STOCK MARKETPLACES: AT THE CROSSROADS
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"Money beats soul, every time." "Roadhouse Blues", by The Doors, with John Lee Hooker

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CONCLUSION AND OVERVIEW

Many observers (including stock owners) are complacent about prospects for the emergence of significant stock marketplace declines, particularly in regard to the United States stock arena. Even a ten percent drop in US equities would shock many audiences. The S+P 500 and related American benchmarks nevertheless have been in the process of establishing an important top. The glorious long run bull advance in American stocks which started with the S+P 500's major bottom at 667 on 3/6/09 probably is at or near its end. The S+P 500's record height to date is 8/8//17's 2491. That S+P 500 elevation probably will not be exceeded by much, if at all.

American stocks "in general", although not an isolated island, have their own "individual" stories, as do assorted other stock marketplaces, whether in relation to earnings, valuations, or other phenomena. Yet marketplace history in recent years suggests that prices of stock marketplace signposts for other advanced (developed) nations and for emerging marketplaces "in general" likely will accompany any notable downtrend (including a bear move) in US equities.

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Admittedly, since first quarter 2016, and especially after around America's November 2016 Presidential election, emerging stock marketplaces generally have rallied alongside the S+P 500 and its domestic comrades such as the Dow Jones Industrial Average, Nasdaq Composite, and Wilshire 5000. But the MSCI Emerging Stock Markets Index, from Morgan Stanley ("MXEF"), a guide for emerging stock marketplaces, is around major resistance and (unlike the S+P 500) well below all-time highs.

Owners of (particularly "investors") American and international equities hopeful of enjoying further upward rides should note other significant yellow warning lights. In mid-year 2017, leading European and Japanese stock marketplaces established highs. The S+P 500's 6/19/17 interim top at 2454 occurred around the time of these highs. However, these European and Japanese mid-2017 stock tops have not been broken. And the S+P 500's August 2017 high exceeds its June 2017 one by only 1.5 percent.

But after their dreary troughs in first quarter 2016, didn't Germany's DAX and the United Kingdom's FTSE exceed their spring 2015 plateaus, as did the S+P 500 (5/20/15 high 2135). Yes, but the April 2015 summit for a broader measure for European stock performance, the STOXX Europe 600 Index ("SXXP"), remains intact. Japan's June 2015 Nikkei height likewise remains a roadblock.

The adventures of Canada's S+P/Toronto Stock Exchange Composite Index ("SPTSX") are also a bearish sign to worldwide stock marketplaces. It has failed to vault over its February 2017 top (established prior to the mid-2017 ones in Europe and Japan). Also, February 2017's SPTSX plateau edged only 1.6 percent above its September 2014 pinnacle.

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Monetary policies of the Federal Reserve and other central bank sheriffs, an armada of other economic variables, and the American (and global) political scene of course are relevant not only to trends and levels in stocks in America and abroad, but also for patterns in interrelated financial marketplaces such as interest rates, currencies, and commodities. Picture the US Treasury 10 year note, the broad real trade-weighted US dollar, and key commodity fields (such as gold and petroleum.

Lead/lag (convergence/divergence) relationships between marketplace pastures are not written in stone. But many times over the past century, significantly increasing United States interest rates have preceded a noteworthy peak in key stock marketplace benchmarks such as the Dow Jones Industrial Average and S+P 500. The US Treasury 10 year note's 7/6/16 major bottom at 1.32 percent probably ushered in an extended period of rising rates, which probably will connect with (lead to) a peak in the S+P 500 and DJIA. The recent UST 2.08pc yield low on 8/29/17 contrasts with 12/15/16's 2.64pc high (2.63 on 3/14/17), but that late August 2017 yield remains above July 2016's depth. Yet also compare the UST and stock marketplace pattern of 1996-1998 (after rising, UST yields eventually fell beneath their starting point level). See "History on Stage: Marketplace Scenes" (8/9/17).

Wall Street and Main Street audiences should monitor the broad real trade-weighted US dollar ("TWD"; Federal Reserve, H.10; March 1973=100; monthly average) very attentively. The TWD provides further insight regarding probabilities of the S+P 500 (and DJIA; and other advanced nation and emerging equity marketplace) trends. (The Fed's most recent H.10 revised its broad real TWD statistics, but not its nominal TWD ones.)

Currency chronicles for the broad real trade-weighted US dollar reveal that a notable TWD bear move can precede and/or accompany a significant stock decline. The TWD made a major high in December 2016/January 2017 around 104.4. As of August 2017, it stood at 96.9, a 7.2 percent decline. Though this ongoing TWD depreciation is not massive, it is significant. Its August 2017 level is around crucial support. For example, recall that as the 2007-09 worldwide economic disaster neared its murderous end, the broad real TWD peaked in March 2009 at 97.1. A sustained breach under the August 2017/March 2009 level probably will encourage weakness in the S+P 500 and Dow Jones Industrial Average. (Note the ongoing gold rally since 12/15/16's important $1124 low alongside the bear trend in the broad real TWD.)

