GREAT EXPECTATIONS: CONVERGENCE AND DIVERGENCE IN STOCK PLAYGROUNDS

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In Charles Dickens's "Great Expectations" (Chapter 2), a character says: "Ask no questions, and you'll be told no lies."

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STOCKS: THE EMERGENCE OF SOME NOTABLE DIVERGENCE

Since cultural (subjective) perspectives, arguments, predictions, and actions regarding marketplace and other phenomena and their interrelations diverge (and converge) to various extents over time, the S+P 500 and other benchmark stock marketplaces do not necessarily or inevitably trade identically or even closely in price direction and timing terms. Of course marketplace history is not marketplace destiny, either completely or partially. Relationships within and between financial fields and their variables can shift or transform, sometimes dramatically. And these stock theaters have their own supply/demand situations and intertwine with other financial realms and assorted economic, political, and social phenomena in diverse ways.

Over the past couple of decades, important price highs (and lows) and related trend shifts for major broad American stock signposts such as the S+P 500 nevertheless have tended to occur at "around" the same time as other important foreign benchmark equity indices for both advanced and emerging marketplace nations. This track record partially reflects interrelations within the worldwide economy. Such convergence often happens within several days, and generally but not always within a few months. Similar price directional and time linkage (connection; confirmation) has occurred between the S+P 500 and global stock yardsticks that include an assortment of equities from the United States and elsewhere.

Consequently, the extent to which various US, overseas, and global stock marketplace weathervanes converge and diverge (and "lead" or "lag") with each other can provide insight into critical past and current equity trends and thereby into the probabilities of their overall future price movements.

Also, in the US stock playground as in other financial marketplaces, coaches, players, and media cheerleaders devote attention to subjectively defined stock sectors (such as "technology") as well as to fascinating individual stocks. Patterns of some marketplace domains, given their size "within" an "overall" stock marketplace (picture the role of tech stocks nowadays within the S+P 500), frequently influence trends for the broader index. Also, sometimes major turns in one or more widely-watched individual American stocks (often but not always highly-capitalized ones) occur at roughly around the time as noteworthy broad stock indices such as the S+P 500.

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In first quarter 2020, prices for an array of stock marketplaces cratered at approximately the same time as the S+P 500. They thereafter reached a major bottom "together" in late March 2020. Over subsequent months, magnificent bull moves occurred.

However, since around early mid-February 2021, prices for the S+P 500, European stock indices in general, and broad international benchmarks (including American stocks and those of other countries), have diverged from emerging stock marketplaces in general, China's Shanghai

Composite Index, and Japan's Nikkei signpost. For example, whereas the S+P 500 has raced relentlessly to record heights, a key emerging stock marketplace gauge, the iShares MSCI Emerging Stock Markets ETF ("EEM") currently stands about 11.3 percent beneath its mid-February 2021 top.

Will this notable divergence between the S+P 500 and emerging stock marketplaces (including the Shanghai Composite) and Japan's stock barometer persist? Thus this divergence has persisted for about six months, a lengthy span. Some observers argue that "this time is different," or at least is worth a bet that the current relationship will last for a while longer. Yet history warns that convergence probably will occur.

For the relationship between Chinese and Japanese stocks, remember that these two nations are important trading partners. The Bank for International Settlements assesses trade weights for various countries as part of its effective exchange rate ("EER") analysis. For the BIS weight measure (broad index; as of April 2019), China grabs a very substantial part (31.9 percent) of Japan's EER (the US has a 16.5pc weight within Japan's). Japan has an 11.9 percent share within China's EER (US holds a 19.7pc portion within China's).

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Within the American stock trading game, note also the apparent directional split in the past few months between indices representing larger corporate enterprises (such as the S+P 500 and Dow Jones Industrial Average) and smaller publicly-traded corporations such as the Russell 2000 Value ETF, "IWN"). The IWN's high occurred over two months ago, on 6/9/21. The IWN as of its 8/13/21 close is about 7.5 percent beneath its June 2021 top.

