STOCK MARKETPLACE MANEUVERS: CONVERGENCE AND DIVERGENCE

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"Danger always strikes when everything seems fine." From the movie "Seven Samurai" (Akira Kurosawa, director)

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OVERVIEW AND CONCLUSION

American stock indices inspire an assortment of competing stories regarding them, including reasons for their past, present, and future levels and trends. Narratives and explanations regarding a broad "national" stock marketplace indicator such as the S+P 500 often involve those of equity weathervanes elsewhere. Discussions of interest rates, currencies, commodities, and other financial indicators may interrelate with stock marketplace analysis. These tales frequently indicate the extent to which given marketplace domains converge and diverge (lead or lag) with each other.

Many descriptions and analyses regarding broad benchmarks such as the S+P 500 and Dow Jones Industrial Average appear relatively unique to the United States. However, economic regions and marketplaces around the world increasingly have intertwined during the course of globalization in recent decades.

Therefore the directional travels (bull and bear adventures) of America's "overall" stock marketplace increasingly have tended to parallel (converge with) stocks of other significant advanced countries and regions. In the increasingly intertwined global economy, trends of emerging marketplace stocks "in general" have interrelated with and often (but not always) resembled those of leading advanced nations.

Various advanced nation and emerging marketplace stock indices achieved very important highs "together" early in first quarter 2018. However, in recent months, probably beginning around the end of first quarter 2018, the generally bullish trend of the S+P 500 and other noteworthy US equity marketplace benchmarks have diverged substantially from the bearish trend of emerging marketplace stocks. Climbing US interest rates and a renewed rally in the broad real trade-weighted dollar, plus increasing trade war rhetoric, encouraged the relative and overall feebleness in emerging marketplace stocks.

In addition, the S+P 500 and other US stock indices have diverged somewhat from those of other key advanced nations, though less substantially than relative to emerging stock marketplace realms. Nevertheless, important European and Japanese stock arenas currently remain under their January 2018 highs (and mid-May 2018 ones). The failure of these overseas stock battlegrounds to achieve new highs alongside American ones, when interpreted alongside the decline in emerging marketplace stocks (and in relation to other economic variables), further hints that American stock benchmarks probably are establishing an important price peak around current levels.

In this context, bearish indicators for American equities include the longer run trend of rising US interest rates (note the yield lows of July 2016 and September 2017), mammoth global debt totals, expanding American federal government budget deficits (aided by tax "reform"), and the rally in the broad real trade-weighted US dollar above a critical height. The Federal Reserve and other key central banks are not displaying signs of further easing; instead, the bias is toward tightening (even if only at a rather glacial pace). Also, United States stock marketplace valuations arguably are high by historical standards. A global trade war (tariff fights), or at least noteworthy skirmishes, is underway.

Populist pressures have not disappeared in America or elsewhere. Economic, political, and other cultural divisions in America are significant. What if the US mid-term elections this autumn return the Democrats to power in the House of Representatives (and perhaps the Senate as well)? Concerns about the quality of US Presidential leadership remain widespread.

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The US tax "reform" legislation enacted in December 2017 has been a critical factor in creating the price divergence since around late first quarter 2018 between American stock price benchmarks and those elsewhere. The US corporate tax cut translated into higher reported earnings for American companies and thereby helped to rally American stocks. Other leading countries around the globe did not enact a similar generous gift for their corporations. Moreover, America's tax reform likely further encouraged share buybacks by US corporations.

The second quarter 2018 blended earnings growth rate for the S+P 500 was 25.0 percent year-on-year (FactSet, "Earnings Insight"; 8/31/18). Thomson Reuters estimates S+P 500 2Q18 earnings soared 24.8pc ("S&P 500 Earnings Scorecard"; 8/28/18). Thomson Reuters data notes that 1Q18's earnings likewise skyrocketed, up 26.6pc year-on-year (compare 4Q17's boost of 14.8pc and 3Q17's 8.5pc rise).

Both FactSet and Thomson Reuters forecast significant year-on-year earnings increases for the S+P 500 over the next two quarters of 2018. FactSet says analysts are projecting earnings will climb 20.0 percent in 3Q18 and 17.4pc in 4Q18. Thomson Reuters puts year-on-year earnings growth at roughly similar levels, with 3Q18 ballooning 22.3pc and 4Q18 up 20.3pc.

