TICKING CLOCKS: US FINANCIAL MARKETPLACES
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"Isn't it a pity…the wrong people always have money." From "The Big Clock", a 1948 American film noir (John Farrow, director)

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CONCLUSION AND OVERVIEW

Ongoing yield repression by the Federal Reserve Bank, the European Central Bank, and their allies plays a crucial role in keeping the US Treasury 10 year note well beneath 6/11/15's 2.50 percent interim yield top, as well as later and lower heights of 2.38pc (11/9/15) and 2.00pc (3/16/16). For the next few months, running up at least through America's 2016 election period, it will be difficult for the UST 10 year to break above the resistance range of 2.00/2.50pc or much under its 7/6/16 low at 1.32pc.

The Fed leadership promotes caution regarding Fed Funds rate boosts. The NY Fed President recently argued "at the moment, for caution in raising U.S. short-term interest rates" ("The U.S. Economic Outlook and the Implications for Monetary Policy"; 7/31/16). A Fed Governor is "not in a hurry to lift rates"; he argues "for a 'very gradual' path for any rises" (Interview with Financial Times, 8/8/16, p2).

Economic growth in America, Europe, and Japan generally remains subdued. China, though it retains a comparatively strong real GDP rate, has slowed down. Despite massive money printing (quantitative easing) by assorted leading central banks at various times over the past seven to eight years, inflation yardsticks generally remain beneath the two percent target beloved by the Fed and its loyal allies. Ongoing government deficit spending, though less than during the global economic disaster era and the following few years, in recent times likewise has not sparked sustained substantial growth or sufficient inflation.

The broad real trade-weighted US dollar ("TWD", monthly average; Fed H.10 statistics), though still lofty relative to its July 2011 major bottom around 80.5, remains beneath first quarter 2016's 101.2 pinnacle. Central banks and finance ministers have been determined to keep the TWD beneath (or at least not much over) its January 2016 summit. For the next few months, they probably will continue to succeed in accomplishing this goal. The TWD also for the near term probably will not plummet more than 10 percent from its first quarter 2016 pinnacle.

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Establishment icons such as the Federal Reserve, European Central Bank, Bank of England, and Bank of Japan probably will retain their highly accommodative policies for the next several months (at least). They will persist in their path not merely because of failure to achieve inflation goals, relatively sluggish growth, fears about global economic troubles (such as the United Kingdom's Brexit Leave vote fallout) or worries about assorted "headwinds"/"volatility". So why else?

The economic and political "establishment" (elites) in America and overseas fervently battles to subdue both left-wing and right-wing "populist" advances. See "'Populism' and Central Banks" (7/12/16). These guiding lights do not want populist leaders, whether America's Donald Trump or European (or other) left or right wing firebrands, to achieve power.

The S+P 500 and other global stock marketplace benchmarks have rallied sharply from their 1Q16 depths. The S+P 500 has edged above its 5/20/15 peak at 2135. But a sharp downturn in worldwide equities probably would help populist advocates of "Change" to claim that "the establishment" had inadequate or failing economic (and political and social) policies. So the US establishment and its overseas comrades do not want the S+P 500 and related equity marketplaces to collapse, especially during the countdown up to US Election Day (11/8/16). Keeping US government (and other) yields low and avoiding big moves in the US dollar intertwine with central bank (and other establishment) stock marketplace support and anti-populist strategies.

FINANCIAL PARLORS: REMEMBRANCE OF (SOME) THINGS PAST

In the movie "A Clockwork Orange" (Stanley Kubrick, director), one character declares: "Initiative comes to thems that wait." Another notes: "Public opinion has a way of changing."

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To what extent do US government yield trends interconnect with patterns in the S+P 500 or the broad real trade-weighted dollar? To what extent do NYMEX crude oil price movements coincide with those of base metals such as copper? Marketplace convergence/divergence and lead/lag perspectives and issues exist between and within realms such as stocks, interest rates, foreign exchange, and commodities "in general". Different viewpoints produce diverse marketplace stories and actions.

