MARKETPLACE TANTRUMS (AND OTHER SIGNS, SOUNDS, AND FURY)
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"In the day we sweat it out in the streets of a runaway American dream", sings Bruce Springsteen in "Born to Run".

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CONCLUSION

Wizards in Wall Street and coaches on Main Street offer a variety of competing descriptions of and reasons for the emergence, continuation, and ending of economic trends, including bull and bear patterns in stock, interest rate, currency, and commodity marketplaces. Apparently dramatic price fluctuations and trend changes frequently inspire heated language of volatility, spikes, crashes, mania, and panic. Colorful metaphors frequently punctuate the tales and explanations. The Federal Reserve Board Chairman's May and June 2013 tapering talk about a potential reduction in quantitative easing (money printing) in conjunction with marketplace movements generated wordplay of a "taper tantrum".

In recent weeks, international financial marketplaces and media have worried that central bank policy tightening (or threats of such action) will ignite a taper tantrum akin to what occurred around late spring 2013. That fearsome event saw stocks plummeting and interest rate yields rising rather rapidly in the United States and elsewhere around the globe.

Not only is the Federal Reserve in the process of slowly raising the Federal Funds rate and chirping about diminishing the size of its gargantuan balance sheet. The European Central Bank and others have hinted about reducing the extent of their highly accommodative monetary policies. The ECB is buying €60 billion in mostly government bonds each month via quantitative easing. Will the ECB taper its purchases in 2018?

The Financial Times headlined: "Confusion as Carney [Bank of England Governor] and Draghi [ECB President] struggle to clarify stimulus exit" and "'Taper tantrum' echoes" (6/29/17, p1). "End of cheap money leaves central bankers lost for words" and "Officials struggle to convey policy direction precisely to avoid further 'taper tantrums'" (FT, 6/29/17, p3). "Central bank retreat from QE gathers pace"; "Sudden hawkish shift in policy across the globe has analysts talking of new 'taper tantrum'" (FT, 7/5/17, p20).

Central bank language and behavior (whether by the Fed or one of its allies) expressing willingness to reduce (or cease) very easy money schemes indeed increase the chances of rising yields in key debt signposts such as the US Treasury 10 year note and boost the likelihood of a decline in important stock benchmarks such as the S+P 500.

Though central banks nowadays may (as in 2013 and at other historical points) spark or accelerate noteworthy trends in securities (and other) marketplaces, the central bank policy factor nevertheless intertwines with numerous other economic and political phenomena. And one or more of such other variables significantly may help to inspire a noisy marketplace "tantrum". Not all marketplace tantrums are "taper tantrums".

TANTRUMS, PARTIES, AND THE FED

Lesley Gore sings in "It's My Party":
"It's my party, and I'll cry if I want to
Cry if I want to, cry if I want to
You would cry too if it happened to you".

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Significant price declines in the S+P 500 and in interest rate instruments (particularly in supposedly high-quality, investment grade government and corporate debt securities) usually inspire substantial expressions of dismay, which may include sermons regarding "tantrums". "Tantrum" language, when specifically applied to the stock and interest rate context, usually applies to price drops (bear trends). Bull moves in securities prices (especially in stocks), even if they are of the same (or greater) distance and time duration than a bear trend, and even if the bullish price leaps are explosive, generally are not labeled as tantrums, for bull moves profit "investors". Although definitions and types of investor differ, investors are the most praiseworthy and honored group of securities owners. Tantrum wordplay points not only to emotions, but also to values of good, neutral, and bad. Capital gains are good, capital losses are bad! Tantrums can ruin a wonderful party, right? It therefore pays to consider the potential regarding and to be on the lookout for the actual emergence of widespread and growing fears and talk about notable falls in securities prices.

The US stock marketplace has long extended invitations, especially to "investors". Come one, come all! Wall Street sages and packs of Wall Street partygoers debate the meaning, existence, causes, and cures of "overvaluation" phenomena such as "bubbles" or "irrational exuberance" in stock and other marketplaces. Will a given bubble be burst or merely have some hot air taken out of it?

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William McChesney Martin, Jr., a former Chairman of the Federal Reserve Board, stated over 60 years ago: "In the field of monetary and credit policy, precautionary action to prevent inflationary excesses is bound to have some onerous effects- if it did not it would be ineffective and futile. Those who have the task of making such policy don't expect you to applaud. The Federal Reserve, as one writer put it, after the recent increase in the discount rate, is in the position of the chaperone who has ordered the punch bowl removed just when the party was really warming up." (Speech to the New York Group of the Investment Bankers Association of America, 10/19/55).