For further economic and political analysis, see "History on Stage: Marketplace Scenes" (8/9/17) "Marketplace Tantrums (and Other Signs, Sounds, and Fury)" (7/11/17); "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).

To what extent will benevolent yet wary central bank patrolmen change directions in regard to their easy money schemes? Central bank tightening plans (or at least reduction in highly accommodative policies) risk "tantrums" in stocks and other battlefields. Perhaps the ECB will announce some specifics regarding the eventual "tapering" of its current money printing (quantitative easing) program. Will the Fed raise rates in September (and thereafter)? To what extent and how quickly will this gatekeeper reduce (normalize) its gigantic balance sheet? The European Central Bank meets 9/7/17, the Federal Reserve Board 9/19-20/17.

US STOCKS: ON THE ROAD

"So in America…and all that road going, all the people dreaming in the immensity of it…" Jack Kerouac's novel, "On the Road" (Part Five)

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The following table includes four United States stock marketplace benchmarks. It notes several important points in their travels over the past couple of years. The timing of their key trend changes (or accelerations from within a given pattern) tends to be quite similar. Compare their percentage ascents. Since the Dow Jones Industrial Average's first quarter depth did not pierce its August 2015 bottom, the table includes that earlier low and calculates a percentage ascent from it.

The impressive race upward since Trump's 11/8/16 election victory partly resulted from hopes for notable tax reform and significant infrastructure spending. These ambitions are unlikely to be achieved given America's deep and wide-ranging cultural (political) divisions. Debt ceiling and budget issues loom.

The VIX volatility index's low was its 8.84 bottom on 7/26/17. Compare the recent high at 17.3 on 8/11/17.

Recall the S+P 500's 5/20/15 high at 2135, the DJIA's 5/19/15 top at 18351, the Nasdaq Composite's slightly later one at 5232 on 7/20/15, and the Wilshire 5000's 5/20/15 plateau around 22537. Although American stocks eventually ran through and ascended decisively beyond these 2015 stop signs, not all advanced nation stock indices climbed over their 2015 barriers.

	S+P 500	**Dow Jones Industrial Avg**	**Nasdaq Composite**	**Wilshire 5000**
1Q16 Bottom	1812 (1/20/16) 1810 (2/11/16)	15370 (8/24/15) 15451 (1/20/16) (15503) (2/11/16)	4210 (2/11/16)	18550 (1/20/16) 18462 (2/11/16)
Mid-Year 2016 Low	1992 (6/27/16) [S+P 500 high 8/25/16 at 2194]			
2016 Election Period Low	2084 (11/4/16)	17884 (11/4/16)	5034 (11/4/16)	21584 (11/4/16)
High to Date Since 1Q16	2491 (8/8/17)	22179 (8/8/17)	6461 (7/27/17)	25848 (8/8/17)
Percent Rally From 1Q16 Low	37.6pc	44.3pc [since Aug15; 43.5pc since Jan16]	53.5pc	40.0pc
Percent Climb Since US Election Low	19.5pc	24.0pc	28.3pc	19.8pc

[For the S+P 500, a one percent move over 8/8/17's 2491 gives 2516, a two pc walk equals 2516. A five percent slide from 2491 is 2366, a 10pc drop 2242, and a 20pc tumble 1993.]

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OTHER ADVANCED NATION STOCKS: MEASURING UP

In "Cross Road Blues", Robert Johnson sings:
"I went to the crossroad
Fell down on my knees
Asked the Lord above "Have mercy, now
Save poor Bob, if You please".

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The SXXP, German DAX, UK FTSE, Canada's SPTSX, and Japan's Nikkei are important voyagers within the convoy of advanced nation stock marketplaces. The SXXP is the STOXX Europe 600 European Stocks Index. SPTSX is Canada's S+P/Toronto Stock Exchange Composite Index.

Despite their diverse geographic locations, let's survey the twists and turns of these stock yardsticks over the past couple of years in the context of America's equity movements.

The upward path of the DAX and FTSE, like the S+P 500, took them past their spring 2015 heights.

However, a broader measure for European stock performance, the SXXP, did not exceed its spring 2015 pinnacle. Not only does the SXXP's April 2015 top remain its peak, but also its May 2017 high was over three months ago. The DAX and FTSE June 2017 tops have not been breached. Neither has the Nikkei's June 2017 one. And the Nikkei's June 2017 height lurked about three percent beneath its June 2015 crest. These are bearish signs for the overall global stock marketplace, including American stocks.