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Sustained interest rate yield repression and explosive money printing (quantitative easing) by the Federal Reserve Board and its central banking friends helped to manufacture a marvelous golden age for advanced nation stock benchmarks such as the S+P 500. The S+P 500, despite various pendulum swings, ventured steadily higher from 3/6/09's dismal bottom at 667.

However, the UST 10 year yield, which had peaked at the dawn of the global financial crisis on 6/13/07 at 5.32 percent (not long before the S+P 500's 10/11/07 major high at 1576), slumped anew from its 2/9/11 height at 3.77pc. The German government 10 year note likewise peaked on 6/13/07 (4.70pc); the Japanese 10 year government note (JGB) final high also was 6/13/07 (2.00pc; 5/10/06 was 2.02pc). The UST attained a key bottom at 1.38pc on 7/25/12 (recall the European Central Bank's effort to do "whatever it takes" to preserve the Eurozone; German Bund low 7/23/12 at 1.13pc). Yet the UST rate eventually resumed falling from a lower top, 1/2/14's 3.05pc (9/6/13 high 3.01pc; compare the dates with German Bund tops on 9/11/13 at 2.09pc and 12/27/13 at 1.96pc).

Also, trends in the UST interrelated with those for the US dollar. Focus beginning in mid-year 2011, when the broad real trade-weighted dollar established a major bottom at 80.5 (Federal Reserve; H.10 statistics). As the broad real trade-weighted US dollar marched sideways in a narrow range following its July 2011 floor, it built a minor high in June 2012 at 86.1. September 2014's TWD at 86.5 broke over June 2012's resistance.

Emerging marketplace stocks peaked in spring 2011. That event and the subsequent decline, including the notable renewed slump from interim highs in late summer 2014, linked with the significant falls in the UST and substantial appreciation of the TWD. However, the S+P 500's continued bull move above its early May 2011 interim top to new highs diverged from the downtrend in emerging marketplace equities.

The broad real trade-weighted dollar's blasting upward from its September 2014 level connected closely not only with emerging marketplace stock tumbles (and similar bearish ones for commodities "in general"; see the broad S&P Goldman Sachs Commodity Index). The TWD's ferocious rally eventually also coincided with the important downtrend in the S+P 500 and other OECD (advanced nation) stocks that commenced in mid-year 2015. Thus the S+P 500's slump converged with the ongoing bear retreat in emerging stock marketplaces.

The TWD's three month August-October 2015 span averaged 97.2, thus edging beyond its March 2009's 96.8 worldwide economic disaster peak. November 2015's 98.2 decisively soared over March 2009's resistance. Underline in this context the timing of (and warning by) the fall-off in the UST 10 year yield, initially from 6/11/15's 2.50 percent high (lower than the 2007, 2011, and 2014 plateaus; the German Bund chimed in with its high on 6/10/15 at 1.06pc), then from the interim top of 11/9/15 at 2.38pc.

In first quarter 2016, the US dollar peaked, the UST 10 year touched an initial low (2/11/16 at 1.53pc), emerging stock marketplaces and the S+P 500 (and other advanced nation equity arenas) bottomed, and commodities in general (especially petroleum) spiked upward. Thus the marketplace convergence arrangement (related trend relationships) since around mid-2015 generally persisted.

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Various earlier essays offer further detail on global and US marketplace relationships and trends, including central bank actions such as quantitative easing policies.

In the following table, data for the broad real trade-weighted US dollar ("TWD") is from the Federal Reserve Board (H.10; monthly average; March 1973=100). Morgan Stanley's MSCI Emerging Stock Markets Index ("MXEF") represents emerging stock battlefields. For the UST, although the arithmetical (basis point) yield changes noted versus 2011's 3.77 percent high are relatively moderate, the percentage change in such yields relative to the 2011 height is rather dramatic.