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The Federal Reserve's artful long-running extraordinary and very easy monetary policy (notably money printing/quantitative easing and interest rate yield repression) battled not only to spark and sustain economic recovery, support the financial (banking) system, slash unemployment, rebuild household balance sheets, buy time for serious action in the federal and other debt realms, and reduce the risks and consequences of social unrest. The Fed maneuvers and propaganda have fought to propel inflation rates to a supposedly sufficient level while simultaneously embracing a debt yield suppression strategy.

In recent times, the Federal Reserve Board guardian may promote itself as a prudent chaperone. However, it the Fed so badly wants "sufficient" (two percent) inflation and stayed so devotedly wedded to its accommodative policies for so long that it arguably and increasingly became a less than sober caretaker. And although it has slowly raised the Federal Funds rate, it is not quickly removing the punch bowl.

Yield increases in the US Treasury marketplace since summer 2016 (US Treasury 10 year note major low 7/6/16 at 1.32 percent), and importantly in recent weeks, may portend more than Fed willingness to edge the Federal Funds rate up and at some point reduce the size of its balance sheet. The modest yield gains may indicate the Fed no longer wants to remain behind the curve regarding catching up to inflation "in general". In any event, when long-lasting yield repression weakens, fails, or is removed, might there be a notable upward bounce in yields that would shock many onlookers?

The Fed meets 7/25-26/17 and 9/19-20/17.

FEDERAL RESERVE TIGHTENING

Reduced monetary accommodation may involve the imposition of a tight monetary policy, but it does not necessarily do this. The policy shift may involve moving from a very lax regime to a merely easy one, or from an easy stance to a neutral orientation. However, after the dark days of the worldwide economic disaster of 2007-09, in spring 2013 (and previously), Federal Reserve policy shifts in the direction of tightness (less looseness) have connected with notable declines in the S+P 500.

Thus a less easy monetary policy, whether by the Federal Reserve, European Central Bank, Bank of England, or other important central bank, currently inspires nervousness regarding the emergence of tantrums.

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In late May and June 2013, America's Fed Chairman suggested the central bank would start slowing the quantity of its interest rate securities purchases (money printing; see his 5/22/13 and 6/19/13 statements). Subsequent mournful dives in United States (and other) stock and debt securities prices encouraged the blossoming of the exciting "taper tantrum" term. The S+P 500 slumped 7.5 percent from 5/22/13's 1687 to 6/24/13's 1560.

Note the absence of a "flight to quality" move (falling yields) during the S+P 500's tumble. The US 10 year government note yield closed at 1.93 percent on 5/21/13. It spiked to 2.67pc on 6/24/13. The UST 10 year yield peaked at 5.32pc on 6/13/17, with rates gradually falling during the global financial crisis and thereafter. However, the UST yield had begun to ascend prior to the Fed's 2013 tapering advisory warnings. Recall the 1.38 percent major low on 7/25/12 and 5/1/13's interim low at 1.61pc. The UST 10 year yield continued to increase after the tapering talk period, attaining tops at 3.01pc on 9/6/13 and 3.05pc on 1/2/14.

The Fed in late June 2013, confronting the slumps in securities arenas, probably recalled what happened to the S+P 500 at the end of its prior rounds of quantitative easing. QE1 ceased in March 2010; the S+P 500 plunged 17.1 percent from 1220 on 4/26/10 to 1011 on 7/1/10. QE 2 stopped in June 2011; the S+P 500 crashed 21.6 percent from 1371 on 5/2/11 to 1075 on 10/4/11.

Probably particularly troubled by the stock slump, the widely-beloved Fed raced to calm the worries regarding the timing and scope of an actual tapering regime. It did not announce actual tapering until mid-December 2013. Quantitative easing ended in October 2014. Yet as US tapering wound down, the S+P 500 eventually endured a brief yet sharp fall of 9.8pc from 2019 on 9/9/14 to 1821 on 10/15/14.

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To what extent will actual or threatened central bank monetary tightening reduce economic growth in America and elsewhere?

In its World Economic Outlook (April 2017; Chapter 1, Table 1.1), the International Monetary Fund forecast global output will increase 3.5 percent in 2017 and 3.6pc in 2018 (2016 rose 3.1pc).

