<u>GOLD AND GOLDILOCKS: 2017 MARKETPLACES</u>

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"I think I'll go to sleep and dream about piles of gold getting bigger and bigger and bigger." Fred C. Dobbs, in the 1948 movie, "The Treasure of the Sierra Madre" (John Huston, director)

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CONCLUSION

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. Apparent convergence/divergence and lead/lag patterns between currency, interest rate, stock, and commodity marketplaces nevertheless offer guidance to players seeking to explain, predict, or profit from financial price movements. Marketplace history need not repeat itself, either entirely or even in part. Thus these relationships can change, sometimes dramatically. Fundamental supply/demand factors and trends are not written in stone. And competing historians and clairvoyants do not necessarily share the same perspectives or tell the same stories regarding either a given financial playground or its relationships to other arenas.

The relationships between gold and the US dollar, as well as those between gold and other commodities and stock and interest rate marketplaces, are complex. Often, gold prices travel in roughly similar fashion to those of base metals in general and the overall petroleum complex. Yet sometimes substantial fears regarding financial meltdown (asset value destruction) or striking worries about political evolution or disruption also can influence gold's supply/demand and price profile, and thereby gold's interrelations with commodities as well as currency and securities marketplaces. In any case, significant gold price trend changes often precede or roughly coincide (or "confirm") those elsewhere.

Gold probably established an important low not long ago, at $1124 on 12/15/16. Suppose this gold rally continues for at least the near term. The gold ascent probably warns of peaks in the broad real trade-weighted United States dollar ("TWD") and the S+P 500. The current divergence between the S+P 500 and emerging marketplace nation stocks in recent months likewise warns of these trend shifts. Relevant to this viewpoint, the 10 year United States Treasury note yield established a major low at 1.32 percent on 7/6/16. In addition, suppose gold's recent climb eventually coincides with a renewed slump in the LMEX base metals index (London Metal Exchange) from its 11/28/16 top at 2857, and at least a modest tumble in benchmark petroleum prices. That probably will interrelate with this scenario of US dollar weakness and erosion of S+P 500 and emerging marketplace stock prices.

The American political theater is relevant to this outlook for gold price and its relationship to the US dollar and other marketplaces. Trump's remarkable Presidential victory and his likely policies probably have increased fears in both American and international domains regarding the quality of America's political leadership and the consequences of its economic (political) philosophy. Moreover, the nation's various sharp cultural divisions and related partisan political conflicts will not disappear anytime soon.

2017: GOLDILOCKS ERA, REVISITED?

In his epic poem "The Aeneid", Virgil declares: "To what extremes
Will you not drive the hearts of men, accurst
Hunger for gold!" (Book III, lines 79-81)

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Let's review gold's spot (cash) gold price history (in dollar terms) over the past year or so in relationship to other marketplaces.

The following table includes 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").

Gold's important low on 12/3/15 at $1046 preceded crucial bottoms during first quarter 2016 in other notable marketplace benchmarks. The TWD's January 2016 pinnacle was especially important, for it occurred alongside important turning points in stock marketplaces. Gold's 12/3/15 low rested just above its worldwide financial crisis high, 3/17/08's $1034 (also recall 2/5/10's $1045 low).

First Quarter 2016 Turning Points

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

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 TWD appreciation from July 2011's major bottom at 80.3 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.

The London Metal Exchange base metals index ("LMEX") established its trough on 1/12/16 at 2049. NYMEX crude oil (nearest futures continuation) bottomed at $26.19 (1/20/16)/$26.05 (2/11/16).

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The poet Percy Bysshe Shelley states in "Queen Mab": "Gold is a living god, and rules in scorn
All earthly things but virtue" (Canto V, lines 62-63).

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Gold peaked on 7/6/16 at $1378, neighboring 3/17/14's noteworthy $1393 top. A 33 percent bull charge from 12/3/15's $1046 bottom equals $1394; twice 10/24/08's major bottom in the depths of the worldwide financial crisis at $688 is $1376. Gold's 2016 summertime plateau coincided with the UST 10 year's major low in yield. Gold's early July 2016 summit preceded an interim top in the S+P 500 by about one month, and the MXEF's 9/7/16 high by two months (the MXEF top remains its high since its 1Q16 low).