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	US 10 Year Govt Note	**S+P 500**	**Emerging Market Stocks MXEF**	**Broad Real US Dollar ("TWD")**
2011 Turning Point	3.77 percent (2/9/11)		1212 (4/27/11)	**Major low 80.5 July 2011**

[The S+P 500 made an interim top 5/2/11 at 1371. Though it fell to 1075 on 10/4/11, it resumed its monumental bull advance.

Compare the timing of high levels in the broad S&P Goldman Sachs Commodity Index ("GSCI"; heavily petroleum-weighted) in relation to yield tops in the UST 10 year, price highs in the MXEF, and trends in the TWD. In 2011, the GSCI peaked at 762 on 4/11 and 5/2/11.]

2014 Turning Point	3.05pc (1/2/14)	NA	1104 (9/4/14)	86.5 in September 2014 moved over 86.1, June 2012's interim ceiling (Apr 2008 low 84.1)

[The UST yield fall did not take a lengthy time out to rest; its slide accelerated from 2.69 percent (7/3/14)/2.65pc (9/19/14). Note the related MXEF drop off time of September 2014 and the TWD's upside breakout. The UST made an interim low on 1/30/15 at 1.64pc.

The GSCI's summit was 6/23/14 at 673. What about petroleum? Focus on NYMEX crude oil (nearest futures continuation). That weathervane eventually 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 high production levels (capture market share). The broad GSCI crashed loudly after its 11/26/14 close near 515.]

2015	2.50pc	2135	1069	
Turning Point	(6/11/15)	(5/20/15)	(4/27/15)	

[The nominal broad TWD, unlike the broad real TWD, has daily data. Its 5/15/15 interim low at 112.8 shortly preceded the 5/20/15 S+P 500 summit at 2135.

Don't forget the GSCI's 2015 highs, first at 459 on 5/6/15, then 6/10/15's 450. The NYMEX crude oil high (nearest futures) was 5/6/15's $62.58 ($61.82 on 6/10/15).]

2016	1.53pc	1812	687	**High 101.2**
Turning Point	(2/11/16)	(1/20/16)	(1/21/16)	(January 2016)
	(But fell to	1810	708	
	1.32pc 7/6/16)	(2/11/16)	(2/12/16)	

[January 2016's broad real TWD 101.2 top significantly surpassed the peak reached during the global economic crisis, March 2009's 96.8. The nominal broad TWD's high occurred 1/20/16 at 126.2.

The initial yield low in the UST occurred on 2/11/16 at 1.53pc, alongside the times of noteworthy marketplace lows in the S+P 500, MXEF, and commodities in general. Its yield staggered up to 2.00pc on 3/16/16 before tumbling anew. The UST 10 year recently touched a new low in its long run falling yield pattern, 1.32 percent on 7/6/16. The 10 year German government note yield, in negative territory, eroded to -.21pc that day.

The broad GSCI's trough occurred 1/20/16 at 268, a 64.8 percent collapse from its 2011 pinnacle and 60.2pc from its 2014 high. NYMEX crude oil made its initial low at $26.19 on 1/20/16, with a second trough at $26.05 on 2/11/16.]

	US 10 Year Govt Note	**S+P 500**	**Emerging Market Stocks MXEF**	**Broad Real US Dollar ("TWD")**
Percent Fall from 2011 Peak	65.0 (245 basis points)	NA	43.3	TWD rally 25.8pc from July 2011 bottom to Jan 2016 summit
PC Fall from 2014 High	56.7 (173bp)	NA	37.8	TWD rally 17.1pc since September 2014
PC Fall from 2015 High	47.2 (118bp)	15.2	35.7	

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Percent Rise			TWD decline 4.9pc
From 1Q16	20.6	29.1	since January 2016
Low (high level; date achieved)	(2183; 8/5/16)	(887; 8/5/16)	

[The statistics above are through Friday, 8/5/16.

The UST rose 47 basis points from 2/11/16's 1.53pc to 3/16/16's 2.00pc. Its yield has climbed just over 25bp since its 7/6/16 low.