Several "meme" stocks have attracted substantial Wall Street and Main Street attention and activity, especially during the coronavirus era. Within the meme stock circus, some meme stocks have had explosive bull moves, even though some of these corporations arguably are of less than stellar creditworthiness. At least a couple of widely watched "meme" stocks have endured bloody falls from their 2021 pinnacles, thus contrasting with the S+P 500's pattern.

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Some important and widely-watched American large capitalization stocks have retreated fairly significantly in recent months despite the S+P 500's onward march to new highs. For example, underscore Amazon's 7/13/21 high and its subsequent price correction.

If more marketplace leaders within the large capitalization stock fraternity (especially American ones) begin to decline, the greater the odds of price convergence between that group (picture the S+P 500) and small cap stocks (in the US and elsewhere), emerging marketplace stock realms (including China), and Japanese equities.

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Perhaps many emerging marketplace corporations and relatively small publicly-traded firms are more vulnerable to incipient (or ongoing) economic weakness and increasing yields (or the threat of them) than the majority of large capitalization corporations.

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Not only emerging marketplace stocks (perhaps especially those who have borrowed in US dollars), but also prices in emerging marketplace dollar-denominated sovereign debt in general, may weaken due to a powerful (or strengthening) dollar.

The Federal Reserve (H.10) releases a real as well as a nominal "Broad Dollar Index" (including both goods and services). The US real "Broad Dollar Index" is a monthly average (January 2006=100; 8/2/21 latest release). The Fed's nominal Broad Dollar Index release provides daily data (8/9/21 latest release, 8/6/21 most recent data point).

The real Broad Dollar Index ("BDI") peaked in April 2020 at 113.6. Perhaps the US dollar sometime in early 2020 became "too strong" for many emerging marketplace sovereign (and perhaps also emerging marketplace corporate) dollar-denominated debtors needing to repay their dollar obligations.

The real BDI fell to 103.4 in January 2021. The high since then is July 2021's 106.7. The US dollar's modest rally 0f 3.2 percent thus has converged with the decline which commenced in emerging marketplace equities. An important guide for US dollar-denominated sovereign debt reveals a downhill price slip (and thus higher yields) since its early January 2021 top.

.	**First Quarter 2020 Key High (date)**	**Subsequent Low Level (date)**	**Percentage Fall from 1Q20 High**
Nominal Broad Dollar Index	126.5 (3/23/20)	111.1 (1/6/21); 111.0 (5/28/21) 110.8 (6/7/21)	Nominal Dollar Index depreciation 12.4pc

Note the timing of the nominal Broad Dollar Index's peak on 3/23/20 in relation to (alongside) the major price bottoms in the S+P 500 (3/23/20 at 2192), emerging marketplace stocks, lower-grade US corporate debt and dollar-denominated sovereign debt securities, and commodities in general. Since 6/7/21's trough, the high is 114.0 on 7/20/21 (113.6 on 8/6/21).

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Some believe the greater availability and use of the coronavirus vaccine in advanced nations relative to most emerging/developing countries plays a very significant role in creating economic divergence between those two categories. Consequently advanced nation stock marketplaces have tended to outperform emerging nation ones. However, given the highly interrelated worldwide economy, the vaccination difference factor probably is at most of modest importance.

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US dollar levels and trends in relation to those of stocks and other marketplaces are complex and sometimes change dramatically. All else equal, a weaker US dollar tends to boost dollar-denominated asset prices, including US stocks. However, this theoretical rule of thumb is not necessarily or always realized in marketplace practice (history).

Picture an environment of rising US Treasury interest rates (and increasing yields in US corporate and important foreign sovereign and corporate debt domains). Suppose sustained substantial fears regarding global economic strength and recovery reappeared. In such a world, if the real Broad Dollar Index moved underneath its March 2009 international economic disaster peak at 101.6, that might help to precipitate (or accelerate) a "weak US dollar equals weak US stocks" scenario.

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"History on Stage: Marketplace Scenes" (8/9/17) and subsequent essays updating it (such as 3/9/21's "Truth and Consequences: Rising American Interest Rates", "Financial Marketplaces: Convergence and Divergence Stories" (4/6/21), and "American Inflation and Interest Rates: Painting Pictures" (5/4/21) emphasized: "Marketplace history need not repeat itself, either entirely or even partly. Yet 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 yield climb sometimes has occurred over a rather extended time span, and the arithmetical (basis point) change has not always been large."