However, the rate of earnings increases slows in 2019. FactSet states earnings growth in 1Q19 will be 7.2pc year-on-year, with 2Q19 stretching up 7.5pc versus 2Q18. Thomson Reuters places 1Q19 growth at 8.2pc year-on-year, with that for 2Q19 up 9.3pc.

Perhaps the wonderful US corporate earnings of first half 2018 will be followed by the impressive earnings forecast for the balance of 2018. However, if notable shortfalls in actual earnings relative to such lofty current profit expectations occur, that probably will worry many stock bulls. Going forward, if forecasts for first half 2019 earnings for the S+P 500 are cut relative to current expectations, will that make S+P 500 bulls ("investors" and others) fearful. After all, the currently anticipated (conjectural) calendar 2019 earnings growth already dips significantly from those of calendar 2018's quarters.

US STOCKS: A BULL ON PARADE

The following table includes four United States stock marketplace benchmarks. It shows several important points in their journeys over the past few years. The timing of their major (and other significant) trend changes tends to be quite similar. Compare their percentage ascents. Underscore not only the massive bull rally since first quarter 2016, but also the magnificent march upward following Trump's 11/8/16 election victory up to 1Q18's top.

Because the Dow Jones Industrial Average's first quarter 2016 depth did not pierce its August 2015 bottom, the table includes that earlier low and calculates a percentage ascent from it.

[All stock price statistics in this and the following tables are through 8/31/18.]

	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]	17063 (6/27/16)	4574 (6/27/16)	20584 (6/27/16)
2016 Election Period Low	2084 (11/4/16)	17884 (11/4/16)	5034 (11/4/16)	21584 (11/4/16)
High During 1Q18	2873 (1/26/18)	26617 (1/26/18)	7637 (3/13/18)	29761 (1/26/18)

[The Nasdaq Composite's initial 1Q18 top occurred alongside those in the S+P 500 and other US stock benchmarks, on 1/26/18 at 7506. Although Nasdaq's key 3/13/18 high occurred later than those in the broader US indices, these also created interim tops in March 2018. Recall the S+P 500's on 3/13/18 at 2802, that in the DJIA on 3/12/18 at 25449 (beneath 2/27/18's 25800), and the Wilshire 5000's 29033 on 3/13/18.]

Percent Rally From 1Q16 Low To 1Q18 High	58.7pc	72.3pc [73.2pc since Aug15]	81.4pc	61.2pc
Percent Climb Since US Election Low To 1Q18 High	37.9pc	48.8pc	51.7pc	37.9pc
Low Since 1Q18 High	2533 (2/9/18)	23345 (4/2/18)	6631 (2/9/18)	26294 (2/9/18)

[These four stock marketplace indices established lows around the same time. Even if the timing of the lowest low varied slightly between them, the lower price levels within each given marketplace was about the same in both February and April 2018.

The S+P 500 established an early April 2018 low slightly above its 1Q18 trough, 4/2/18's 2554. The DJIA's initial 1Q18 low, 2/9/18's 23360, paralleled those in the other three US stock playgrounds; 4/2/18's neighbored the February 2018 depth. The Nasdaq's important interim low on 4/2/18 at 6806 stood fairly near its February 2018 low. The Wilshire 5000 likewise made an interim trough on 4/2/18, at 26533.]

	S+P 500	Dow Jones Industrial Avg	Nasdaq Composite	Wilshire 5000
Percent Fall Since 1Q18 High	11.8pc	12.3pc	11.7pc; 10.9pc	11.6

[Nasdaq's slide from its January high to its February low was 11.7 percent, with that from its March 2018 top to the early April low 10.9pc.]

High Since 1Q18	2917 (8/29/18)	[high since 4/2/18 26168 (8/29/18)]	8133 (8/30/18)	30412 (8/29/18)

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Nasdaq's 6.5 percent ascent above its 1Q18 ceiling is indeed striking. However, the other three (and broader) stock indices, despite excellent corporate earnings for first half 2018, thus far have not climbed as forcefully as the Nasdaq. The DJIA's first quarter 2018 high remains unbroken. The S+P 500 has hiked only 1.5 percent above its 1Q18 resistance; the Wilshire 5000 has trotted a modest 2.2pc over its 1Q18 height.

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Suppose the S+P 500 established an important high in late August 2018. A five percent slip from 2917 is 2771, a 10pc fall (correction) 2625. Many marketplace generals define a stock bear trend as a tumble of 20 percent or more from a significant top. A 20pc dive from 2917 gives 2334, a 33pc crash equals 1943.

