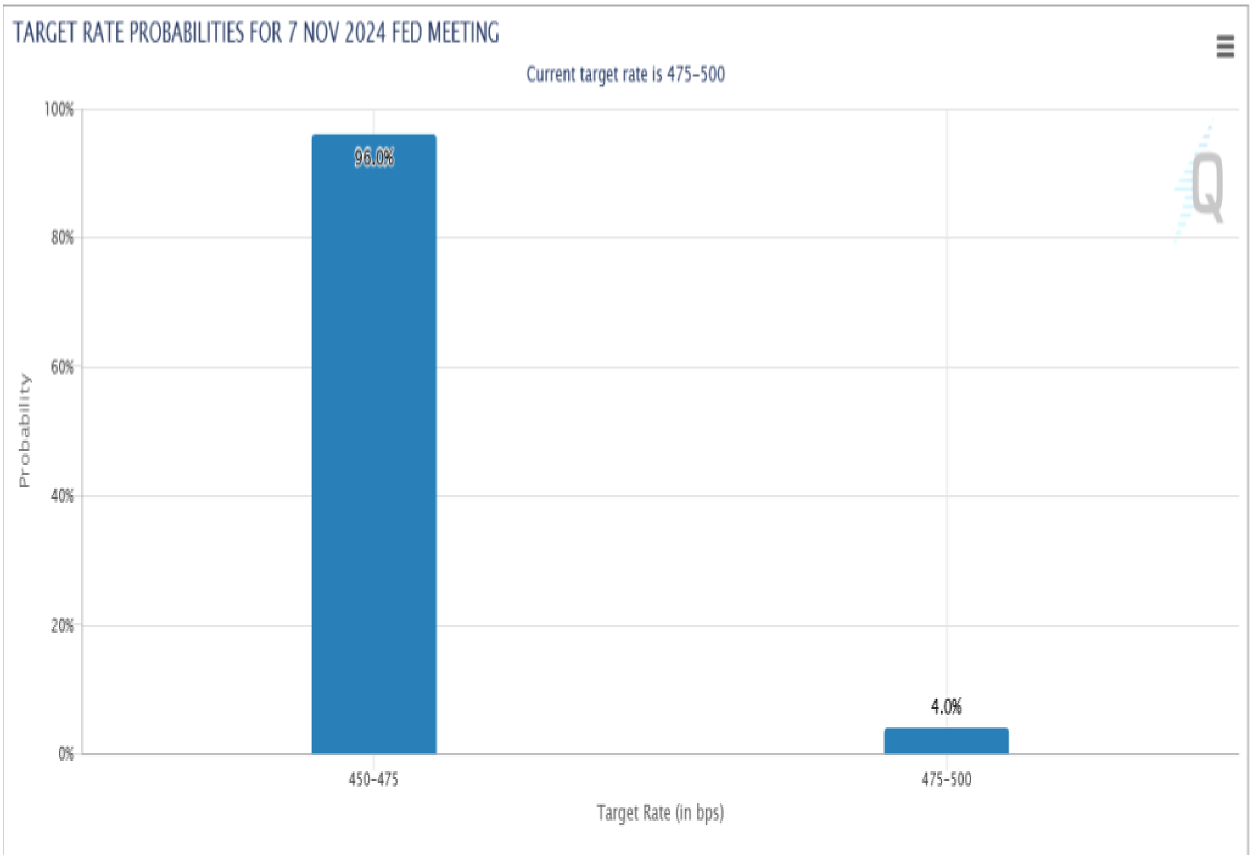
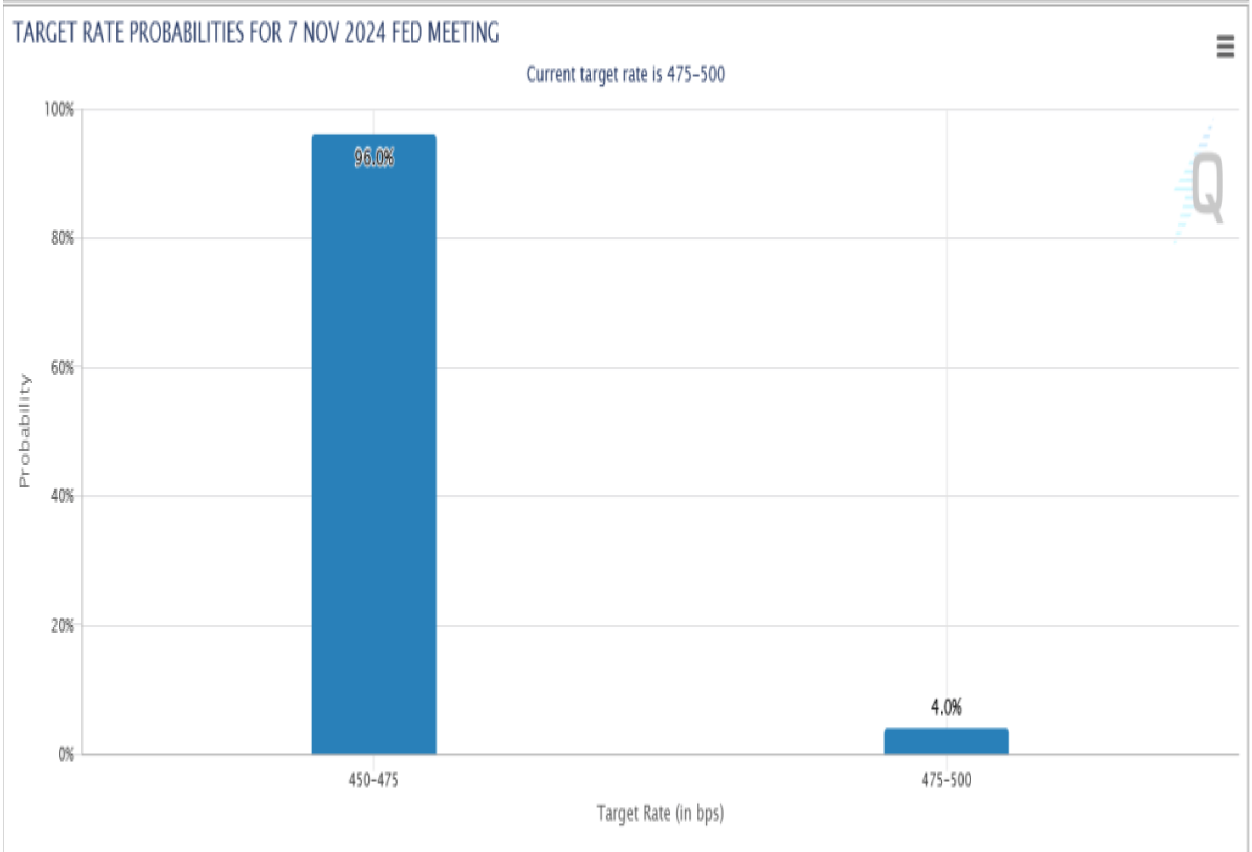
What To Expect From The Fed

