BACK TO THE FUTURE: THE MARKETPLACE TIME MACHINE

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"Face this world. Learn its ways, watch it, be careful of too hasty guesses at its meaning. In the end you will find clues to it all." H.G. Wells, "The Time Machine"

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OVERVIEW AND CONCLUSION

Cultural observers inevitably select between and analyze diverse variables to explain and predict economic, political, and social history, including relationships and trends and outcomes, in a variety of often-competing fashions. So marketplace and political visionaries inescapably interpret and forecast probable consequences for Trump's landmark Presidential triumph in America's 11/8/16 national election, in which Republicans also captured control of both the Senate and House of Representatives, in various ways. And of course in today's interdependent world, the American political and economic domain intertwines closely with realms elsewhere.

The extent to which important financial playgrounds intertwine and their alleged trends converge or diverge (or, lead or lag) are matters of opinion, as are perspectives on and reasons for such relationships and movements. And marketplace history need not repeat itself, either entirely or even partly. Convergence and divergence patterns can change, sometimes dramatically.

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Let's focus on several key global financial marketplace playgrounds. Review relationships in recent years between the United States Treasury 10 year note, the broad real trade-weighted US dollar ("TWD"; Federal Reserve Board, H.10; monthly average, March 1973=100), the S+P 500, emerging marketplace stocks (MSCI Emerging Stock Markets Index, from Morgan Stanley; "MXEF"), and commodities in general (broad S&P Goldman Sachs Commodity Index; "GSCI").

In the aftermath of America's November election, it is noteworthy that whereas the S+P 500 has ascended to all-time highs, the MXEF lurks below its pre-election interim high, 9/7/16's 930 (and 11/9/16's 907; 11/14/16 low 837). In addition, the MXEF's September 2016 top stands beneath its important 4/27/15 high (1069), its 9/4/14 elevation (1104), and earlier major tops. (1212 on 4/27/11; 1345 on 11/1/07).

This current divergence between the S+P 500 and MXEF recalls (resembles) the similar disparate major trends in those marketplaces from spring 2011 through spring 2015. During that span, whereas the S+P 500 continued its major upward trend, the MXEF did not. Afterwards, from spring 2015 highs down to first quarter 2016 troughs and up to around mid-summer 2016 (S+P 500 summer 2016 high 8/15/16 at 2194), the S+P 500 and MXEF "traded together".

It is also significant that since America's election departed, UST 10 year rates have continued to march upward and the TWD has climbed to new highs. These interest rate and currency patterns, should they continue further, and when viewed alongside the divergence between the S+P 500 and the MXEF, warn of eventual S+P 500 weakness. Marketplace history of course is not marketplace destiny. But it is particularly significant that TWD breakouts in 2014 and 2015 above critical resistance barriers eventually accompanied S+P 500 weakness. Thus at some point the advance of the TWD above its January 2016 plateau may interrelate with an important interim (and perhaps a major) high in the S+P 500. If the S+P 500 indeed weakens, the MXEF probably will slump alongside of it (as occurred from spring 2015 to the 1Q16 bottoms).

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Many money ("investment") managers in the equity sphere have their performance evaluated on a calendar year basis. As the S+P 500 upswing has persisted after the election, perhaps some of these players are choosing to move cash in their portfolio into US stocks as end December 2016 approaches. To some extent, the ongoing rally in the S+P 500 probably reflects the relatively strong American economy. Compare European economic growth, for example. Share buybacks and still relatively low interest rates remain among the relevant bullish factors for the S+P 500. To some extent, perhaps the ongoing dollar strength reflects faith in America's economy, at least relative to that of many other regions. Washington's recent regime change, as it promises substantial infrastructure spending and some hefty tax cuts, likely represents and will result in a more expansionary fiscal policy, which could enhance corporate earnings, particularly for American-based firms.

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The relative strength of the S+P 500 benchmark in comparison to (its price divergence from) the emerging stock marketplace's MXEF signpost in part may reflect the relative economic and political stability of the United States (despite America's notable internal divisions).