The US Treasury marketplace has been an important standard for this analysis. The 10 year UST note is a key signpost. The Federal Reserve currently yearns for higher inflation; it will permit some overshooting of its beloved two percent target. Over the long run for the United States, the combination of sustained higher inflation and rising government debt probably points to higher US Treasury yields than many wizards (including the Fed) anticipate.

The UST 10 year note's yield climb, which began with 3/9/20's .31 percent major bottom (see also 8/6/20's .50pc trough), probably is leading to a peak in the S+P 500. The UST 10 year note's high to date since its March 2020 low is 1.77 percent (3/30/21). UST 10 year yields have motored upward from the low on 7/20/21 at 1.13 percent (8/4/21 also 1.13pc; 8/13/21 close at 1.30pc).

Note also that American high-yield (lower-quality instrument) corporate debt yields have ascended a bit since early July 2021. "HYG" designates the iShares iBoxx US dollar denominated high yield corporate bond ETF. HYG is quoted in price terms. HYG made an important initial price top at 87.79 on 2/12/21; compare that timing with the high in emerging marketplace stocks. The HYG eroded to 85.65 on 3/19/21. Its recent price high is 7/7/21's 88.10 (8/13/21 close 87.46). Significantly widening credit spread yields (such as between the UST 10 year note and high-yield US corporate debt instruments) probably will warn of (confirm) economic (and stock marketplace) weakness.

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Enormous sustained money printing (quantitative easing), particularly since the advent of the coronavirus pandemic, by the Federal Reserve and its central banking friends underpins some of the momentum for interest rate yield ascents in the United States and elsewhere. Note the increase in American (and global) inflation measures (as in the Consumer Price Index), as well as in other asset territories (not merely in the S+P 500, but also homes; note also rising rents). For example, the OECD's June 2021 CPI for the G20 rose 4.6 percent (compare 2.0pc in December 2020 and 3.1pc in March 2021). America's CPI-U (all items) increased 5.4 percent in July 2021 (1.4pc in December 2020; Bureau of Labor Statistics, 8/11/21).

In addition, inflation expectations indicators in America gradually have risen in recent months. The St. Louis Fed's five-year, five-year forward inflation expectation rate bottomed at .86 percent on 3/19/20 alongside the S+P 500's major bottom at 2192 on 3/23/20. It made an interim trough at 1.71 percent on 9/24/20; the S+P 500 established a key interim low at 3209 that day. However, at some point many stock marketplace participants may deem a rising and fairly high inflation expectations level as being bearish for American stock trends. The five-year, five-year forward rate bounced up to 2.38 percent on 5/11/21 and is 2.22pc as of 8/13/21.

Moreover, gargantuan credit demand probably assists eventual further yield climbs in policy rates as well as sovereign and corporate debt securities, not only in America, but also in other advanced and emerging marketplace realms). According to the International Monetary Fund's scoreboard, the world's general government gross debt as a percentage of GDP ballooned from 83.7 percent in 2019 (and recall the much lower levels prior to the 2007-09 global economic disaster) to 98.7 percent in 2020, with 2021's height forecast at 98.8pc. For advanced economies, 2019's gross debt of 103.7 percent of GDP spiked to 122.8pc in 2020; the IMF predicts 2021's will remain near that, at 122.5pc. See the July 2021's "World Economic Outlook" (Box Table 2.1).

The colossal deficit spending (stimulus) legislation totaled several trillion dollars enacted by the United States in calendar 2020 and 2021 in response to the coronavirus disaster stands out but is not alone. And further new US federal government spending (via infrastructure spending) may occur soon. For America in particular, given its critical role in the intertwined global economy, keep in mind its lofty governmental debt levels as a percentage of GDP and the probability of ongoing substantial budget deficits.