Or, if the S+P 500 walked upward for a while longer, a one percent rally over 2917 gives 2946, a five percent climb 3063. If the S+P 500 manages to surpass its late August 2018 height, it probably will not do so by much.

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The Federal Reserve probably would not slow its current tightening (normalization) scheme if the S+P 500 dropped ten percent relative to a high point (though it might offer audiences some soothing rhetoric). The Fed probably would slow or suspend its tightening program only if the S+P 500 declined about twenty percent (or more). Recall Fed behavior during the quantitative easing/money printing era. Also, America's current unemployment rate is low (3.9 percent in July 2018). Moreover, consumer confidence is high. The Conference Board measured it at 133.4 in August 2018 (1985=100).

OTHER ADVANCED NATION STOCKS: THE FIRST QUARTER 2018 STOP SIGN

The STOXX Europe 600 European Stocks Index ("SXXP"), German DAX, UK FTSE, Canada's SPTSX (S+P/Toronto Stock Exchange Composite Index), and Japan's Nikkei are eminent participants in the armada of advanced nation stock marketplaces.

Despite their diverse geographic locations, survey the maneuvers and the timing of noteworthy turning points of these stock yardsticks over the past few years in the context of America's stock marketplace travels.

	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)

[Recall the S+P 500's important interim peak on 5/20/15 at 2135.]

	Europe 600 SXXP	**German DAX**	**UK FTSE**	**Canada SPTSX**	**Japan Nikkei**
1Q16 Bottom	302.6 (2/11/16)	8699 (2/11/16)	5500 (2/11/16)	11531 (1/20/16)	14866 (2/12/16)
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 During 1Q18	403.7 (1/23/18)	13597 (1/23/18)	7793 (1/12/18)	16421 (1/4/18)	24129 (1/23/18)
PC Rally From 1Q16 Low To 1Q18 High	33.4pc	56.3pc	41.7pc	42.4pc	62.3pc
PC Climb Since US Election Low To 1Q18 High	23.5pc	33.6pc	16.7pc	13.3pc	49.8pc [62.3pc since June 2016]
Lows Since 1Q18 High	366.2 (3/5/18)	11831 (3/5/18)	7063 (3/2/18)	14786 (2/9/18)	
	362.0 (3/26/18)	11727 (3/26/18)	6867 (3/26/18)	14991 (4/4/18)	20347 (3/26/18)
Percent Fall Since 1Q18 High	10.3pc	13.8pc	11.9pc	10.0pc	15.7pc

[The SXXP low on 2/9/18 was 367.5. The late March 2018 lows in the European and Japanese stock marketplaces occurred very near in time to those in the United States stock indices. So did Canada's SPTSX early April 2018 trough.]

	Europe 600 SXXP	**German DAX**	**UK FTSE**	**Canada SPTSX**	**Japan Nikkei**
High Since 1Q18	397.9 **(**5/22/18)	13204 (5/22/18)	7904 (5/22/18)	16586 (7/13/18)	23050 (5/21/18)

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The SXXP, DAX, and Nikkei 1Q18 highs have remained intact, in contrast to the S+P 500. FTSE's May 2018 high surpassed its 1Q18 summit by only 1.4 percent. For Canada, the SPTSX's 1Q18 top was broken by only one percent via 7/13/18's crest (and at end August 2018, the SPTSX height, 16263 is close to but beneath its 1Q18 top). Significantly, the European and Japanese stock marketplaces are beneath their May 2018 highs (despite ongoing yield repression and money printing by the European Central Bank and Bank of Japan). Thus moderate price divergence exists between this group of advanced nations and the S+P 500 (and the Wilshire 5000 and Nasdaq Composite).

EMERGING STOCK MARKETPLACES: A BEAR ON THE PROWL

As a guide to emerging marketplace stocks "in general", enlist 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 United States and other key developed countries.

However, this has not always been the case. Divergence has emerged at times. For example, even though the S+P 500 kept making higher highs after its spring 2011 summit (5/2/11 at 1371) up until spring 2015 (5/20/15 at 2135), the MXEF did not. The MXEF's 4/27/11 high at 1212 was not exceeded for several more years, until 1/29/18's pinnacle at 1279 (which did not surpass 11/1/07's 1345 peak; S+P 500 peak 10/11/07 at 1576).