The broad real TWD, after its 101.2 January 2016 high, slid to about 96.3 in April 2016. It walked slowly up to 98.2 in July 2016. After its 1/20/16 top at 126.2, the nominal broad TWD's low since then is 5/2/16's 118.2, about a 6.4pc fall.

The broad GSCI leaped 46.3 percent from its January 2016 low to 6/9/16's high at 392.

Gold's 12/3/15 low at $1046, which bordered 3/17/08's $1034 Goldilocks Era peak, occurred a few weeks before the TWD's January 2016 summit.]

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Other noteworthy stock marketplaces established 2015 peaks and 2016 troughs alongside those in the S+P 500. The SXXP is the STOXX Europe 600 Stocks Index. Recall its 4/15/15 high at 415.2 and its 2/11/16 low at 302.6. What about Japan's Nikkei? Its 2015 summit was 6/24/15's 20953. It made an important low at 14866 on 2/12/16, rallying up to 17614 on 4/25/16. Although the Nikkei challenged and scraped briefly beneath its February 2016 low with 6/24/16's 14864 level (after the alarming Brexit vote outcome), it bounced upward.

China's widely-watched Shanghai Composite stock exchange sometimes influences stock trends in important advanced nations. The timing of its major peak, 6/12/15's 5178, neighbored that of the S+P 500. Compare the related timing coincidence of its 1/27/16 bottom at 2638. China's Shanghai Composite made a second low adjacent to its January 2016 one, 2/29/16's 2639.

SPTSX is Canada's S+P/Toronto Stock Exchange Composite Index. This peaked earlier than the S+P 500 and these other stock marketplaces. However, its 9/3/14 top at 15685 paralleled that in the MXEF. Its recent low was 1/20/16's 11531.

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As the worldwide financial crisis sped up in 2008, the US dollar and Japanese Yen both climbed on a broad real trade-weighted (effective exchange rate) basis. During that terrible economic downturn, the Yen rallied in its cross rate versus the dollar. What about in more recent times?

The Yen's effective exchange rate bottomed in June 2015 at 67.8 (monthly average; Bank for International Settlements, 7/18/16). The Yen EER appreciated about 20.0 percent to 81.4 in June 2016 (the most recent data). It thus has kept rallying even though the broad TWD has not exceeded its January 2016 plateau. Moreover, the Yen rallied against the US dollar on a cross rate basis over this time span. The Yen's bull move against the dollar since its June 2015 bottom likewise has been substantial. A 20 percent Yen rally from its 6/5/15 Y125.9 low equals Y110.7; compare the recent high around Y99.0 on 6/24/16 (following the Brexit Remain vote; Y100.0 on 7/8/16).

The Yen's June 2015 EER bottom and its 6/5/15 low against the dollar at Y125.9 occurred close in time to the 6/11/15 yield high in the US Treasury10 year note and related peaks in the S+P 500 and various other associated stock marketplaces.

MORE DISTANT FUTURES?

Bob Dylan sings in "The Times They Are A-Changin'":
"Come writers and critics
Who prophesize with your pen
And keep your eyes wide
The chance won't come again
And don't speak too soon
For the wheel's still in spin".

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The Fed, ECB, and other major central bank guardians for the past seven years have engaged in highly accommodative monetary policies. By manipulative schemes such as ongoing yield repression and epic money printing (various rounds of quantitative easing), they have bought time for and to some extent assisted national and worldwide economic recovery and growth. Although unemployment has fallen in many regions, global growth has been mediocre, and inflation "too low". Like The Rolling Stones song, "Time Is on My Side", the central banks express faith in their outlook, that eventually their assorted measures will succeed in producing sustained sufficient inflation and other desired results such as debt reduction and fiscal (and other structural) reform.

On the inflation front, as elsewhere, the mandate-pursuing central banks may be doing what they believe they must. However, suppose that without their extremely accommodative policies, deflation in advanced nations around the world, in the later stages of and in the aftermath of the global financial crisis, would have been around one percent (or perhaps two pc) per year. By moving inflation rates up to about a positive one percent (plus or minus a bit depending on time and location), arguably they've accomplished a great deal.