<u>Calendar 2016: Turning Points, Continued</u>

UST 10 Year <u>Note</u>	**<u>S+P 500</u>**	**Emerging Market Stocks <u>(MXEF)</u>**	**Broad Real US <u>Dollar ("TWD")</u>**
1.32pc (7/6/16)	2194 (8/15/16)	930 (9/7/16)	96.1 (April 2016) [But see also August 2016]

As the December 2015 gold bottom preceded the notable January 2016 broad real TWD high, did gold's July 2016 top occur prior to an important low in the TWD? The broad real TWD dipped a modest 4.8 percent to 96.1 in April 2016, which was its calendar 2016 low. Gold's July 2016 pinnacle therefore did not occur prior to April 2016's broad real TWD low.

However, suppose one analyzes two gold peaks in mid-year calendar 2016 in the context of levels in both the broad real and nominal TWD. The broad nominal TWD, unlike the broad real TWD, has daily data. This indicates gold's established its 2016 highs "roughly around the same time" as TWD lows.

First, recall that gold established an earlier minor high in spring 2016, at $1306 on 5/2/16. The nominal broad nominal TWD's low for calendar 2016, 118.1 (down 6.3pc from its 1/20/16 top), occurred 5/2/16, thus coinciding with gold's initial May 2016 height. After gold's notable 7/6/16 peak (followed by a high 8/2/16 at $1366), the nominal TWD reached its final interim low thereafter, on 8/18/16 at 119.7. And although the broad real TWD's calendar 2016 low was in April 2016, its upward move accelerated (after the July 2016 gold peak) from August 2016's 97.2. Gold's retreat continued following minor tops at $1354 on 9/7/16 and $1343 on 9/22/16 at $1343.

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On US Election Day (11/8/16), gold settled at $1275. Although it briefly spiked to around $1338 for the 11/9/16 trading day, it closed about $1275 (unchanged). Compare gold's decline during the subsequent post-US Election Day time horizon to its 12/15/16 bottom at $1124 with the TWD's rally.

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Silver does not always track gold closely, although it generally has moved alongside it over the past several months. It attained its high at $21.14 on 7/4/16 alongside gold. Silver's interim high in its downtrend occurred 11/9/16 at $19.02. Remember its 12/20/16 depth at $15.63.

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The broad real TWD has pushed up to a new high in its major bull move, bordering 101.4 in November 2016 and touching 102.8 in December 2016, a 28.0 percent leap relative to July 2011's major bottom. 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, reaching 129.1 on 12/28/16 (nearly 129.0 on 1/3/17).

Yet 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 as that penetration has been somewhat sustained in time and extended in distance, probably is a notable warning sign for bear moves in emerging marketplace stocks in general (MXEF) and even the mighty S+P 500.

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The summer 2016 time and price behavior of gold in relation to the broad real TWD, although not identical to that of the December 2015 (gold)/first quarter 2016 (TWD) one, to some extent resembles it. Thus a further rally in the gold price would warn of an eventual slump in the TWD. Of course other marketplaces and US and global political variables are relevant to gold and TWD levels and relationships.

So looking forward, there is a significant probability that rising gold prices will link up not only with eventual falls in the TWD, but also with declines in stock prices.

Note also that the mid-December 2016 gold low is a one year anniversary of its 12/3/15 bottom.

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Several critical marketplace peaks in the broad real trade-weighted US dollar have occurred during the first quarter of a calendar year. In addition to the important January 2016 top, recall the TWD's March 2009 major summit in at 96.7. Other major TWD pinnacles include March 1985's monumental record 128.4, February 2002's towering 112.8, and January 1973's lofty 107.6.

Observers thus should look for the emergence of a bearish trend in the TWD to emerge "around" first quarter 2017.

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

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In the wonderful 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.

Since its July 2016 bottom, the UST 10 year yield has steadily walked upward. 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 moved above 6/11/15's important interim top of 2.50pc, reaching 2.64pc (twice the 7/6/16 bottom) on 12/15/16, twice the 7/6/16 low. January 2, 2014's 3.05pc summit is not very distant.