Many changes in price direction in these two benchmarks nevertheless have occurred around the same time, including during times of notable price divergence. For example, although the MXEF's 4/27/15 top at 1069 rested underneath its September 2014 plateau, it occurred rather close in time to the S+P 500's important interim peak on 5/20/15 at 2135.

In any case, after mid-year 2015, price trends for the S+P 500 and the MXEF converged, culminating in the similar first quarter 2016 major bottoms. And after first quarter 2016's dreary depths, and especially after around America's November 2016 Presidential election, emerging stock marketplaces generally rallied majestically alongside the S+P 500 and its domestic comrades such as the Dow Jones Industrial Average. The close relationship between the S+P 500 and MXEF continued up until their 1Q18 pinnacles (note the highs in other advanced/developed nation stock marketplaces during 1Q18) and for a few weeks thereafter.

However, since around the end of first quarter 2018, the price trends for the S+P 500 and the MXEF have diverged substantially. This divergence since late 1Q18 is much greater than that between the S+P 500 and the other advanced nation stock marketplaces category. Whereas the S+P 500 has remained robust, the MXEF (and China's Shanghai Composite Index) has retreated dramatically.

	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)

	Emerging Market Stocks (MXEF)	**China Shanghai Composite Index**
2016 Election Period Low	837 (11/14/16) 840 (12/23/16)	[NA; no notable interim lows around the time of US 11/8/16 election; 11/8/16 close 3148]
High to Date Since 1Q16	1279 (1/29/18)	3587 (1/29/18)
PC Rally From 1Q16 Low To 1Q18 High	86.2pc	36.0pc

[Despite its gigantic leap from its major bottom in 1Q16, the MXEF (unlike the S+P 500) did not exceed its glorious Goldilocks Era record, 11/1/07's 1345. Note that the broad measure for European stocks, the SXXP, has not surpassed its spring 2015 pinnacle.

The Shanghai Composite's June 2015 major high occurred close in time to key peaks in other international stock benchmarks. China's stock marketplace plummeted 49.1 percent to its first quarter 2016 low. The Shanghai Composite sits well beneath its celestial mid-June 2015 ceiling.]

PC Climb Since US Election Low To 1Q18 High	52.8pc	[29.0pc rally since May 2016 low]

[On 2/9/18, the MXEF established a minor low at 1136. So did the Shanghai Composite that day at 3063. On the timing front, compare the S+P 500's 2/9/18 low at 2533. The MXEF's high after 2/9/18 was 1229 (2/27/18)/1228 (3/13/18); remember the S+P 500's minor top on 3/13/18 at 2802.]

Low Since 1Q18 High	1014 (8/16/18)	2653 (8/20/18)

[On a cross rate basis against the US dollar, the Chinese renminbi began a sharp decline from 3/27/18's 6.243 interim high. Its recent low versus the dollar occurred 8/15/18 at 6.938. Are Chinese authorities defending the renminbi (recall 12/16/16's bottom at 6.965) and Chinese stocks (August 2018's Shanghai Composite depth borders its 1Q16 trough)? The recent Euro FX low against the dollar at 1.130 also occurred on 8/15/18 at 1.130.]

Percent Fall Since 1Q18 High	20.7pc	26.0pc

The MXEF's mid-August 2018 low satisfied the 20 percent fall definition of a bear market. It also fell beneath 4/27/15's 1069 summit. The Shanghai Composite is in a bear market. The substantial price descents in emerging stock marketplaces in calendar 2018 represent a bearish warning sign for advanced nation stock marketplaces (and global economic growth). Further sustained declines in the MXEF and Shanghai Composite beneath their mid-August 2018 lows probably will encourage price declines in advanced nation stock marketplaces.

FURTHER FOCUS: US INTEREST RATES, THE DOLLAR, AND COMMODITIES

The United States Treasury 10 year note yield made a major bottom on 7/6/16 at 1.32 percent, and an important interim low on 9/8/17 at 2.01pc. History reveals that sustained rises in US government interest rates generally (eventually) are bearish for the US stock marketplace. The UST 10 year remains above its previous critical barrier of 2.65 percent. Its recent high was 3.13pc (5/18/18; recall the similar timing of European and Japanese stock marketplace interim highs). Keep 1/2/14's 3.05pc yield resistance in view. As the Federal Reserve has raised its Federal Funds target, the UST two year note yield has climbed, and 7/26/18's 2.69pc yield bounced over 5/17/18's 2.60pc. As of 8/31/18, the two year note yield was about 2.63pc. The Fed meets 9/25-26/18.