However, also look at the Presidential winner's slogan, "Make America Great Again!" (Compare "America First"). Such ardent "populist" wordplay joins to rhetoric which promotes nationalist (American) objectives considerably more strongly than the globalist/internationalist ideologies embraced by "the establishment" (elites). Even if over time advanced as well as emerging/developing nations benefited substantially from globalism and increasingly free markets and free trade, arguably developing nations (especially net exporters) particularly profited. The incoming American President and many of his allies not only are more hostile in general to globalism notions than the preceding Administration, but even have spoken of renegotiating (or walking away from) trade agreements and imposing (or raising) tariffs. Therefore, the renewed divergence between the S+P 500 and MXEF in recent months also probably partly reflects the declining popularity of globalist/internationalist dogmas (free market, free trade) in the US and many other nations.

LOOKING BACKWARDS: PAST MARKETPLACE TURNING POINTS

Look at noteworthy price and time relationships between several key interest rate, stock, currency, and commodity marketplace benchmarks in recent years. Concentrate on the timing of price trend changes. In this context for the broad real trade-weighted dollar, underscore in a couple of cases the timing linkage of its acceleration (price breakouts over key resistance levels) in relation to turns in the other financial marketplaces.

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2011 Turning Point:

UST 10 Year Note	**S+P 500**	**Emerging Market Stocks (MXEF)**	**Broad Real US Dollar ("TWD")**	**Broad GSCI**
3.77 percent (2/9/11) 3.22pc (7/1/11)	1371 5/2/11	1212 (4/27/11)	**Major low 80.3 (July 2011)**	762 (4/11 and 5/2/11)

The UST 10 year's February 2011 yield top led by a few months the highs in the S+P 500, MXEF, and the broad GSCI. The TWD's major bottom (monthly average) followed not long after the major highs in stocks and commodities. The TWD's major low coincided with a second (lower) yield plateau in the UST, 7/1/11's 3.22pc (July 2011's yield elevation has not been exceeded since).

However, although the S+P 500 tumbled 21.6 percent to 1075 on 10/4/11, its May 2011 high was merely an interim top, unlike the major ones in the MXEF and the broad GSCI. The MXEF's subsequent key interim highs (as in 2014's), were lower than those of 2011. In contrast, the S+P 500 resumed its gigantic bull advance. Thus the S+P 500's major trend diverged from those in these other marketplaces until its May 2015 high at 2135.

2014 Turning Point:

UST 10 Year Note	**S+P 500**	**Emerging Market Stocks (MXEF)**	**Broad Real US Dollar ("TWD")**	**Broad GSCI**
3.05pc (1/2/14) 2.69pc (7/13/14) 2.65pc (9/19/14)	2019 (9/19/14)	1104 (9/4/14)	86.2 in Sept 2014 moved over 85.9, June 2012's interim ceiling	673 (6/23/14)

On the timing front, compare the UST's September 2014 final yield crest and the MXEF's peak. The S+P 500 likewise made an important top in September 2014, but as in 2011 it was only an interim one. Despite the S+P 500's rapid 9.8 percent slump to 1821 on 10/15/14, it resumed its majestic climb (compare the October 2014 low with those of first quarter 2016).

Highlight the September 2014 timing of the TWD's upside breakout over its June 2012 resistance for the MXEF's retreat and related moves in other marketplaces.

The broad GSCI is heavily petroleum-weighted. Focus on NYMEX crude oil (nearest futures continuation). That weathervane collapsed following its 6/20/14 drop-off high point at $107.73. Remember OPEC's crucial oil meeting of 11/27/14, during which oil ministers decided to maintain elevated production levels (capture market share).Although the broad GSCI's June 2014 high preceded the September 2014's high in the MXEF (and the S+P 500's minor top), it crashed after its 11/26/14 close near 515.

2015 Turning Point:

UST 10 Year Note	**S+P 500**	**Emerging Market Stocks (MXEF)**	**Broad Real US Dollar ("TWD")**	**Broad GSCI**
2.50pc (6/11/15)	2135 (5/20/15)	1069 (4/27/15)	May 2015 interim low; TWD rally acceleration after October 2015's 96.5	459 (5/6/15) 450 (6/10/15)

In calendar 2015, the TWD made two important "turns". The first was May 2015's minor low, the second an upward acceleration through important resistance.