"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 broad real TWD breakouts (acceleration of an existing TWD trend) after September 2014 and October 2015.

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

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The S+P 500 closed at 2140 on 11/8/16. The S+P 500 eventually advanced to new record highs in the weeks following America's election, breaking above 8/15/16's interim top at 2194. The S+P 500's summit to date is 1/6/17's 2282; the Dow Jones Industrial Average stretched up to just under the 20,000 signpost that day.

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 lingers below its pre-election interim high, 9/7/16's 930 (11/14/16 low 837). The 9/7/16 height is a two year anniversary from the 9/4/14's 1104 peak. In addition, the MXEF's September 2016 top stands beneath its important 4/27/15 high (1069), the 9/4/14 plateau, and earlier major peaks (1212 on 4/27/11; 1345 on 11/1/07).

This marketplace price divergence between the S+P 500 and MXEF is important, especially given the broad real TWD's breaking over its January 2016 top and the probability that the major bull move in the TWD will end around 1Q17.

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".

In this context, it is also significant that since America's election departed, UST 10 year rates have marched upward as the TWD has climbed to new highs. These interest rate and currency patterns, 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 probably will 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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First quarter 2016 saw the commencement of a big United States (and other) stock marketplace rally (this accompanied gold's bull move up to 7/6/16's $1378). Gold probably will advance further from its 12/15/16 low at $1124. But in contrast to first quarter 2016, a bear trend for the US (and emerging marketplace) stocks probably looms.

A likely time for a significant S+P 500 peak is "around" first quarter 2017. This would be a one year calendar bull move from the S+P 500's first quarter 2016 trough. A first quarter 2017 S+P 500 plateau 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). In this regard, don't forget the broad real TWD's history of calendar first quarter peaks.

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Although the TWD has remained strong in recent months, the broad GSCI has not yet turned downward. It reached 404 on 1/3/17 (a fifty percent move from its 1/20/16 bottom equals 402).

However, for GSCI timing in this marketplace survey and comparison context, recall that first quarter 2017 represents a one year diagonal time move from the January 2016 trough. Remember that during the 2007-09 global economic crisis, the broad GSCI price turn (major low) also occurred during winter (12/24/08 initial low at 308; the final trough in first quarter 2009, at 306 on 2/19/09 occurred close in time to the S+P 500's March 2009 major bottom). Keep in mind that the broad GSCI is heavily petroleum weighted.

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 too. Industry inventories (at least in the OECD) are high. Whether OPEC and non-OPEC will follow their decisions with substantial sufficient production cuts and thereby reduce significant petroleum inventories remains to be seen.

In addition, based on the CFTC's Commitments of Traders, the current net noncommercial long position (futures and options combined; options in futures equivalent terms) in the NYMEX petroleum complex (crude oil, heating oil (diesel), and gasoline (RBOB)) plus that of ICE Brent crude oil is massive in both total and percentage of total open interest terms. On 1/3/17, the net noncommercial position was about 941,000 contracts, or almost 14.8 percent of total open interest. Such a lofty net NCL position is "vulnerable" to liquidation, which (all else equal) would tend to weaken oil prices. NYMEX crude oil's recent high is 1/3/17's $55.24. Compare the net noncommercial long position shortly before the first quarter 2016 major bottom in NYMEX crude oil, about 229,000 contracts (4.1pc of total open interest). On 8/2/16, just before NYMEX crude oil's important 8/3/16 interim low at $39.19, the net NCL for this combination of four petroleum commodities was about 429m contracts (4.8pc of open interest).

A sustained downturn in emerging marketplace stocks (MXEF) and the S+P 500 may connect with a decline in oil prices (and the broad GSCI). Perhaps further weakness in base metals (watch the LMEX index) will help to lead petroleum prices lower. The GSCI, like the MXEF emerging stock marketplace realm, remains beneath its 2014 and 2015 tops (6/23/14's 673; 5/6/15's 459).