US inflation indicators generally point to higher yields for government interest rates. Several appear to be above the Fed's beloved 2.0 percent target. The July 2018 CPI-U rose 2.9 percent year-on-year. The 12 month change in the New York Fed's "Underlying Inflation Gauge" for the "full data set" was 3.3pc in June 2018 (July 2018 data unavailable as of 9/3/18).

Other phenomena warn of further US interest rate increases. According to the International Monetary Fund's database, the US no longer has an output gap (as a percentage of total GDP). Recall 2009's -4.6 percent gap. In 2018, the level is 1.2pc (no gap), with 2019's predicted at 1.9pc. The Federal Reserve's June 2018 economic projections herald that the longer run central tendency for America's unemployment rate is 4.3 to 4.6 percent. July 2018's unemployment rate of 3.9 percent falls beneath this.

What about America's national fiscal situation? The likelihood of increasingly large US federal budget deficits in coming years (see Congressional Budget Office analysis) represents increased demand for credit. How easy will it be to acquire funds, and at what cost? Foreigners own a substantial amount of US government debt. However, major foreign holders of US Treasury securities have kept their ownership about unchanged over the past year (June 2018 is the most recent data; US Treasury TIC Report; 8/16/18). The Federal Reserve is reducing the size of its balance sheet (and the total of its UST holdings).

A significant widening of US corporate versus UST yield spreads probably would indicate the likelihood of a top in American stock benchmarks.

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The historical relationship between the US dollar and the stock marketplaces of America and other advanced nations is complex, as are ties between the dollar and emerging stock marketplaces in general. Convergence and divergence patterns can switch, sometimes significantly. Sustained movements in the dollar (especially the broad real trade-weighted dollar) above or below key support and resistance levels can have substantial consequences for stocks and other financial marketplaces.

Let's review the broad real trade-weighted dollar's ("TWD"; Federal Reserve Board, H.10; March 1973=100) motions from 2011 in the context of the price divergence between emerging stock marketplaces and the S+P 500 that lasted until around mid-year 2015. It provides insight into the current divergence situation between American stocks and those of emerging marketplaces.

The substantial rally in the broad real trade-weighted United States dollar ("TWD"; Federal Reserve Board, H.10; March 1973=100; monthly average) that commenced at 80.2 in July 2011 eventually played a key part in encouraging (confirming) and accelerating bear movements beginning in spring 2015 in emerging marketplace stocks (MXEF and Shanghai Composite). June 2012's interim TWD ceiling at 85.9 persisted for a long time. The broad real trade-weighted dollar's sharp climb from September 2014's 86.2 (MXEF top 1104 on 9/4/14) level interrelated closely with the bearish emerging stock marketplace (and commodity) tumbles, and ultimately with the vicious fall in the S+P 500 and other OECD (advanced nation) stocks.

In September 2015, the broad real TWD averaged 97.5; after dipping to 96.6 in October 2015, thereafter vaulted over March 2009's critical 96.6 summit, attained around the close of the horrifying 2007-09 global economic disaster.

Nowadays, in regard to evaluating and forecasting twists and turns of various marketplaces, trading devotees should keep in mind the significant role of the TWD's late 2015 ascent above its critical March 2009 resistance at 96.6 for trends in emerging marketplace stocks (and commodities) and the S+P 500. This sustained dollar climb over March 2009's top helped propel the S+P 500 (and other advanced nation equities) downhill following 5/20/15's 2135 pinnacle in conjunction with the bearish emerging stock marketplace and commodity trends. Thus tocks around the world crashed (converged) to their 1Q16 bottoms.

The broad real trade-weighted US dollar began a bear move from its major top in December 2016/January 2017 around 103.2/103.1. The TWD eventually moved beneath critical support around 96.2 to 96.6, reaching a low of 94.6 in January 2018 (8.3 percent fall). The TWD stayed beneath the 96.2/96.6 height through May 2018. However, and very significantly, May 2018's 97.9 climbed above this. Note the sharp fall in the MXEF emerging stock marketplace index after mid-March 2018 down to its mid-August 2018 low (the Shanghai Composite collapsed as well). In regard to the TWD ascent in May 2018, also emphasize May 2018's interim tops in European and Japanese stock indices. July 2018's TWD 99.9 elevation is fairly close to the December 2016/January 2017 summit (and January 2016's interim top at 101.1). Thus the TWD rally in recent months indicates that the S+P 500 and other American stock benchmarks probably will begin downward trends alongside those in emerging marketplace and other advanced nations.