Moreover, many nations confront significant corporate debt challenges. Don't overlook household debt. America's household debt is very substantial in arithmetic terms.
The New York Fed's "Quarterly Report on Household Debt and Credit" (8/3/21) broadcast that 2Q21's total debt of $14.96 trillion was a new record and about $691 billion above 2Q20's. The 2.1 percent quarter-on-quarter increase was the largest since 4Q13 and the greatest nominal expansion since the Goldilocks Era's 2Q07. American household debt substantially exceeds by 18.0 percent the $12.68tr Goldilocks Era pinnacle (2Q08). Admittedly, US household net worth has increased substantially in recent years. However, an economic downturn (or even a slowdown) probably will challenge many consumers.

MARKETPLACE EXPECTATIONS AND STRATEGIC RHETORIC

In "A Christmas Carol", Charles Dickens remarks: "it is always the person not in the predicament who knows what ought to have been done in it, and would unquestionably have done it too."

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Ardent yield repression and artful easy money rhetoric by the Federal Reserve and its central banking teammates in recent years encouraged enthusiastic quests for adequate "yield" and bullish moves, not only in American (and many other) stocks, but also prices for US dollar-denominated sovereign emerging marketplace debt (and US corporate interest rate) territories, as well as in commodities "in general".

Widespread marketplace faith exists in the power of the Fed and its trusty friends to significantly manage interest rate outcomes. Fed hymns proclaim its devoted quest to ensure inflation averages two percent over time and its intention to keep long term inflation expectations "well anchored" at two percent. Thus despite sustained mammoth money printing (especially since the appearance of the terrifying coronavirus pandemic), as well as signs in recent months of significant inflation in measures such as the consumer price index, and even though the Fed now aims to achieve inflation "moderately over two percent for some time", most stock and interest rate (and other marketplace) observers believe the Fed will not permit US Treasury yields to climb "too far" (or "too fast"). Central bankers and finance ministers claim (hope) that recent inflationary signs are merely "transitory". The vigilant Fed coach "will continue to monitor the implications of incoming information" and "take into account a wide range of information." (7/28/21 Press Release). Indeed, the glorious "Fed Ponders Inflation 'Night and Day,' Powell Tells Senators" (NYTimes, 7/16/21, pB6).

But what happens to US interest rate yields if the Fed all-star starts to taper its securities acquisition scheme? Or, suppose inflation does not turn out to be transitory. Bullish stock marketplace promoters do not emphasize the significant potential for American and other global debt national and other (corporate, household) debt to become a major problem for the global economy in general and equities in particular. What if government deficit spending now (especially in America on the federal front) is, or eventually becomes, "out of control"?

If the US economy genuinely is powerful (rather than substantially propped up by highly accommodative (manipulative) monetary policies and towering deficit spending, why does a one percent or two percent rise in the Federal Funds rate (and other yields) matter so much the Fed (and stock marketplace bulls) nowadays?

At least some of the major bull move in the S+P 500 in recent years has related to the Trump Administration's "tax reform" legislation, not just easy money policies and deficit spending. Suppose America (perhaps as part of infrastructure legislation) raises corporate tax rates, increases the capital gains tax, boosts taxes on high-earning individuals, or enacts higher estate taxes.

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Sustained low interest rates can create a low interest rate culture (belief system), and thereby an expectation for continued low yields. However, growing widespread fears of substantial inflation can spark and sustain both inflationary ascents and higher yields as players (investors, speculators, traders; hedgers, risk managers; the general public; commercial firms, businesses) scramble (such as by securing supplies now or sooner rather than later) to "get ahead" of the apparently impending inflation and its consequences.

Thus rising inflation expectations can ignite or further encourage price rises for various goods and services. Increasing fears regarding inflation can assist yield jumps in US Treasury instruments, as well as in corporate debt yields.

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Great expectations exist that US corporate earnings will remain robust and thus help to underpin the bull move in the S+P 500. But potentially higher corporate taxation is not the only risk facing corporate earnings. Will recent rapid US corporate earnings growth be sustained over the long run if the Fed starts to tighten, or if interest rate yields rise anyway (perhaps regardless of the Fed)? What if the coronavirus problem worsens?