AMERICA 2017: GOLD, THE ECONOMIC PICTURE, AND INFLATION

"In the confusion, my uncle grabbed the gold,
And we high-tailed it down to Mexico."
"Me and My Uncle" (performed by the Grateful Dead; John Phillips songwriter)

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Let's shift our focus from gold's relationships with other marketplaces to survey aspects of the American economic and political scene. But keep those relationships in mind.

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Is America within, or soon to enter, a marvelous Golden Age of prosperity? The S+P 500 has soared to an all-time high. Real estate prices have ascended over the past several years. Benchmark US government interest rates, though they have climbed since summer 2016, remain relatively low. The Consumer Price Index remains low, with the November 2016 CPI-U up about 1.7 percent year-on-year. According to the Federal Reserve's "Economic Projections" (12/14/16; central tendency), personal consumption expenditures inflation in 2016 was 1.5 percent, with 2017's forecast range 1.7 to 2.0pc. Wages finally are moving upward. By some measures, consumers are confident. According to the Conference Board, US consumer confidence, in its determined climb from February 2009's 25.3 abyss of the horrifying global economic crisis, attained a new high in December 2016 at 113.7 (1985=100). Has the Goldilocks Era been resurrected? This December 2016 height, although it is not an all-time record, even surpasses July 2007's 111.9 Goldilocks Era peak!

Some observers believe the current strong US dollar reflects this glittering vista. Some believe the incoming Administration's anticipated fiscal package of tax cuts and spending programs will help to "Make America Great Again!".

Nevertheless, despite these indicators and related opinions, reasons remain for relatively strong gold prices and the potential for further ascents from 12/15/16's $1124. The current overall American (and global) economic and political picture is not and probably will not be that marvelous (Great), especially if one interprets that picture alongside gold's intertwining with the US dollar and other marketplaces.

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Gold of course can begin, sustain, or end bull or bear trends for a variety of reasons. In today's interconnected global economic and political battlefields, gold is not completely separated from currency, securities, and other commodity marketplaces. As is true of the United States, gold is not an island. Of course gold's entanglements with any given financial arena, or several of them, can change.

Gold's level obviously partly reflects the currency in which it is quoted, whether dollars, Euro FX, Japanese Yen, and so forth. Let's continue to keep the focus on gold in US dollar terms.

As an admittedly rough guideline, and subject to an assortment of caveats and variables, gold prices probably will tend to "stay historically strong" or increase if inflation in general is "too high" or has a substantial possibility of becoming so. This perspective often includes an outlook that benchmark interest rates are and likely will remain insufficiently high relative to actual or anticipated inflation.

For the current marketplace context, the long-running highly accommodative monetary policies of key central banks such as the Federal Reserve, European Central Bank, Bank of England, Bank of Japan, and that of China help to create inflation. Survey the landscape from about eight years ago, since around first quarter 2009. In addition to yield repression, there has been massive money printing (quantitative easing). Although the Fed ceased QE a couple of years ago, it has not reversed that process. Indeed, the Fed and its allies have aimed to create "sufficient" inflation, and currently do not seem very worried about inflation "overshooting" their targets for a while.

Experts define and measure "inflation" (and deflation as well as other economic labels) in various ways. In any case, in recent years, the jump in the S+P 500 and US real estate prices reflect asset inflation. Sustained highly accommodative monetary policy probably played a crucial role in these stock and real property gains.

Despite such easy money schemes, sustained significant rises in other inflation measures such as wages, consumer prices, and personal consumption expenditures have not yet appeared. But, as a delayed result influenced by highly accommodative policies, such inflation increases may nevertheless surface. Gold's rally in recent weeks perhaps to some extent reflects worries about increasing and the emergence of greater (and perhaps even "too high") US inflation.

AMERICA 2017: GOLD, POLITICAL LEADERSHIP, AND A DIVIDED NATION

Genevieve Larkin exclaims in the film "Gold Diggers of 1937": "It's so hard to be good under the capitalist system!" (Lloyd Bacon, director)

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Donald Trump's remarkable and shocking Presidential triumph in America's 11/8/16 national election of course pleased his supporters, yet it dismayed and angered many observers. Republicans also captured control of both the Senate and House of Representatives.