All else equal, rising American interest rates probably help to weaken emerging marketplace stocks. A substantial amount of emerging marketplace debt is dollar-denominated. Monitor not only government yields, but also corporate interest rates. In any case, the linked emerging marketplace and advanced nation stock marketplace declines that began in spring 2015 probably partly related to a rise in US interest rates up to that time, though the broad real trade-weighted dollar's appreciation (particularly over 96.6) likely was a more important factor.

The US Treasury 10 year note established a very important yield bottom on 7/25/12 at 1.38 percent. Its yield ascended to 3.05pc on 1/2/14. Although the 10 year rate fell to 1.64pc on 1/30/15, it climbed to 2.50pc on 6/11/15, close in time to key stock marketplace tops. The UST yield then slumped as equities collapsed, reaching 1.32pc on 7/6/16.

What about the present marketplace landscape? Given the TWD's notable rally in calendar 2018 above critical resistance, as well as the weakness in emerging marketplace stocks, review the pattern in the UST 10 year note. After its 7/6/16 major bottom in yield, it made a second yield low at 2.01 percent on 9/8/17. The UST 10 year yield leaped up to 5/18/18's 3.13pc high. Note the weakness in emerging stock marketplaces in recent months. Again remember May 2018's interim tops in European and Japanese stock marketplaces. The current pattern (2016 to the present) of higher UST rates appears to be a potentially somewhat stronger influence in regard to inspiring weakness in stock marketplaces than that evidenced by the 2012-2015 UST yields.

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Recall that the broad S&P Goldman Sachs Commodity Index's major bottom attained on 1/20/16 at 268 occurred alongside the key first quarter 2016 depth in the S+P 500 stock index and other advanced nation and emerging stock marketplaces. The broad GSCI's high at 466 on 1/25/18 aligned with the S+P 500's top on 1/26/18 at 2873. The GSCI eroded 8.8 percent to 2/9/18's 425 (S+P 500 low 2/9/18 at 2533). The GSCI's recent high was 5/22/18's 498 (remember May 2018's interim highs in the European and Japanese stock marketplaces), dipping 11.0 percent to 443 on 8/16/18. Renewed GSCI declines relative to 5/22/18's plateau probably would warn of (or confirm) price deterioration in emerging marketplace stocks as well as advanced nation ones.

US STOCK MARKETPLACE VOLATILITY

Significant (even if gradual) volatility shifts for a given marketplace, particularly from historically "low" or "high" levels, sometimes can warn of or roughly coincide with important trend changes in that marketplace. The CBOE's VIX volatility index for the S+P 500 stock index is an example of this. Timing linkages between the S+P 500 and VIX volatility levels are not always precise, so observers should be cautious in evaluating the relationship and its implications. And marketplace history is not marketplace destiny.

During the latter part of the Goldilocks Era and several months before the advent of the global economic disaster, the VIX established a major bottom at 9.39 on 12/15/06. After making a second important low at 9.70 on 2/14/07, and following a final key low on 6/20/17 at 12.75, it thereafter ventured and stayed above 13.0. This gradual rise in the VIX was an important bearish omen for the S+P 500.

The VIX volatility index bottomed with 11/24/17's 8.56. On 1/26/18, at the time of the S+P 500's important interim peak (and at the time of notable highs in other international stock benchmarks), it was only modestly higher, at 11.08. However, as the S+P 500 and other stock indices crashed and many stock investment hearts froze, the VIX viciously spiked to 50.30 on 2/6/18 (2/9/18 was 41.06). The dramatic shift (increase) in VIX volatility connected to (confirmed) the S+P 500's important top on 1/26/18. The VIX valley since 2/6/18 is 8/9/18's rather low 10.17. A sustained climb from August 2018's level probably would indicate that a S+P 500 top has occurred or soon will be established.

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For further economic and political analysis, see "China at a Crossroads: Economic and Political Danger Signs" (8/5/18), "Shakin' All Over: Marketplace Convergence and Divergence" (6/18/18), and other essays.

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