Viewpoints as to whether a stock (or other) marketplace price is "high" (too high; overvalued; expensive; overshooting; bubble), "average" (normal, typical, natural; fairly valued), and "low" (too low; undervalued; cheap; a bargain; undershooting) reflect subjective opinion. Rationality rhetoric is popular in cultural arenas. Perspectives as to whether a price (or trend) or marketplace valuation is reasonable (rational, intelligent, logical, common sense) likewise is cultural (not objective/scientific). The selection and interpretation of stock valuation measures (such as price/earnings ratios) also are matters of opinion. Thus arguments and conclusions on stock valuation, including overvaluation, fair or true value (and equilibrium), and undervaluation, always represent subjective assessments.

And in the stock game, despite the popularity of valuation wordplay within Wall Street, many players may choose not to care much, if at all, about the valuation variable.

Nevertheless, great expectations persist that American stock marketplace prices (take the S+P 500 as a signpost) can sustain being "high" from a long run historical horizon.

Wall Street leaders in the American stock marketplace playground and the related financial media applaud "investment" and "investors". Assorted investment high priests and their fervent followers crusade to identify stocks to buy (keep holding). These generals and their loyal troops generally scrupulously avoid offering reasons for the public to become net sellers of US stocks in general. The majority of the substantial segment of the American public interested in owning equities (especially investment clans) has long embraced “buy and hold for the long run” viewpoints and methods.

These considerations, as well as the major bull run of more than 100 percent over almost 18 months in the S+P 500 since 3/23/20’s major bottom at 2192, has built great optimism that US stocks in general will remain a “good investment” over the long run. Moreover, the S+P 500’s current price is nearly 6.7 times that of its major bottom over twelve years ago during the depth of the global economic disaster, 3/6/09’s 667.

But what if US interest rates increase significantly, or if it appears probable they will do so? What if the Fed finally “starts to become serious” about tapering its ravenous US Treasury and agency mortgage-backed securities purchasing? Will fans of the “buy the dip” strategy remain convinced of its merit? Will the influx of new Main Street money into Wall Street stocks (especially American ones) since the emergence of the coronavirus troubles (over about the past year and a half, encouraged by zero commissions and other reduced barriers to entry) continue, or might it be reversed?

Will the Fed intervene to rescue US stock investment pilgrims via calming bullish wordplay if the S+P 500 falls around ten percent from a peak? Suppose a bear marketplace trend develops (a decline of twenty percent or more) or appears probable. Will the heroic Fed via dramatic language and decisive actions battle to halt the decline and produce a rally?

STOCK MARKETPLACE PLAYGROUNDS

“During the progress of this famous bubble [the South-Sea Bubble], England presented a singular spectacle. The public mind was in a state of unwholesome fermentation. Men were no longer satisfied with the slow but sure profits of cautious industry. The hope of boundless wealth for the morrow made them heedless and extravagant for today.” Charles Mackay, “Extraordinary Popular Delusions and the Madness of Crowds” (1852)

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In the following table, the FTSE All-World Index is a market-capitalization index concentrating on large and mid-cap stocks. It covers both developed and emerging marketplace equities. The United States share of this index is a monumental 58.3 percent, far surpassing the 20.9 percent share of the six next largest advanced nations. Compare Japan’s 6.5 percent, the UK’s 4.0pc, France’s roughly 2.9pc, Switzerland’s 2.6pc, Canada’s 2.5pc, and Germany’s 2.4pc. Emerging marketplace stocks capture about 8.6 percent of the index, with China representing about 4.0pc. See the “FTSE All-World Index Factsheet” (as of 7/30/21).

“URTH” is an iShares (BlackRock) MSCI stock ETF which includes a “broad range of developed market companies around the world” (See BlackRock’s “Fact Sheet” as of 6/30/21). The United States equals about 67.2 percent of this index.

The very substantial share of the United States within the FTSE All-World Index and the URTH underline the importance of American stock price levels and trends (“in general”) for “overall” views of investors (and other marketplace players) regarding global stock marketplace levels and trends.

Compare the US percentage of these stock indices with America's percent share of worldwide GDP. Estimates of GDP can vary based upon the method chosen. According to the World Bank's GDP measure (based on current US dollars), in 2020 the US held about a 24.7 percent of global GDP.

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"SXXP" is the STOXX Europe 600 Stocks Index. The FTSE is the UK's benchmark stock index, DAX is the German one. Japan's Nikkei is a key equity weathervane.