The economic arena intertwines with the political universe, in the United States and in other countries. In today's interdependent world, the American political and economic domain entangles with realms elsewhere.

Perhaps under prudent leadership by President Trump (and his incoming team), America's economic growth will increase, and not just over the short run.

Yet "all else equal", in today's world, significant (deep) and widespread lack of confidence in the abilities of crucial global political leaders of major nations and their economic (political) policies can help to support and rally gold prices. In the context of the United States, such a lack of confidence also can help to weaken the broad real trade-weighted dollar.

Rhetoric and behavior (and even talents) suitable for running a successful family-owned business, a reality television show, or even a successful Presidential campaign are not necessarily appropriate (adequate; likely to succeed) in regard to leading a country well (wisely). Moreover, Donald Trump lacks government insider experience.

Even a brief scan of opinions regarding Trump displays intense and widespread domestic and international doubt regarding (distrust of) both his leadership abilities and policies. Maybe the consequences of his Administration will make the economic (and political and social) situation both in America and abroad "not so great" or worse (or even dangerous).

Not only does America's incoming President represent a regime change. Because Republicans control both Houses of Congress, the legislature may enact many of his policies.

America already has a substantial public debt. Suppose the Trump tax and spending plan (the one existing prior to Election Day) becomes law. This combination of tax cuts and spending increases likely will increase the nation's debt burden, arguably to a very risky level. To what extent will foreigners finance future US budget deficits? Keep in mind an ominous sign: foreign official institutions have been net sellers of US Treasury notes and bonds over the past couple of years.

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Debt issues exist around the globe, not just in America. Suppose that widespread debt troubles eventually significantly boost economic and political instability and exacerbate fears of economic crisis. That may bolster enthusiasm for owning gold (often seen as a "store of value"), especially if faith in "currencies in general" diminishes.

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Despite the end of America's tumultuous and enthralling 2016 election carnival, and as President-Elect Donald Trump's 1/20/17 Inauguration approaches, the nation remains significantly divided in political, economic, and social dimensions.

Trump's "Make America Great Again!" and "America First" slogans and many of his policy pronouncements obviously appeal to large numbers of Americans. However, they also do not attract or inspire many (and arguably a majority of) citizens.

Although Trump won in the Electoral College, he decisively lost the popular vote tally. The popular vote outcome obviously reflects America's sharp political divisions. Also, the Russian President "directed a vast cyberattack aimed at denying Hillary Clinton the presidency and installing Donald J. Trump in the Oval Office, the nation's top intelligence agencies said in an extraordinary report" (NYTimes, 1/7/17, ppA1, 11). Trump's popular vote defeat and the report on Russian political interference undermine Trump's political "legitimacy" (faith in it) and thus his ability to lead effectively.

All else equal, substantial ongoing partisan divisions and hostility within a nation risk weakening that nation's currency. Trump's victory did not unite an already significantly divided America. So in the current situation, depreciation in the broad real trade-weighted dollar can intertwine with a bull move in gold.

America of course has never been entirely homogeneous or unified. The widely-shared American Dream has been expressed and implemented in various ways. Yet America's disagreements and debates currently are wide-ranging. The lines between and within camps are not always clear; moreover, individuals may be loyal (belong) to various (and often competing) categories. The assorted, extensive, and cross-cutting divisions create a cacophony of opinions; this noisy and competing wordplay in turn makes it challenging to reduce the conflicts and enact widely-supported legislation.

Not only are there Democrats and Republicans (and various independents and others). Even though both the House and Senate are Republican-controlled, not all Republicans embrace the same (or Trump's) policies.

In America, there are liberals (progressives) and conservatives (traditionalists). Populists (both left and right wing) confront the establishment (elites). Globalists contend with nationalists. In many regions of today's interconnected yet multipolar world, not just in the US, various forms of nationalism and populism have been growing.

America, as a house divided, has rich versus poor, haves versus have-nots. Look at the nation's substantial economic inequality. Is America nowadays a Gilded Age era? Are economic and social mobility increasing?