Having met yesterday and today, the Fed will release its monetary policy statement, and Jerome Powell will follow with a press conference this afternoon. As we share below, the market firmly believes the Fed will cut by 25 basis points today. While not shown, the odds they cut again in December are currently 80%. Since the cut is highly likely, what will be more telling is the Fed?s recent take on employment and possibly the election. As we have noted, employment is challenging to assess due to the Boeing strike and recent hurricanes. However, prices continue to trend lower, allowing the Fed latitude to cut further even if the labor market doesn?t weaken further.

The other significant consideration for the Fed is bond yields. Since they last cut, bond yields have risen by about 50bps. In some respects, they may like that as it will provide a further headwind to growth and, thus, inflation. However, in some respects, it?s a warning to the Fed that cutting further will incite inflation.





Plan For Volatility

Therefore, delaying certainty in the election outcome could increase short-term market volatility. However, history suggests market performance has been fairly reliable despite short-term uncertainty. Markets tend to dip the day after the election, with historical data showing that the S&P 500 drops by an average of 0.66% following Election Day?. This reflects both disappointment when expected outcomes don?t materialize and uncertainty about the policy direction under a new administration. However, markets typically recover by December, with the S&P 500 posting gains in about 61% of election years. However, these gains are often muted compared to non-election years, with average year-end increases below 1%?

As we have stated, the risk is a contested election. Contested elections, such as in 2000 and 2020, have historically prolonged market volatility. Following the Bush-Gore election in 2000, the S&P 500 fell 5% over the next month as the legal battle dragged on. In 2020, delayed vote counts and legal challenges heightened volatility, keeping investors on edge for weeks.?

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Historical election outcome scenarios and market performance

Scenario	White House control	Congress control	Outcome	Average 3-month S&P 500 return during period	Average 3-month return relative to all periods	Statistically significant (>95%)?
1			One party (D)	2.20%	+0.02%	No
2			Divided	3.85%	+1.67%	Yes
3			Divided	3.93%	+1.75%	Yes
4			Divided	1.19%	-0.99%	Yes
5			One party (R)	2.67%	+0.49%	No
6			Divided	1.62%	-0.67%	No
			All one party (D or R)	2.33%	+0.15%	No
			All divided	2.08%	-0.10%	No

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