The IMF's 2017 Article IV Consultation with the United States (6/27/17) predicts only fair American economic expansion. It envisages US real GDP (annual average) rises of 2.1 percent for both 2017 and 2018. These are lower than the World Economic Outlook's April 2017 opinion regarding the US, which had 2.3pc for 2017 and 2.5pc for 2018. Compare the Federal Reserve Board's Economic Projections (6/14/17), which likewise anticipate unremarkable US growth. The midpoint of the central tendency for 2017 is about 2.2 percent, with that for 2018 at 2.0pc (longer run is 1.9pc).

TANTRUMS AND THE US TEN YEAR NOTE

T.S. Eliot's poem "The Hollow Men" concludes:
"This is the way the world ends
Not with a bang but a whimper."

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The US government 10 year note established a major bottom on 7/6/16 at 1.32 percent. This stands close to 7/25/12's 1.38pc trough. The yield high since 7/6/16 was 12/15/16's 2.64pc (2.63pc on 3/14/17). However, the UST yield has climbed from 6/14/17's 2.10pc depth to around 2.40pc recently. So before (since July 2016) and amidst the current taper tantrum concern scene, as was the case of the May/June 2013 tapering era, the UST 10 year yield has been rising.

The recent S+P 500 high on 6/19/17 at 2454 occurred shortly after 6/14/17's UST yield low.

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The UST 10 year note yield probably will continue to increase. A move over around 2.65 percent probably will excite debt, stock, currency, and commodity arenas, perhaps even encouraging a tantrum. Remember not only the 2.64pc high (12/15/16; and 3/14/17's 2.63pc). Double the 1.32pc bottom of 7/6/16 is 2.64pc. Half 6/13/17's 5.32pc major peak in yield is 2.66pc. During 2013's taper tantrum, the minor high (subsequently broken) was 2.67pc on 6/24/13. Also keep 1/2/14's 3.05pc height in view.

The 2013 tapering tantrum period hints that if S+P 500 prices tumble sharply (use of at least eight to ten percent as a guideline), UST rates nevertheless (at least for a while) probably will continue to march upward. A significant "flight to quality" (lower US government yields) may not occur for quite some time (if at all).

The Fed storyteller hints its "Longer run" Fed Funds target is roughly three percent (see Figure Two in its 6/14/17 Economic Projections), with that for end year 2018 slightly over two percent. Compare these outlooks with its view for end year 2017 of around 1.25pc. Though a forecast is not a trade, this supports the perspective of climbing US interest rates.

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In contrast to the 2013 taper tantrum period, central banks probably have less scope for (or interest in) providing additional new monetary easing. In Europe and Japan at the current time,

substantial easing is further along than it was in mid to late 2012/first half 2013. The Fed exited its formal (QE) money printing regime in late 2014. It has been slowly raising rates. The Fed now speaks (6/14/17) of decreasing its reinvestment in new debt securities via the principal payments from maturing debt it currently holds. US and other central bank balance sheets are bloated. The global recovery seems more secure to many observers than it did in 2013. Unemployment rates have slipped. The financial system appears somewhat more robust. Even if two percent inflation targets have not been achieved, deflation fears are less than before. Arguably some asset prices (such as stocks) appear elevated.

The bottom line: central banks probably are less inclined nowadays to ease substantially. For at least the near term, key central banks around the globe are not likely to embark upon new easing measures (think of the ECB or Bank of Japan) or to reintroduce old ones (as in the case of the Fed) unless there is a notable slump in inflation, or widespread fears of a sustained economic downturn. The S+P 500 probably would have to travel significantly lower to inspire more than central bank wordplay.

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In the current environment, in addition to monitoring UST and other government rate trends and levels, also watch out for rising yields in corporate marketplaces, particularly for lower-grade instruments.

Widening credit spreads can be a warning bell for impending marketplace tantrums or a confirmation of existing ones. Consider yield relationships between government and corporate debt instruments (such as the 10 year UST and low-grade corporate notes) or between sovereign obligations (compare Germany and Greece, for example).

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Also survey yield curve trends, such as the difference between UST 10 year and two year note levels. Before the global economic crisis of 2007-09, the 10 year less two year spread narrowed to a low of about negative 19 basis points (10 year yield beneath the two year yield; negatively sloped curve; close of day) on 11/15/06 (and 11/27/06). The UST 10 year note pinnacle occurred several months later, at 5.32 percent on 6/13/17.

