



Without much fanfare or public discussion, Congress has decided to push the U.S. into deeper fiscal responsibility. Earlier this week, the [House passed another Continuing Resolution \(CR\)](#) to keep the government from "shutting down" prior to the mid-term elections.

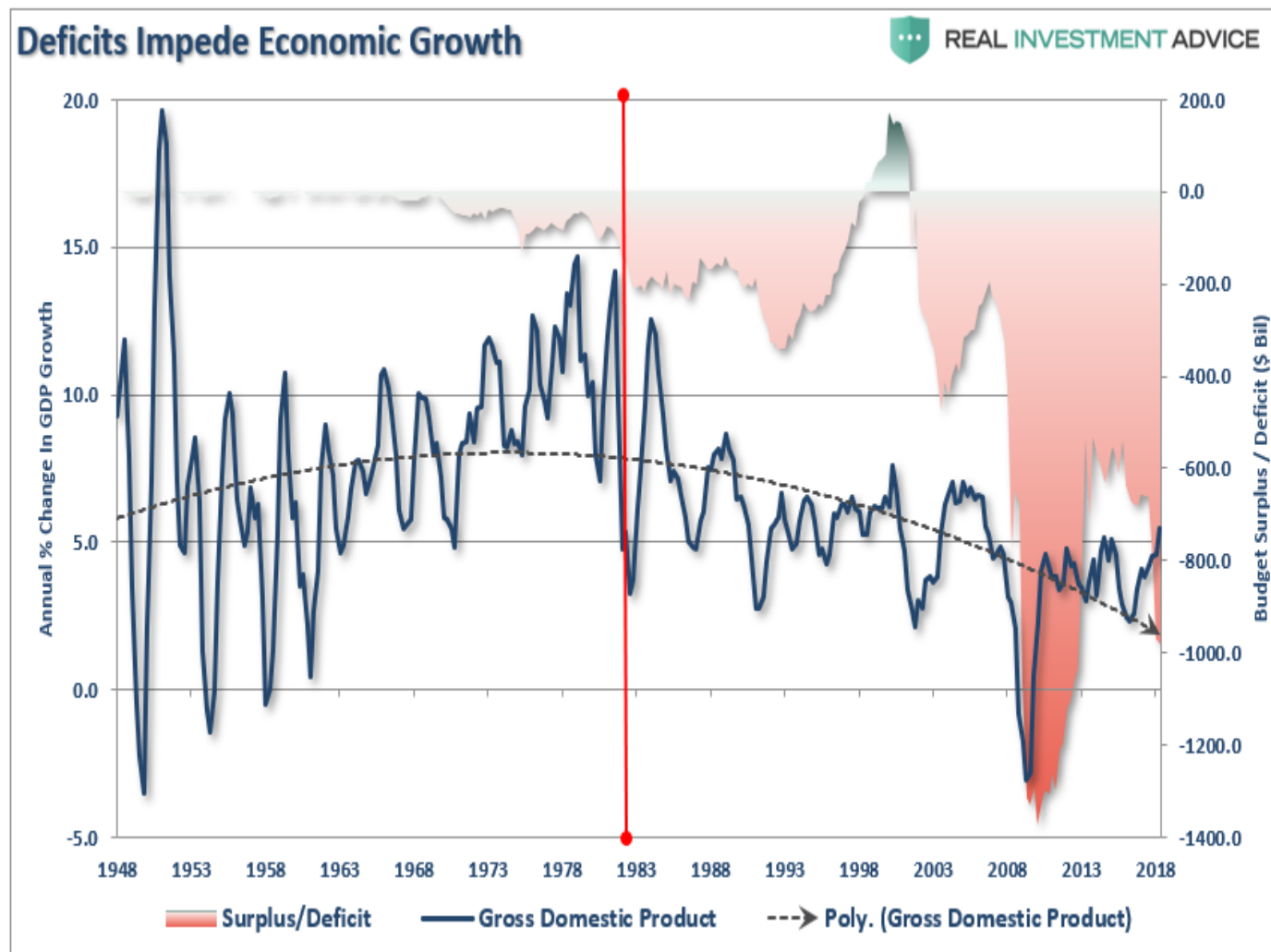
"The House on Wednesday passed an \$854 billion spending bill to avert an October shutdown, funding large swaths of the government while pushing the funding deadline for others until Dec. 7.

