

Higher Interest Rates, Rising Debt and Wider Deficits Magnify September

It's been 10 days since Fitch downgraded the U.S. sovereign debt rating from AAA to AA+. The downgrade itself isn't cause for concern, but the underlying reason should grab the attention of political leaders.

The reason is embedded in the July budget review from the Congressional Budget Office (CBO). According to the CBO report, the U.S. budget deficit for the first 10 months of the current fiscal year has swelled to \$1.6 trillion, *more than double the shortfall over the same period a year ago*. Given the resiliency of the U.S. economy, financial deterioration of this magnitude seems counterintuitive ...until you sift through the details.

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