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"EEM" is the iShares MSCI Emerging Stock Markets ETF. It covers over 800 large and mid-size companies. Despite Mainland China's global economic power, most classify it as an emerging market nation from the economic perspective. It possesses a 37.4 percent portion of the EEM (see BlackRock's iShares website, 6/30/20).

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.	**1Q 2020** **<u>High (date)</u>**	**1Q 2020** **<u>Low (date)</u>**	**Take-Off** **<u>Low (date)</u>**	**Subsequent** **<u>High (to date)</u>**
S+P 500	3394 (2/19/20)	2192 (3/23/20)	3209 (9/24/20) 3234 (10/30/20)	4468 (8/13/21)

[The S+P 500's largest slump since its March 2020 major trough is the 10.6 percent decline from 9/2/20's 3588 to 9/24/20's 3209. In the wide world of stock sports, many define a "correction" as a decline of ten percent or more from a notable high, with a bear move a fall of at least twenty percent from a peak. Since March 2020's major bottom, has this single modest (and brief) correction during September 2020, and especially the absence of a bear move, encouraged brimming confidence that a sustained correction (and especially a bear move) will not occur in the S+P 500 and closely related US stock indices?

And after all, given the S+P 500's recent achievement of a new record high, probably the majority of US stock bulls (investors and other owners; and especially players buying and holding S+P 500 type stocks for some version of the long run) so far are winners.

Will corporate share buyback schemes help to keep the S+P 500 strong?]

Dow Jones Industrial Avg	29569 (2/12/20)	18214 (3/23/20)	26537 (9/24/20) 26144 (10/30/20)	35611 (8/13/21)
Wilshire 5000	34617 (2/19/20)	21956 (3/23/20)	32832 (9/24/20) 33399 (10/30/20)	46411 (8/13/21)
Nasdaq Composite Index	9838 (2/19/20)	6631 (3/23/20)	10519 (9/21/20)	14896 (8/5/21)

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Take-Off Low (date)**	**Subsequent High (to date)**
FTSE All-World	383.4 (2/12/20)	250.4 (3/23/20)	359.6 (9/24/20) 360.6 (10/30/20)	485.2 (8/13/21)
URTH	102.28 (2/19/20)	66.38 (3/23/20)	95.79 (9/24/20) 95.64 (10/30/20)	131.39 (8/13/21)

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SXXP	433.9 (2/19/20)	268.6 (3/16/20)	338.6 (10/29/20)	476.2 (8/13/21)
FTSE (UK)	7690 (1/17/20)	4899 (3/16/20)	5526 (10/28/20)	7224 (8/13/21)

[The FTSE peaked slightly before January 2020's high, on 7/30/19 at 7727.]

DAX (Ger)	13795 (2/17/20)	8256 (3/16/20)	11450 (10/30/20)	16030 (8/13/21)
Nikkei (Japan)	24116 (1/17/20)	16378 (3/17/20)	22948 (10/30/20)	30715 (2/16/21)

[The timing of the Nikkei's high on 1/17/20 at 24116 neighbored the peak in emerging stock marketplaces in general (EEM). It plunged 11.2 percent to 27272 on 7/30/21. The Nikkei closed at 27977 on 8/13/21, down about 9.1 percent from its February 2021 pinnacle.]

EEM	46.32 (1/13/20)	30.10 (3/23/20)	42.29; (9/25/20) 44.41 (10/30/20)	58.29 (2/16/21)

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[The EEM's Goldilocks Era major high occurred 10/31/07 at 55.83. Compare the neighboring timing of the Goldilocks Era's S+P 500 summit, 10/11/07's 1576. The EEM's January 2020 pinnacle preceded the S+P 500's February 2020 peak. The EEM descended from 6/1/21's 56.18 drop-off elevation to 49.83 on 7/27/21, a 14.5 percent dive from February 2021's summit. This fall is a warning signal for advanced nation stock marketplaces such as the S+P 500. Its 8/13/21 close at 51.73 borders the July 2021 low and is 11.3pc beneath 2/16/21's top.]