What about the ten year less two year UST relationship in the past few years? Since January 2015, the spread bottom has been a positive 75 basis points (10 year yield above the two year's; positively sloped curve) on 7/8/16 and 8/29/16. Note that 7/8/16's low occurred right next to the major bottom in the UST 10 year at 1.32 percent on 7/6/16. After moving sideways, that 10 less two year yield curve spread reached another low slightly above 75 basis points; note 6/14/17's 79 basis point difference. Recall the UST 10 year yield's advance over the past few weeks from 6/14/17's 2.10pc depth to around 2.40pc (S+P 500 high to date is 6/19/17's 2454).

TANTRUMS AND THE US DOLLAR

Some believe the Fed May/June 2013 "taper tantrum" induced a US dollar spike. For example, the Financial Times claims it "sent the dollar skywards" (6/29/17, p3). However, the dollar rallied only modestly during that tapering episode. The broad real trade-weighted dollar ("TWD") was 83.9 in May 2013 and 84.5 in June 2013 (Federal Reserve, H.10; monthly average). The nominal broad TWD (which has daily data), hopped up 1.7 percent from 5/21/13's 101.1 to 6/24/13's 102.9). Moreover, the broad real TWD stayed rather close to the mid-year 2013 heights for many months thereafter (note the move upward after September 2014's 86.2). In addition, the broad

real trade-weighted dollar bull trend commenced long before the tapering talk, at 80.3 in July 2011.

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Looking forward, what's the US dollar outlook relative to the current scene? The TWD likely will continue its current bearish trend. Previous essays noted and gave reasons for the existence of a major top in the broad real TWD in December 2016/January 2017 around 102.8. Should a securities marketplace tantrum (lamentable bear move) emerge in the short term or in subsequent months, the broad real trade-weighted dollar probably will not rally. Instead, the TWD will keep depreciating. The 2013 taper tantrum occurred amidst a long run bull trend for the TWD. In contrast, the TWD has slipped almost five percent, reaching about 97.8 in June 2017. For the TWD, 2017 is not 2013 (or the span from 2013 to end December 2016).

A broad real TWD venture beneath 96.0 probably would attract substantial attention. Its peak during the terrifying global economic crisis was March 2009's 96.7. The TWD motored up to its 102.8 highs from April 2016's interim low at 96.1. A ten percent fall from 102.8 is 92.5, a 15pc one is 87.3; a 20pc dive equals 82.2.

The International Monetary Fund's 2017 Article IV Consultation with the US murmurs: "The U.S. dollar is moderately overvalued (by around 10-20 percent). Though viewpoints on marketplace overvaluation, undervaluation, "fair value", reasonableness, and so forth are subjective, a decline of ten percent or more (or even only a five percent one) in the TWD from June 2017's 97.8 level probably would have dramatic (not merely "moderate") consequences in various financial battlefields. US dollar moves can induce or confirm notable moves (including tantrums) elsewhere.

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Foreigners hold a substantial amount of US Treasury securities. They have played a critical role in financing large and ongoing US federal deficits. Overseas owners of UST would not be pleased to confront rising US government yields alongside a falling dollar.

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The broad real trade-weighted dollar's fall since December 2016/January 2017 connects to a bear move in commodities "in general" (and petroleum). The nominal broad TWD established a top at 129.1 (12/28/16)/129.0 (1/3/17). Its recent lows around 121.5 (6/14 and 6/30/17 are a 5.9 percent fall. Compare the timing for highs in the broad S&P Goldman Sachs Commodity Index and NYMEX crude oil (nearest futures continuation). The GSCI's pinnacle was at 406 (1/17/17)/409 (2/13/17), about a one year anniversary from the 268 low on 1/20/16. The GSCI's recent low is 6/21/17's 351. NYMEX crude oil's plateaus were 1/3/17's $55.24 and 2/23/17 at $54.94 (recent low $42.05 on 6/21/17). The OPEC/non-OPEC crude oil output agreement thus far has not managed to substantially reduce large OECD industry oil inventories.

TWIST AND SHOUT

Ella Fitzgerald sings:
"Now you say you're lonely
You cried the long night through
Well, you can cry me a river, cry me a river
I cried a river over you" ("Cry Me a River", by Arthur Hamilton)

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After the Fed finished its tapering program, ending that round of quantitative easing, the S+P thereafter resumed its bull charge. Despite the Fed's ending its money printing festival, its policy (including yield repression) remained accommodative.