The list of other splits is long. Consider divisions relating to race (ethnicity), gender, religion, age, geographic region, and urban/rural. Fierce quarrels exist over tax and spending policies and priorities, health care (Obamacare), trade policies, the appropriate degree of economic regulation, abortion rights, gun ownership, and environmental issues such as climate change.

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Perhaps increased nationalism and populism warns of greater political and economic conflict. So some people may buy some gold "just in case" or to diversify their assets. Growing fears about dollar depreciation likely would encourage such gold purchasing.

Will Trump's triumph encourage global peace? Will Trump's victory increase the risk of conflict with Iran over the nuclear issue? What about with North Korea? Will Trump's support for Israel exacerbate problems in the Middle East?

THE DOLLAR, GOLD, AND TRADE POLICIES

The strength of the broad real trade-weighted US dollar in recent years partly derived from the American economy's being more robust than that of many other advanced nations. Picture the Euro Area and Japan. Also, many advanced and developing nations engaged in competitive depreciation to boost their exports and economic growth. Perhaps the American economic theater will remain in somewhat better shape than that of other developed and important emerging marketplace nations. But this is not inevitable.

Recall Trump's fervent threats of raising tariffs, renegotiating (or tearing up) trade agreements, changing the country's import/export tax laws, and building a wall between America and Mexico. Will China be branded a currency manipulator? In the international trade sphere, the American system enables its President to take many permissible actions "on his own" without (further) legislative approval.

It is likely that over the past several months, and particularly during the weeks following the 11/8/16 election, some of the broad real TWD appreciation occurred in response to Trump's trade policy pronouncements. Thus significant appreciation already has been "built into the dollar" prior to Trump's inauguration. The post-election rally in the S+P 500 also likely occurred in part due to this trade language, as well as related "America First" talk regarding tax cuts and infrastructure spending.

Competitive devaluation aimed at boosting exports and GDP are not necessarily endless. Besides, political and economic strategies relating to currency levels and trends (and other economic phenomena) matter to various key nations around the globe, not just America.

China and other countries probably do not want their feeble or weakening currency to "equal" (be a sign) that their nation and its leadership are weak or losing control. Thus in the global world of power politics (and power economics), countries such as China, Japan, and Mexico may push back on the economic (trade, currency) front against Trump and his allies. Recent days have shown hints of such a foreign response to the incoming President's trade rhetoric. In addition, vocal supporters of "free trade/free markets" around the world (this group includes many US citizens) will battle against Trump's trade policies. If the broad real trade-weighted dollar consequently weakens, that probably will encourage further gold rallies.

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Line up gold's 12/15/16 low at $1124 alongside recent important currency cross rates lows against the US dollar. Several show rather close timing links. Recall the dates of recent highs in the nominal broad TWD: 129.1 on 12/28/16; nearly 129.0 on 1/3/17. Keep in mind the timing of the broad GSCI's recent high (404 on 1/3/17), as well as that in NYMEX crude oil (1/3/17's $55.24).

The Japanese Yen cross rate low against the US dollar occurred 12/15/16 at Y118.7 (Y118.6 on 1/3/17). The Chinese renminbi low against the dollar was 12/28/16 around 6.97.

The Canadian dollar's cross rate low against the USD was 12/28/16's 1.360. Unlike the Canadian Dollar, the Mexican peso versus US dollar cross rate has continued to erode, slumping under 21.83 on 1/10/17.

What about the Euro FX cross rate low against the US dollar? Given all the talk over the past several months regarding Brexit and concern regarding populism within (and potential breakups of) the Eurozone, signs of strength in the Euro FX would be noteworthy. Though not much time has passed in calendar 2017, note the recent low in the Euro FX against the dollar, 1/3/17's 1.034. This level stands near that of other notable fairly recent Euro FX bottoms, 3/13/15's 1.046 and 12/3/15's 1.052.

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For further marketplace analysis, see essays such as "Back to the Future: the Marketplace Time Machine" (12/13/16); "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); "Base Metals and Other Marketplace Travels" (5/16/16).

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