The nominal broad trade-weighted dollar, which unlike the broad real TWD, has daily data, established a minor low on 5/15/15 at 112.8 around the time of the spring highs in the MXEF and the S+P 500, as well as the broad GSCI's summit and the UST's June 2015 yield top. The broad real TWD had climbed to 94.4 in March 2015 (monthly average). It eroded slightly to establish a minor low in May 2015 at 92.8. Thus as in the 2011 turning point period, in spring 2015 a pivotal TWD low links to the timing of very significant turning points (trend changes) in other key marketplaces such as the MXEF and S+P 500. However, in contrast to 2011, the May 2015 TWD low was not a major one.

A second and critical turning point for the broad real TWD in 2015, and a crucial one for the other marketplaces, was its decisive advance from October 2015's 96.5 level. In September 2015, the broad real TWD averaged 97.3, slightly surpassing March 2009's memorable major summit at 96.7, attained around the close of the terrifying 2007-09 global economic disaster (and the S+P 500's 3/6/09 major bottom at 667). After dipping to an interim low of 96.5 in October 2015, the TWD thereafter blasted above the March 2009 resistance, reaching 100.9 in January 2016.

Perhaps a "more complete" convergence between the MXEF and S+P 500 trends finally began in spring 2015. In any case, with the TWD's upward spike from its October 2015 level, the MXEF and S+P 500 cratered sharply lower "together". Recall the MXEF's fall from 11/4/15's 873 height and the S+P 500's retreat from 11/3/15's 2116 (and 12/29/15's 2082).

Meanwhile, the UST 10 year and GSCI continued to move in the patterns they established following their late spring 2015 turns. The NYMEX crude oil high (nearest futures) was 5/6/15's $62.58 ($61.82 on 6/10/15).

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Recall that in 2014, the TWD surpassed June 2012's ceiling (which itself neighbored the important April 2008 financial crisis low at 84.0). Thus in both the 2014 and 2015 turning point periods, marketplace watchers can associate a breakout by the TWD above crucial resistance with substantial (related; accompanying) price moves in other marketplaces.

As the first quarter 2016 overview displays, the TWD established a very important pinnacle in January 2016, for it occurred alongside important turning points in other marketplaces. Therefore, by analogy to the TWD's 2014 and 2015 decisive breakouts above important resistance, the TWD's recent climb above January 2016's high, and especially if that penetration is sustained in time and extended in distance, probably is a notable warning sign for the MXEF and (even the mighty S+P 500).

First Quarter 2016 Turning Point:

UST 10 Year Note	**S+P 500**	**Emerging Market Stocks (MXEF)**	**Broad Real US Dollar ("TWD")**	**Broad GSCI**
1.53pc	1812	687	**High 100.9**	268
(2/11/16)	(1/20/16)	(1/21/16)	(January 2016)	(1/20/16)
(But fell to	1810	708		
1.32pc 7/6/16)	(2/11/16)	(2/12/16)		

The initial yield low in the UST occurred on 2/11/16 at 1.53 percent, alongside the times of noteworthy marketplace lows in the S+P 500, MXEF, and commodities in general. Its yield walked up to 2.00pc on 3/16/16, but thereafter slid to and established a major bottom at 1.32pc on 7/6/16, bordering 7/25/12's crucial floor. The 7/6/16 UST yield trough represents a nine year diagonal time move from 6/13/07's 5.32pc Goldilocks Era peak.

Since its July 2016 bottom, the UST 10 year yield has steadily pushed upward. Note that right after Trump's victory, the UST 10 year note yield bounced higher. Its 11/8/16 high was around 1.87 percent; it closed on 11/9/16 at 2.06pc, thus breaking above 3/16/16's 2.00pc minor top. The UST yield is currently challenging 6/11/15's important interim top of 2.50pc, and 1/2/14's 3.05pc summit is not very distant. US inflation expectations have ascended since early summer. The St. Louis Fed's measure of expected inflation (on average) for the five year period that begins five years from today has risen from 1.41 percent (7/5/16) to over two pc recently (12/1/16's 2.13pc).