Ongoing easing (money printing, yield repression) by central bank caretakers such as the ECB and Bank of Japan subsequent to the end of Fed tapering have bolstered the S+P 500 and other global stock benchmarks. The US and other equity playgrounds nevertheless can fall (or rise) due to factors other than American (or overseas) central bank actions and rhetoric.

The S+P 500 established an important interim top at 2135 on 5/20/15. It withered 12.6 percent to 1867 on 8/24/15. Though it rebounded to 2116 on 11/3/15, it collapsed to 1812 (1/20/16)/1810 (2/11/16), a 14.5pc slump; 15.2pc from May 2015's summit). The 15.2 percent decline (as well as its initial 12.6pc stage), though not enormous, exceeded the May/June 2013 taper tantrum's 7.5pc. Though it fell short of a traditional definition of a stock marketplace bear trend (twenty percent or more), it rivaled 2010's bloody 17.1pc cratering.

The drop from 2015's summit also surpassed the 10.9pc sinking from 4/2/12 at1422 to 6/4/12's 1267 and the 8.9pc stumble from 9/14/12's 1474 to 11/16/12's 1343.

The S+P 500's 15.2pc fall in 2015 shows that noteworthy falls (tantrums) in equities were not abolished by ongoing easy money policy around the world.

Yet since S+P 500 slumps have been quite modest following the key lows of first quarter 2016, perhaps many observers (including stock owners) are complacent about marketplace tantrums in general and S+P 500 price declines in particular.

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The Muppets chant in "Fraggle Rock": "Dance your cares away Worry's for another day Let the music play Down at Fraggle Rock".

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The fall from 4/20/11's 2111 to 5/19/16 was only 4.0 percent, and that from 6/18/16's 2121 to 6/27/16's 1992 equaled 6.1pc. The drop from 8/15/16's 2194 interim top to the 11/4/16 US end election season low at 2084 was five percent (the probable intraday overnight fall extended that overall slide to about seven pc). Compare the paltry declines thereafter. The dip from 12/13/16's 2272 to 12/30/16 was 1.7 percent, with that from 3/1/17's 2401 to 3/27/17's 2322 about 3.3pc and 5/16/17's 2406 to 2353 two days later 2.2pc.

The S+P 500's decline since 6/19/17's record high at 2454 thus far has been only two percent (6/29/17 at 2406). Future price moves for the S+P 500 of course depend significantly on corporate earnings trends and expectations regarding them. Will share buybacks be substantial? Confidence measures for US consumers and small businesses are lofty.

However, remember the timing of the 6/19/17 S+P 500 height (as well as any elevation that may occur slightly higher and later) alongside the 6/14/17 date of the Federal Reserve Board's most recent decisions. And keep the 2013 taper tantrum events and actual Fed "tightenings" (reductions in its overall easy money policy) in view. At that June 2017 meeting, the Fed again raised its target range for the Federal Funds rate. In addition, it stated that it "currently expects to begin implementing a balance sheet normalization program this year". The Fed's exit strategy talk should keep tantrum watchers alert.

The VIX S+P 500 volatility index attained its recent low on 6/9/17 at 9.37, fairly close in time to the Fed's June 2017 decision and the S+P 500 top to date. Highlight that June 2017's VIX low matched that of its bottom during the glorious Goldilocks Era, 12/15/06's 9.39. In this context, keep in mind the interim trough in mid-June 2017 for the UST 10 year yield as well as the related low in the UST 10 year less UST two year spread.

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The S+P 500 probably has been in the process of establishing an important top. Its 6/19/17 high at 2454 may well be the peak. It surpassed 3/1/17's 2401 by only 2.2 percent. However, if 6/19/17's 2454 level is not the pinnacle, that height probably will not be exceeded by much.

Substantial marketplace bull and bear moves (whether in stocks or in other financial battlefields) may be rapid and explosive, but they are not always so. And of course financial history need not repeat itself, either entirely or even partly.

In any case, recall that in the S+P 500's relatively recent noteworthy decline that commenced in calendar 2015, numerous tops occurred around the same level. For example, prior to 5/20/15's plateau at 2135, see the tops on 2/25/15 (at 2120), 3/23/15 (2115), 4/27/15 (2126). Thereafter, see 6/22/15 (at 2130) and 7/20/15 (2133). The S+P 500 fell sharply (8/24/15 at 1867; 9/29/15 at 1872). Its subsequent rally almost touched the May 2015 summit. Recall the tops on 11/3/15 (2116), 12/2/15 (2104), and finally 12/29/15 (at 2082). What about the global economic disaster period of about ten years ago? The S+P 500's peak at 1577 on 10/11/07 near the close of the joyous Goldilocks Era also stood fairly close to other important interim highs. Recall 7/16/07's 1556 (about 1.4 percent under the 10/11/17 elevation) and 12/11/07's 1524 (about 3.4pc under 1577).