In any case, highly accommodative policies have encouraged fervent hunts for adequate yield (return) in debt and via stock marketplaces. Are S+P 500 or US and German (or Japanese) 10 year government securities prices "overly inflated" (in a "bubble")?

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Although the easy money programs of these illuminated banking watchmen indeed also bought time for significant debt reduction around the globe, overall (combined) government, corporate, and consumer debt totals remain high in absolute and percentage of nominal GDP terms in many countries. In the US, for example, although consumer balance sheets have mended to some extent, government debt has expanded. And despite the passage of much time, America's politicians have done little to resolve the extensive additional debt obligations lurking in the long-term future.

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Some yield-famished observers may wonder if the two percent inflation target generally advocated by central bankers, as it hasn't been reached on a sustained basis after seven years of plentiful easing, will be achieved anytime soon. For whatever reasons, deflationary and other marketplace forces may represent substantial barriers to further sustainable inflation boosts from current levels partly “engineered” by central banks. Moreover, maybe marketplace confidence has waned regarding the ability of central banks to achieve their beloved targets.

Yet concentrate further on the intertwined key global policy rate benchmarks (such as Federal Funds) and the closely-related government yield curves. Although marketplaces and viewpoints regarding them are not scientific phenomena, let’s embrace a metaphor. Pretend inflation rates “in general” ticking along at around two percent or so represent a large wind-up clock (not a newfangled electric device) in fine working order. For it to operate adequately, it needs to be wound up appropriately.

The Fed Funds rate has long remained beneath one percent (and beneath benchmark inflation measures). The effective Federal Funds rate was .16pc in December 2008, .12pc in November 2015, and .39pc in July 2016 (monthly average; Fed H.15). The FOMC’s current target range is one-quarter to one-half of one percent (7/27/16 Press Release). The ECB’s policy rate is negative. Many government securities yields around the globe are negative. In the US (and Germany and many other places), 10 year government yields, despite have their up and down swings, steadily have tumbled lower (at least through early July 2016). Review the descending noteworthy UST highs from June 2007, February 2011, early 2014, and June 2015. The UST 10 year’s 1.32pc yield on 7/6/16, though positive, slightly pierced 7/25/12’s 1.38pc floor.

The St. Louis Fed publishes a five year forward inflation expectation rate. The series is a measure of expected US inflation (on average) over the five year period that begins five years from today. The Federal Reserve surely does not want the measure to collapse toward 12/30/08’s .43pc (under half of one percent) economic crisis abyss (and undoubtedly recalls its precipitous fall from 11/12/08’s 3.05pc). Its high in recent years was 3.02pc on 4/19/11. Notably, the highs following April 2011’s elevation have slipped lower: see 2.98pc on 1/14/13, 2.84pc on 1/15/14, and 7/2/15’s 2.20pc. By 2016, this indicator had fallen to just over 1.40 pc (1.42pc on 2/11/16, 1.41pc on 7/5/16).

Arguably widespread sustained yield repression has lowered yield expectations themselves. Long-running policy rate yield repression has wound the inflation clock up too tightly, and thus damaged its mechanism (ability to achieve and sustain two percent inflation). How did this occur?

Of course marketplace trends can and do change. And numerous factors other than central bank action and rhetoric (including “forward guidance”) influence interest rate marketplaces and inflation levels and expectations.

Yet central banking ideologies, agendas, and behavior nevertheless interrelate with other marketplace phenomena, including participant beliefs and actions. Actual policy rates such as Federal Funds significantly affect actual yield levels of and trends in US government-securities (both short and long term instruments); they also influence those of other debt domains (such as the corporate debt field) to some extent. Thus sustained low yields in practice influence ongoing attitudes regarding what constitutes appropriate (reasonable) yield heights. And yield heights and patterns are not divorced from past and current inflation levels and expectations regarding future inflation Therefore the long-running successful maintenance of very low central bank policy rate levels (meeting the paltry Fed Funds target rate) and the related (resulting) low government securities yields “in themselves” combine to encourage the development and persistence of low (repressed) marketplace yields, “too low” inflation, and “too low” inflation expectations.