The bill passed by 361-61, a week after the Senate passed an identical measure by a vote of 93-7."

For almost a decade, Congress has failed to pass, and operate, underneath a budget. Of course, without any repercussions from voters in demanding that Congress "does *their job*," the path to fiscal insolvency continues to grow. The Committee For A Responsible Federal Budget made the following statement:

*"We're pleased policymakers have likely avoided a shutdown and actually appropriated most of this year's discretionary budget on time. **But let's not forget that Congress did so without a budget and had to grease the wheels with \$153 billion to pass these bills. That isn't function; it's a fiscal free-for-all.**"*

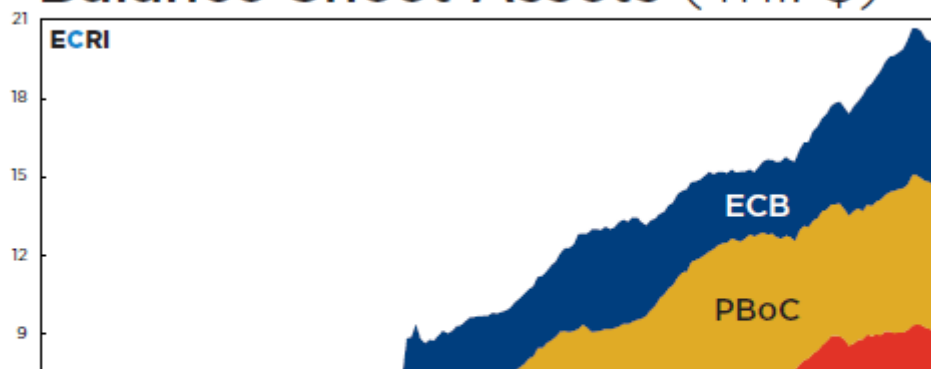
Of course, with trillion-dollar deficits just around the corner, the negative impact from unbridled spending and debt increases will begin to reverse the positive effects from deregulation and tax reform.



The bigger problem with the \$854 billion CR just passed by the House, and awaiting the President's signature, is that it only covers spending from now until December. Such means that by the time we get the full 2019 budget funded, with the annual automatic increases still in place, we will be looking at more than \$2 Trillion in annual spending. Such will require further increases in debt issuance at a time when there are potentially fewer buys of Treasuries readily available. As shown in the chart below, with the major Central Banks reducing their balance sheets simultaneously, some of the more major buyers are being removed from the market.

Central Bank Balance Sheet Assets (Tril. \$)

dollars since March.
[m](#) ? raises the risk of
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sequester-level budget caps will return. The last time budget-caps came into play Ben Bernanke launched QE-3 to offset the economic drag from reduced government spending. Given Central Banks are effectively "out of the game" for now, **it is most likely Congress will just bust the budget and then spin it as a "Conservative victory" as they did this year.** As the Committee for a Responsible Federal Budget [previously stated](#):

- **Debt Is Rising Unsustainably.**
- **Spending Is Growing Faster Than Revenue.**
- **Recent Legislation Will Substantially Worsen the Long-Term Outlook if Extended.**
- **High And Rising Debt Will Have Adverse and Potentially Dangerous Consequences** (Will lead to another financial crisis.)
- **Major Trust Funds Are Headed Toward Insolvency.**
- **Fixing the Debt Will Get Harder the Longer Policymakers Wait.**

While the CRFB suggests that lawmakers need to work together to address this bleak fiscal picture now so problems do not compound any further, there is little hope that such will actually be the case given the deep partisanship currently running the country. As I have stated before, choices will have to be made either by choice or force. The CRFB agrees with my assessment.

*?CBO continues to remind us what we've known for a while and seem to be ignoring: the federal budget is on an unsustainable course, particularly over the long term. **If policymakers make the tough decisions now ? rather than wait until there?s a crisis point for action ? the solutions will be fairer and less painful.?***

Just something to think about as you catch up on your weekend reading list.