Significantly, in summer 2016, the 10 year German government note also established an important yield low alongside that in the UST 10 year. Its 7/6/16 trough was in negative territory, at -.21 percent. Japan's 10 year government bond (JGB) also made a notable low around that time, on 7/27/16 at almost -.30pc. The United Kingdom's 10 year government note depth occurred slightly later and just above zero, at .50pc on 8/15/16.

In the glorious Goldilocks Era, a sustained climb in US government interest rate yields helped lead to (occurred before) the pinnacle in the S+P 500. The UST 10 year yield peaked at 5.32 percent on 6/13/07, the S+P 500 on 10/11/07 at 1576. In the current context, with UST yields rising, keep an eye on MXEF patterns and the TWD dollar trend.

The Federal Reserve meets 12/13-14/16, 1/31 to 2/1/17, and 3/14-15/17.

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January 2016's broad real TWD 100.9 top (monthly average) significantly surpassed the peak reached during the global economic crisis, March 2009's 96.7. The rally from July 2011's major bottom to January 2016's summit was 25.7 percent, far surpassing the 15.1 percent appreciation (April 2008's 84.0 to March 2009's 96.7) during the dreadful global financial crisis. The nominal broad TWD's high occurred 1/20/16 at 126.0.

Although the broad real TWD dipped a modest 4.8 percent to 96.1 in April 2016, it did not decisively breach the key support of March 2009 (96.7) and October 2015 (96.5). Moreover, the TWD has edged up to a new high in its major bull move, touching 101.3 in November 2016.

What about the nominal TWD? Its minor low on 5/2/16 at 118.1 (about one year after the minor low achieved in May 2015) sagged 6.3pc from its 1/20/16 elevation. See the MXEF's minor high at 856 on 4/21/16. However, the nominal TWD rallied after early May 2016, including in the aftermath of America's election. It stood at 122.8 on Election Day; after Trump's victory, it accelerated up to 11/23/16's 127.9, thus piercing 1/20/16's 126.0 resistance (data available through 12/9/16; 12/9/16 level is 127.1).

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The S+P 500 closed at 2140 on 11/8/16. It eventually motored to new record highs in the weeks following America's election, breaking over 8/15/16's 2194, and reaching 2264 on 12/12/16. In contrast, the MXEF's high since its first quarter 2016 bottom is 9/7/16's 930 (a two year anniversary from its 9/4/14 peak). Moreover, the MXEF fell after America's vote; its 11/8/16 close was around 902, with its 11/14/16 low 837. This marketplace price divergence between the S+P 500 and MXEF is significant, especially in the context of the ongoing bull move in the TWD (and particularly with the TWD's breaking over January 2016's top). The MXEF's 9/7/16 height stands significantly beneath 4/27/15's summit at 1069 and 9/4/14's 1104 pinnacle.

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NYMEX crude oil (nearest futures) made its initial low at $26.19 on 1/20/16, with a second trough at $26.05 on 2/11/16. On 12/12/16, NYMEX crude oil reached $54.51, a new high in its bull move from its first quarter 2016 bottom. In the petroleum arena, OPEC agreed to reduce its output (11/30/16); several non-OPEC nations such as Russia very recently (12/10/16) said they would do so as well. What happens on the production side in practice of course remains to be seen. In any case, industry inventories (at least in the OECD) are very high.

On 12/12/16, the broad GSCI reached around 402, thus traveling slightly above 6/9/16's 392 high. A 50 percent rally from 1/20/16's 268 is 402.

The GSCI, like the MXEF emerging stock marketplace realm, remains beneath its spring 2015 tops.

<u>LOOKING FORWARD (AND BACKWARD): MARKETPLACE TIMING AND TURNS</u>

In the movie "Back to the Future" (director, Robert Zemeckis), Dr. Emmett Brown warns: "No! Marty! We've already agreed that having information about the future can be extremely dangerous. Even if your intentions are good, it can backfire drastically!"

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Marketplace history need not repeat itself, either entirely or even in part. However, several crucial marketplace pinnacles in the broad real trade-weighted US dollar have occurred during the first quarter of the calendar year. In addition to the important January 2016 top, recall the TWD's critical pinnacle in March 2009 at 96.7. Other major TWD peaks include March 1985's monumental record 128.4, February 2002's towering 112.8, and January 1973's lofty 107.6 (107.0 is a thirty-three percent climb from July 2011's major bottom at near 80.3). Therefore observers should look for the emergence of a bearish trend in the TWD to emerge "around" first quarter 2017. A one percent venture over January 2016's 100.9 TWD elevation gives 101.9. A five percent rally through that ceiling equals 105.9, a ten pc spike about 111.0.