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For the S+P 500 realm, what percentage declines from any newly-attained high would cause many to believe that the US stock marketplace was throwing a fit (having a tantrum)? A five percent drop in the S+P 500 probably would cause some whining and complaining. However, there probably would not be widespread bawling and shouting, for there still would be plenty of cake (mark-to-market stock profits) sitting on the table. Look at the upward move (and height over 2400), not only relative to the S+P 500's March 2009 bottom at 667 (or its 2007 pinnacle at 1577, or the 1Q16 low at 1810), but also even to in comparison to the May 2015 interim high (2135) and the trough around the time of the November 2016 election (11/4/16's 2084). The Fed probably would not mind the party in US stocks "becoming a bit more peaceful for a while".

However, a ten percent decline in the S+P 500 probably would substantially upset the bullish fraternity (especially investors and their friends on Wall Street and in the financial media), causing notable and widespread moaning and loud pleas for help. Keep in mind the stake the Fed has in preserving the stock marketplace and real estate major bull moves as important parts of its economic recovery strategy (which includes strengthening consumer balance sheets). A ten percent deterioration in US stocks "by itself" probably would not change Fed policy significantly, although it probably would induce soothing Fed (and other central bank) wordplay aiming to support stock prices. It also could encourage the Fed to delay raising the Fed Funds rate.

However, a S+P 500 slump of around ten percent or more, if accompanied by a further "substantial" jump in the UST 10 year note yield, would increase and intensify marketplace yelling. This would increase the probabilities for more supportive central bank talk and action.

A decline of around 20 percent or more in the S+P 500 and similar bear moves in related international stock yardsticks probably would cause (confirm) a tantrum in stocks. Most stock bulls would be angry at or scared by such substantial price decay. They surely would want significant steps taken to stop the nasty fall and restart the bull bandwagon. Many players probably would bellow loudly that the long-running party in stocks indeed and finally was over (or at least of grave risk of ending). Many politicians would be worried, the media agitated and noisy. This turmoil and talk probably would not be confined to America. In any case, suppose such a stock fall occurred. Such widespread crying, demands, and fears, given the Fed's devoted allegiance to and pursuit of its statutory mandate, probably would motivate rather frantic action by the Fed and its allies to rescue and rally the S+P 500 and other securities marketplaces.

SOUNDS AND FURY

The narrator Johnny Strabler (played by Marlon Brando) says in the film "The Wild One" (Laslo Benedek, director): "It begins here for me on this road. How the whole mess happened I don't know, but I know it couldn't happen again in a million years. Maybe I could of stopped it early, but once the trouble was on its way, I was just goin' with it."

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Which issues, perhaps (though not necessarily) in combination with Federal Reserve Board, ECB, or other central bank orations, signals, and programs may ignite or sustain a terrible marketplace "tantrum"? There are more risks than just central bank tapering (or other tightening steps), and not only in the US.

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The global debt situation is troubling.

The head of the Bank for International Settlements, referring to the BIS's Annual Report, recently spoke of "four risks that could undermine the current expansion" ("Looking beyond the here and now"; 6/25/17). He heralded: "A second risk is maturing financial cycles and high debt. In a number of smaller advanced economies and emerging market economies, long financial booms have moderated or turned into downswings. And globally, debt is at record levels: in 2016, the stock of non-financial sector debt in the G20 economies stood at around 220% of GDP [based on conversion to dollars at PPP exchange rates; footnote 1], almost 40 percentage points higher than in 2007."

The International Monetary Fund's "Fiscal Monitor" (April 2017) unveils general government gross debt for advanced economies ("Statistical Appendix", Table A7; general government debt includes more than federal/national debt). Average debt for advanced economies rose from 72.4 percent of GDP in 2007 (US 64.7pc) to 107.7pc in 2012 (US 103.4pc). For 2017, the average dips only slightly, to 107.1pc (America's creeps up to 108.3pc). Thus despite the economic recovery, general government gross debt remains at lofty and arguably dangerous levels. By 2022, the average slides only to 105.6pc (and the US increases to 117.4pc). This overall gloomy debt situation and outlook probably weighs on economic growth. For some advanced (as well as emerging marketplace) nations, growing concerns about creditworthiness could boost their interest rates. In 2017, among advanced nations, which countries capture first and second place? Japan's is 239.2pc of GDP, Greece 180.7pc.