Economy, 2008 & Fed

- The ABC's Of Trade For President Trump [by Caroline Baum via MarketWatch](#)
 - **Timing Is Everything** [by ECRI](#)
 - Further Tax Cuts, Further Fiscal Irresponsibility [by Committee For A Responsible Federal Budget](#)
 - Aren't Central Bankers Supposed To Forecast [by Rex Nutting via MarketWatch](#)
 - Underemployment Is the New Unemployment [by Leonid Bershidsky via Bloomberg](#)
 - The Catastrophic Threat To National Security: Debt [by Rear Adm. Jamie Barnett via The Hill](#)
 - How Fed Rate Increases Affect The Economy [by Mickey Levy via Economics 21](#)
 - **2-Reasons Surging Deficits Worry Me** [by Cullen Roche via PragCap](#)
 - Ford CEO: Tariffs Cost Us \$1 Billion In Profits [by Tyler Durden via ZeroHedge](#)
 - The Trade Wars Of Codependency [by Stephen Roach via Project Syndicate](#)
 - Entitlement Crisis Is Looming [by Yuval Levin & James Capretta via The Standard](#)
 - Will The Next Meltdown Be From A Refusal To Curb Debt [by IBD](#)
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Markets

- **Ken Griffin: The Next Financial Crisis Will Hit In 12-24 Months** [by Tyler Durden via Zerohedge](#)
- Buckle Up - October Is Almost Here [by Mark Hulbert via MarketWatch](#)
- Howard Marks: The 7-Worst Words In The World [by Shawn Langlois via MarketWatch](#)
- Do Spectacular Earnings Justing High Stock Prices [by Robert J Shiller via Project Syndicate](#)

- The Biggest Bubble In The Biggest Bubble Ever [by David Hay via Evergreen Gavekal](#)
 - The "Junkie Market" Is Back Again [by Dana Lyons via The Lyons Share](#)
 - Why Mid-Term Elections Means Stocks Will Surge [by Simon Constable via Forbes](#)
 - The Revenge Of Real Rates [by Sid Verma & Luke Kawa via Bloomberg](#)
 - **Are Strong Profits About To End** [by Ryan Vlastelica via MarketWatch](#)
 - Will The Fed Trigger The Next Crisis [by Jesse Colombo via Forbes](#)
 - Could This Divergence Lead To A Correction? [by Chris Kimble via SeeltMarket](#)
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Most Read On RIA

- **The Two Biggest Threats To This Bull Market** [by Lance Roberts](#)
 - 15-Bullish Assumptions [by Michael Lebowitz](#)
 - How To Invest For A Hard Landing [by Vitaliy Katsenelson](#)
 - Can You Feel The Complacency [by Lance Roberts](#)
 - Kass: Tops Are Processes - Part Deux [by Doug Kass](#)
 - Party Like It's 1992 [by Lance Roberts](#)
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Research / Interesting Reads

- Do As They Say, Not As They Do [by Jim Quinn via The Burning Platform](#)
 - **Dalio: America Has 2-Years To The Next Recession** [by Tyler Durden via ZeroHedge](#)
 - Dotcom Crash Deja Vu [by Patrick Hill via The Progressive Ensign](#)
 - Powell's Standouts & Zingers [by Wolf Richter via Wolf Street](#)
 - When Will The Everything Bubble Crash [by Brandon Smith via Alt-Market](#)
 - Larry McDonald: It's Going To Get Really Ugly [by Christoph Gisiger via Finanz Und Wirtschaft](#)
 - How The Crisis Caused A Pension Train Wreck [by Yves Smith via Naked Capitalism](#)
 - Blow To Mainstream Gun Narrative: Homicides Drop [by Ryan McMaken via The Mises Institute](#)
 - 10-Years After Lehman: Bubbles & Zombies [by Edward Chancellor via ThinkMarkets](#)
 - 5-Books To For The Coming Civil War [by Joanne Freeman vis WSJ](#)
 - Trillion Dollar Deficits In An Age Of Prosperity [by Hunt Lawrence via American Spectator](#)
 - **Why We Care About Economic Freedom** [by Richard Rahn via Washington Times](#)
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?There is only one side to the stock market, and it is not the bull side or the bear side, but the right side.? - Jesse Livermore

Questions, comments, suggestions ? please [email me](#).