Canada's stock marketplace top preceded the 2015 ones of these other advanced nations. However, it occurred alongside the summit for emerging marketplaces in general (MXEF 9/4/14 at 1104). The SPTSX sits beneath its February 2017 plateau (which inched merely 1.6pc over its September 2014 top).

Arguably, prices for the S+P 500 and other leading American stock indices in the past several months have "diverged" to some extent from those of several other advanced nations. The longer in time the European, Japanese, and Canadian stock marketplaces stay beneath their 2017 peaks, the more ominous is the bearish warning signal for international equities in general (even US and emerging marketplace ones) they represent.

	Europe 600 SXXP	**German DAX**	**UK FTSE**	**Canada SPTSX**	**Japan Nikkei**
2015 High	415.2 (4/15/15)	12391 (4/10/15)	7123 (4/27/15)	15685 (9/3/14)	20953 (6/24/15)
1Q16 Bottom	302.6 (2/11/16)	8699 (2/11/16)	5500 (2/11/16)	11531 (1/20/16)	14866 (2/12/16)

	Europe 600 **SXXP**	**German** **DAX**	**UK** **FTSE**	**Canada** **SPTSX**	**Japan** **Nikkei**
Mid-Year 2016 Low	307.8 (6/27/16)	9214 (6/27/16)	5789 (6/24/16)	13536 (5/9/16)	14864 (6/24/16)
2016 Election Period Low	327.0 (11/9/16)	10175 (11/9/16)	6677 (11/4/16)	14498 (11/4/16)	16112 (11/9/16)
High to Date Since 1Q16	396.6 (5/15/17)	12952 (6/20/17)	7599 (6/2/17)	15943 (2/21/17)	20318 (6/20/17)
PC Rally From 1Q16 Low	31.1pc	48.9pc	38.2pc	38.3pc	36.7pc
PC Climb Since US Election Low	21.3pc	27.3pc	13.8pc	10.0pc	26.1pc [36.7pc since June 2016]

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EMERGING STOCK MARKETPLACES

As a guide to emerging marketplace stocks in general, use the MSCI Emerging Stock Markets Index, from Morgan Stanley ("MXEF"). MXEF price trends in recent years often have tended to move similarly to those of the US and other developed countries. China's widely-watched Shanghai Composite Index has influenced (reflected; confirmed) stock trends in important advanced nations.

	Emerging Market Stocks (MXEF)	**China Shanghai Composite Index**
2015 High	1069 (4/27/15) [1104; 9/4/14]	5178 (6/12/15)
1Q16 Bottom	687 (1/21/16) 708 (2/12/16)	2638 (1/27/16) 2639 (2/29/16)
Mid-Year 2016 Low	788 (5/20/16)	2781 (5/26/16) 2808 (6/24/16)
2016 Election Period Low	837 (11/14/16) 840 (12/23/16)	[NA; no notable interim lows around time US 11/8/16 election; 11/8/16 close 3148]
High to Date Since 1Q16	1092 (9/1/17)	3382 (9/1/17)

	Emerging Market Stocks (MXEF)	China Shanghai Composite Index
PC Rally From 1Q16 Low	59.0pc	28.2pc
PC Climb Since US Election Low	30.5pc	[21.6pc rally since May 2016 low]

The MXEF bull trip, like the S+P 500, has ascended to new highs relative to a first quarter 2016 bottom. However, unlike the S+P 500, the MXEF has not attained all-time record heights.

The MXEF's 4/27/15 1069 high, though important (and roughly bordering the times of those in many advanced nations), stands slightly beneath 9/4/14's 1104 (1/3/13 plateau was 1083). Its current elevation thus faces that important 2014 resistance. The MXEF is fairly distant from 4/27/11's 1212 as well as 11/1/07's Goldilocks Era summit at 1345.

The Shanghai Composite's June 2015 major high likewise occurred close in time to key peaks in other international stock benchmarks. China's stock marketplace guide crashed 49.1 percent to its first quarter 2016 low. Despite a significant rally following that 1Q16 bottom, the Shanghai Composite remains well beneath June 2015's awesome pinnacle.

Perhaps the noteworthy depreciation in the broad real trade-weighted US dollar since its December 2016/January 2017 peak at 104.4 has encouraged rallies in emerging stock marketplaces. The MXEF's rally accelerated from 4/20/17's 951, and that in the Shanghai Composite sped up from 5/11/17's 3017 low. However, notable declines in the S+P 500 and other US stock benchmarks probably will be reflected (confirmed) by weakness in the MXEF.

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Bob Dylan sings in "Highway 61 Revisited":
"Now the rovin' gambler he was very bored
He was tryin' to create a next world war
He found a promoter who nearly fell off the floor
He said I never engaged in this kind of thing before
But yes I think it can be very easily done
We'll just put some bleachers out in the sun
And have it on Highway 61".

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