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High and rising US debt levels may help to induce a marketplace tantrum. First, look at the Congressional Budget Office's analysis of the federal debt level and trend. Its study assumes current laws generally stay unchanged.

Federal debt held by the public balloons from about $14.7 trillion in fiscal year 2017 (76.7 percent of nominal GDP) to $19.1tr in 2022 (82.9pc of GDP) and $25.5 trillion in 2027 (91.2pc of GDP). Gross federal debt (that held by the public plus Treasury securities held by federal trust funds and other government accounts) stood at about $19.5 trillion in 2016. The CBO forecasts it will reach $20.2tr in 2017, rising to $24.9tr in 2022 and $30.7tr in 2027. See "An Update to the Budget and Economic Outlook: 2017 to 2027" (especially Tables 1 and 5; 6/29/17).

The CBO trumpeted that Congress has until around mid-October 2017 to raise the statutory borrowing limit. If it does not, the US risks defaulting on its debt obligations (see also NYTimes, 6/30/17, pA20). Even if the US raises the debt ceiling, heated partisan squabbles over this issue may unnerve marketplace watchers.

Foreigners (governments and the private sector) hold a substantial share of United States Treasury securities. In its Major Foreign Holders report (6/15/17), the Treasury indicated that in April 2017, foreigners held a grand total of almost $6.1 trillion of UST (the foreign official sector owned about $3.9 trillion).

The willingness of foreigners to be net buyers of US Treasury obligations is an important issue as US budget deficits persist and expand (and particularly if US interest rates rise and the dollar falls). What financial fireworks would follow if the overseas holder category became a net seller of UST? The Federal Reserve's intention to at some point reduce its reinvestment of principal from its maturing debt holdings (reduce the size of its balance sheet) is relevant in this context.

President Trump repeatedly roars about his desire to Make America Great Again. He thunderously advocates an America First policy. However, federal budget deficits probably will skyrocket by several billion dollars if his tax and spending (infrastructure) "plan" is enacted.

The Federal Reserve Bank of New York squawked in its "Quarterly Report on Household Debt and Credit" (May 2017) that total US household indebtedness stood at about $12.7 trillion at the end of first quarter 2017, up 1.2 percent over end fourth quarter 2016. End 1Q17's total lifted overall household debt $50 billion above its previous peak set in third quarter 2008, and 14.1 percent above the trough made in 2Q13.

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"Substantial" price moves as well as the approach toward, attainment of, or breach beyond so-called "key" levels may reflect (confirm) a marketplace "tantrum" in one or more financial playgrounds. However, central bank language and actions and other economic and political phenomena of course are not independent of stock, interest rate, foreign exchange, or commodity price behavior. And perspectives on and explanations of marketplace "causes" and relationships between economic and other cultural phenomena reflect opinion (are subjective). Thus prices also "in themselves (their trends and levels)" can help to induce (and accelerate) a marketplace tantrum (or any other big upward or downward price adventure).

Therefore nowadays a further rise in US (or European) interest rate yields can spark a tantrum. So could a move in the broad real trade-weighted dollar toward or through important support. Suppose the S+P 500 sustained a tumble slightly more than five percent relative to a recent new high. That S+P 500 move might motivate a notable number of would-be stock buyers (in

American equities and perhaps elsewhere, including emerging marketplaces) to delay new acquisitions, inspire further rounds of significant stock selling, or both. If so, that could encourage further stock price declines. Note the levels discussed above.

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In the tantrum context, track emerging marketplace stock price trends. The MSCI Emerging Stock Marketplace Index (from Morgan Stanley; "MXEF") is a key benchmark for emerging marketplace stocks. Despite the worldwide economic recovery, the MXEF has never exceeded its 4/27/11 peak at 1212 (which in turn hovers below its 11/1/07 Goldilocks Era pinnacle at 1345). A renewed and sustained slump in emerging marketplace stocks probably would create quite a racket.

Debt problems are not confined to advanced nations. Let's not forget Chinese corporate and other debt.

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Talk of currency wars and competitive depreciation warns of economic fragility.