And the Fed and its central banking playmates have pursued and promoted yield repression with unyielding vigor. Many influential marketplace, political, academic, and media congregations eagerly declare the wisdom of this yield repression policy and devotedly campaign for its continuance. Thus ongoing yield repression, accompanied by widespread public and private sector advocacy for its continuance (and despite a deluge of money printing), thereby gradually has entrenched a low (depressed)-yield environment and a widely-held low-inflation attitude and thus has made it harder to produce supposedly adequate (two percent) inflation. Ironically, the Fed's longstanding yield repression policy has created headwinds (obstacles) that make it more difficult to achieve its inflation target.

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However, to maintain a properly working clock, sometimes one has to spend time on other aspects of its mechanism than the winding device and process. To preserve the metaphorical inflation clock in excellent shape (measured inflation rates generally fluctuating on balance around two percent or so), attention must be paid to other aspects of its "mechanism" in addition to the winding device and action (yield repression). Alarmed central bankers at the Fed and elsewhere, assorted would-be engineers, have tinkered with the clock in other fashions. They have flooded the apparatus for several years with money via quantitative easing, hoping to grease it sufficiently so that it sustains a roughly two percent upward rate of motion over the long run.

Quantitative easing, which aims to create sufficient inflation (as well as economic growth), though not co-extensive with yield repression, can to some extent intertwine with it. All else equal, a persistent substantial money printing enterprise, if it involves a reduction in the available supply of interest rate securities via buying and holding government, mortgage-backed, or corporate debt, tends to repress yields (and thus to reduce inflation levels and expectations), thereby partly countering the inflationary (and upward yield) implications of the QE money flooding through the marketplace clock.

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Starting in calendar 2011 and continuing more or less to the present time, the US government 10 year note, broad real trade-weighted US dollar, emerging stock marketplaces (MXEF) and commodities in general "traded together". The S+P 500, although from 2011 through spring 2015 it sometimes made important moves at around the same time and direction as the MXEF and the broad GSCI (converged with them), its overall rising trend diverged from them. The sustained drop in UST yield from its February 2011 high and the TWD's climb from its July 2011 bottom did not halt the S+P 500's magnificent bull move. However, beginning in spring 2015, movements in the S+P 500 converged with (fit closely with) those in these other marketplaces. Note the adventures since 1Q16.

However, these convergence patterns since around the spring of 2015 between marketplaces are not destined to continue. One should not be complacent regarding them. In addition, marches above or below certain key price (or yield) levels in one marketplace can influence or confirm travels in one or several arenas (which may inspire more, or less, convergence or divergence between these fields).

Perhaps the ongoing yield repression or past and current money printing eventually will help to induce such marketplace changes. Or, though marketplace players already are addicted to easy money, further increases in yield repression or additional rounds of quantitative easing via purchases of debt securities will spark these shifts. Perhaps deficit spending will increase substantially in the United States, Japan, Europe, and elsewhere, helping to boost interest rates higher.

However, suppose one or more key central banks become more worried about too low inflation (or deflation) or mediocre growth (or recession) than they are now. What if they awake one day and decide to "just print money", without engaging at all in any related purchases of outstanding (previously issued; from the secondary marketplace) debt securities? This sort of QE species (some label it as "helicopter money"), as it would not involve buying previously issued securities, would not include some tendency to repress debt yields. Such a money printing scheme probably instead would accelerate the creation of inflationary trends and boost interest yields.

Maybe changes in political leadership, responses to angry populist pressures, or both will play key roles in altering convergence patterns and (or) one or more major marketplace price trends. In another film noir, "The Desperate Hours" (William Wyler, director), a criminal and prison escapee (played by Humphrey Bogart) declares: "I got my guts full of you shiny-shoed wise guys with handkerchiefs in their pockets." The US political theater of course is a crucial location. Many voters awaiting 11/8/16/Election Day, especially left and right wing populists hostile toward the establishment and its elites, fervently insist upon "Change".