Inauguration Day for President-Elect Trump is 1/20/17. Coincidentally, Inauguration Day 2017 is the one year anniversary of the high in the nominal broad trade-weighted US dollar.

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Gold made an important bottom at $1046 on 12/3/15. Gold eventually rallied to a noteworthy top, 7/6/16's $1378. On US Election Day, it closed at $1275. Although it briefly soared to (depending on estimates) somewhere between $1318 and $1338 for the 11/9/16 trading day, it closed about $1275 (unchanged). In the following weeks, gold slumped, reaching $1157 on 12/5/16.

The relationships between gold and the US dollar, as well as those between gold and other commodities and stock and interest rate marketplaces, admittedly are complex. And convergence/divergence and lead/lag patterns can change. Nevertheless, compare gold's decline during the post-US Election Day time span with the TWD's rally. What if gold moved at least moderately higher from "around" its recent low level? That arguably would be a warning (or confirming) sign of at least moderate TWD feebleness. Also, remember that December 2015's important gold low occurred not long before the very significant TWD high of January 2016. The early December 2016 depth is a one year anniversary of the 12/3/15 bottom.

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Previous essays have discussed reasons why the long run trend for the UST 10 year note yield probably is up, as well as the UST's relationship to US dollar and other marketplace trends.

"Around" first quarter 2017 likely will be an important time period for a "turning point" in the UST 10 year. Recall not only its initial yield low at 1.53pc on 2/11/16. Keep in mind other first quarter anniversaries, 1/2/14's 3.05pc peak and 2/9/11's 3.77pc plateau.

For UST yields, the turning point during first quarter 2017 period may involve a temporary pause in the longer run trend of rising yields. Alternatively, first quarter 2017 instead may involve an acceleration of that rising yield pattern, with yields moving close to and perhaps significantly above 1/2/14's 3.05pc resistance. That alternative "breakout" scenario for the UST could have substantial consequences for other marketplaces. Recall the relevance of the TWD breakouts (acceleration of an existing TWD trend) after September 2014 and October 2015.

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The current significant divergence between the trends of emerging marketplace stocks in general (MXEF) and the S+P 500 warns of a top in the S+P 500. The likely time for a significant S+P 500 peak is "around" first quarter 2017. For the S+P 500, this would be a one year calendar bull move from its first quarter 2016 trough. A first quarter 2017 peak in the S+P 500 would be eight years (and a diagonal time move) from its 1Q09 major bottom (3/6/09's 667). Don't overlook the calendar timing of the S+P 500's major high in 2000, 3/24/00's 1553 (Dow Jones Industrial Average high was 1/14/00; the UST 10 year yield peak occurred 1/21/00 at 6.82 percent).

How far might the post-election ascent in the S+P 500 continue relative to the previous high, 8/15/16's 2194? Though it is a difficult call, the S+P 500 probably will not exceed 8/15/16's record high by much more than five percent. A five percent hop over 2194 gives about 2304, a ten percent jump equals 2413.

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For GSCI timing in this marketplace survey and comparison context, recall not only the GSCI's first quarter 2016 bottom, but also the major trough during first quarter 2009, 2/19/09's 306 (which was close in time to the S+P 500's March 2009 major bottom; recall also the GSCI's initial low, on 12/24/08 at 308).

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For further marketplace analysis, see essays such as "The New World?! US Election Aftermath" (11/15/16); "US Election 2016: Rolling and Tumbling" (11/6/16); "Running for Cover: Foreign Official Holdings of US Treasury Securities" (10/13/16); "Adventures in Wonderland: Commodity Currencies" (9/26/16); "Games People Play: American Real Estate" (8/28/16); "Ticking Clocks: US Financial Marketplaces" (8/8/16); "Playing in the Band: OPEC and Oil Prices" (10/25/16); "'Populism' and Central Banks" (7/12/16); "China: Behind the Great Wall" (6/7/16).

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