Trade wars (and even threats of them) also may assist in creating a marketplace tantrum. Bellowing about trade fairness and protectionism is widespread nowadays. President Trump, as part of his America First (Make America Great Again) quest, rejected the Trans-Pacific Partnership and threatens substantial revision of NAFTA. Will the US impose tariffs or quotas on steel imports in the near future? This risks angry retaliation by the European Union and China. The NYTimes screams regarding President Trump: "Trade Moves Threaten to Topple Old Order" (7/5/17, ppB1, 3).

International fractures or splits in longstanding economic and political relationships between America and its allies to some extent increase the risk of financial tantrums. "Once Dominant, U.S. Is Now Isolated at G-20", states the NYTimes (7/8/17, ppA1-8).

Related to these matters, consider Trump's policy toward climate change and the degree of his commitment to NATO.

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Noteworthy cultural disagreements (and related expressions of dismay or hostility) of course are not unique to the present time or the United States. Economic interests diverge. Within America's economic landscape (and elsewhere), there are the haves, the middle class, and the have-nots. Fights between and within political parties and factions develop and can persist for long time spans.

However, various and often intertwined divisions within the United States appear especially widespread and significant nowadays. Such conflicts probably increase the likelihood of the development or acceleration of a marketplace tantrum. After all, the US remains a crucial part of the global economy and related political structures. Recall the phrase "United we stand, divided we fall."

"Partisan Relations Sink From Cold to Deep Freeze", "Democrats and Republicans Have Lowest Regard of Each Other in Decades" (NYTimes, 6/16/17, ppA1, 17). Not only are there fierce partisan disagreements between Republicans and Democrats, but notable ones between the Republicans themselves. And many in both parties (as well as numerous persons outside Republican and Democratic camps) do not share President Trump's policy viewpoints. Populists

battle the establishment (elites). Nationalists contend with globalists. Labels offer guidelines to divisions. There are assorted leftists (liberals, progressives), centrists, and right-wingers (conservatives).

Within the American theater, divisions and related noteworthy ideological battles extend beyond "economic" and "political" dimensions (issues). These include race, sex/gender, age, religion, immigration, and geography (including urban-rural).

Finally, in addition to the ongoing political logjams in Congress (and other American cultural divisions), President Trump is widely perceived as erratic. Moreover, though Trump has numerous enthusiastic cheerleaders, his overall popularity is low (and his unpopularity quite high). Based on the overall American political situation, legal issues, and currently available information, most experts believe his impeachment is unlikely; yet talk regarding it exists. Many people worry about actual or potential conflicts of interest involving the President's family. The investigation into Russian meddling in the US political process continues. These considerations relating to Presidential leadership and his practical political power make it especially challenging for the US to enact important new legislation.

A major reason for the S+P 500's rally after Trump's November 2016 victory was hope for substantial US tax "reform" (and related infrastructure spending). The Republican majority and the Republican President are unlikely to repeal or replace the national health law (Affordable Care Act; "Obamacare") anytime soon (if at all). Various Republican Senators have indicated resistance to their party's proposed Senate bill (NYTimes, 7/8/17, ppA1, 12). Democrats in the Senate and House of Representatives show no inclination to compromise with Republicans. Since the elimination or substantial transformation of Obamacare is not happening, notable US tax reform probably will not occur in the near future (and for quite some time thereafter). Not only is the tax code (both corporate and individual) complex, but also America's various divisions and competing constituencies will campaign ardently to advance or defend their given tax interests. And the President still has not released his tax returns. If tax reform becomes widely viewed as unlikely to happen anytime in the foreseeable future, that will warn of or help to initiate a tantrum (bear move) in US stocks.

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As always, keep an eye on the Middle East.

And what if the nuclear crisis with North Korea escalates further?

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For further marketplace analysis, see essays such as "US Dollar Theatrics: Depreciating Acts" (6/7/17); "Ticket to Ride: US Corporate Profits and S+P 500 Trends" (5/17/17); "Marketplace Volatility: Calm Before the Storm" (5/8/17); "The Oil Battlefield: Evolution, Relationships, and Prices" (4/10/17); "Eurozone Under Siege: Currency Trends and Politics" (3/10/17); "Easing Comes, Easing Goes: US Government Interest Rates" (3/13/17); "Rhetoric and Global Currency Trends" (2/13/17); "Gold and Goldilocks: 2017 Marketplaces" (1/10/17).

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