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As time passes, what are several key levels to monitor in the US Treasury 10 year note, the S+P 500, the broad real trade-weighted dollar, and commodities?

For the UST, staying beneath 3/16/16's 2.00 percent (12/18/08's crisis low was 2.04pc) warns of US and international economic weakness. Sustaining a drop beneath 7/6/16's 1.32pc support likely would represent substantial feebleness (or fears that it will emerge). The 7/25/12 bottom was 1.38pc and the same calendar month as the July 2016 low; the 7/6/16 low is a seven year diagonal bear time move from 6/13/07's 5.32pc pinnacle.

The S+P 500 and MXEF have continued to advance after the UST's 3/16/16 UST high, with the S+P 500 breaking above its spring 2015 top. However, remember that declining UST yields following 6/11/15's 2.50pc top (and further rises in the TWD) coincided with the fall in the S+P 500.

Though commodities in general are well above their 1Q16 trough, the broad GSCI (propelled by petroleum) has motored downhill since 6/9/16's top at 392. Watch to see whether or not UST yields and GSCI prices keep going lower. A ten percent fall from the 6/9/16 high is about 353, a 20pc one 314, and a 33pc one 261 (just under January 2016's low).

If UST yields spike above 2.50pc (6/11/15's high) or 3.05pc (1/2/14's peak), some would claim that economic health indeed had returned (or was likely to do so). Perhaps. But alternatively, rising interest rates may connect with an emergence of more than sufficient inflation or growing (and strong) fears about debt levels and trends in leading countries. For example, in the US or other major nations, what if budget deficits look like they will expand substantially?

For the S+P 500, a fall of about 10 or 20 percent from any widely-acclaimed noteworthy high will represent important levels. Not only does marketplace tradition monitor such percentage drops, with many guides defining a stock bear market as one involving price falls of 20pc or more. In recent years, the Fed and its friends occasionally have offered rhetoric to support prices when the S+P has dipped about ten percent, providing action when declines headed toward 20pc.

Investors and other traders ask: "Where should we put our money when interest rate yields are so low?" Will share buybacks be substantial? Will United States corporate profits improve during fourth quarter 2016 and thereafter? A five pc hop over May 2015's 2135 elevation gives 2242.

The broad real TWD fall from its January 2016 high closely intertwined with substantial shifts around that time in the S+P 500, emerging marketplace stocks, and commodities, as well as a modest yield rise in the UST. Thus a renewed move TWD close to 101.2 or above it would be significant. A one pc stretch over 101.2 is 102.1 (101.7 was the long-ago May 2004 drop-off point), a five pc flight 106.3. Above that looms February 2002's 112.8 major high.

The broad real TWD has risen slightly from its April 2016 low at 96.3 to 98.2 in July 2016 (monthly average). The nominal TWD (data available through 7/29/16) ascended from its 5/2/16 low around 118.2 to 122.6 (6/27/16)/122.7 (7/27/17).

A five percent fall in the broad real TWD from January 2016's 101.2 peak is about 96.1. Note the proximity of this level to April 2016's 96.3 low and (quite significantly) March 2009's 96.8 peak (during the worldwide economic disaster; 3/6/09 S+P 500 major bottom at 667). The TWD's three month August-October 2015 span averaged 97.2; advancing above its March 2009's 96.8 resistance barrier helped to precipitate noteworthy stock marketplace weakness.

A ten percent dive in the TWD from the 101.2 high equals 91.1. The dollar's modest fall from its January 2016 summit helped to rally stocks around the world. However, as marketplace history is not destiny, a weaker dollar is not inevitably bullish for the S+P 500 or emerging marketplace stocks. It also matters how weak the dollar becomes. Recall 1985-1987 and related interest rate trends. Sustained TWD depreciation of roughly ten percent (or more) arguably could be bearish for stocks, though much depends not only on economic growth prospects, but also on central bank policies, the level and direction of as well as distance traveled by government (and corporate) yields, and political developments.

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