Shanghai Composite	3127 (1/14/20)	2647 (3/19/20)	3202 (9/30/20); 3210 (11/2/20)	3732 (2/18/21)

[Do the falls in Japan and China's stock indices since mid-February 2021 portend or confirm slowdowns (or weakness) in their economies? If so, given the importance of these two countries within the international economy, do they warn of economic weakness in advanced nations such as the United States?

China's Shanghai Composite Index fell 11.2 percent from its February 2021 high to its 7/28/21 low at 3313. Its interim top after 2/18/21's peak is 6/2/21's 3629. Its 8/13/21 close at 3516 lurks about 5.8 percent beneath February 2021's high.]

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"EMB" labels the iShares J.P. Morgan emerging markets US dollar-denominated government bond ETF. The EMB fund includes over 30 countries. The EMB is quoted in price terms, so falling prices reflect rising yields. In an avid hunt for yield (adequate return) landscape, EMB price trends tended to move alongside those of emerging marketplace stocks such as the EEM.

Note the recent trend of the EMB in relation to emerging marketplace stock trends. The EMB's price high on 1/4/21 at 116.09 stands fairly close in time to that the EEM's 2/16/21 apex. Arguably the EMB (its rising yield) has helped to lead emerging marketplace stocks lower. This is a danger sign for the S+P 500 and "related" advanced nation stock marketplaces. Remember also the long run historic pattern whereby rising UST yields have preceded (led) to major highs in the S+P 500 and Dow Jones Industrial Average.

The EMB toppled down to 106.70 on 3/8/21. Compare the time of the initial low in the EEM, 3/25/21 at 51.52. The EMB had a subsequent interim high at 113.01 on 6/11/21. It closed on 8/13/21 at 112.32.

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"Nations, like individuals, cannot become desperate gamblers with impunity. Punishment is sure to overtake them sooner or later." Charles Mackay, "Extraordinary Popular Delusions and the Madness of Crowds" ("The South-Sea Bubble")

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Let's venture back to the US ballfield and review so-called "value" lower-(smaller) capitalization stocks. BlackRock's iShares Russell 2000 Value ETF ("IWN"; Fact Sheet, 6/30/21) "seeks to track the investment results of an index composed of small capitalization [publicly held] U.S. equities that exhibit value characteristics." These firms "are thought to be undervalued by the market relative to comparable companies."

Those in trading grandstands will see divergence between recent the IWN's price trend in recent months with the S+P 500 benchmark. Admittedly the US small-cap universe probably is not as important in dollar terms and "overall" stock trading strategies as the S+P 500 (and the large and medium capitalization stock arena in general). Yet in conjunction with the weakness in the emerging marketplace stock territory and other factors such as rising American inflation and high debt, this divergence between the IWN and S+P 500 warns of declines in the S+P 500.

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Take-Off Low (date)**	**Subsequent High (to date)**
IWN	130.16 (1/17/20)	69.27 (3/23/20)	94.22 (9/24/20) 100.88 (10/29/20)	174.59 (6/9/21)

The IWN's trough since its June high is 7/19/21's 151.25, a 13.3 percent drop. Its 161.43 settlement on 8/13/21 is 7.5pc under June 2021's top.

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In recent times, some stock marketplace gamblers (on both Wall Street and Main Street) and the financial media have becomes fans of and entertained themselves by dealing with the rollercoaster price adventures of some so-called "meme" stocks. Admittedly, the exciting arena is not as big league as the S+P 500. However, since some meme stocks are widely-watched nowadays, S+P 500 as well as other major advanced nation and emerging stock marketplace participants should monitor some meme stocks.

GameStop and AMC Entertainment are two popular meme stocks. Note after their price highs in calendar 2021, they suffered vicious bear declines and remain well under their tops. GameStop's 483.0 pinnacle occurred 1/28/21. It crashed about eighty percent to 38.5 on 2/19/21, and then rapidly rallied to its 3/10/21 high on 348.5, with a similar top at 344.7 on 6/8/21. It collapsed to 145.2 on 8/5/21. AMC Entertainment established an important initial high on 1/27/21 at 20.36. Though it slumped to 5.26 on 2/9/21 (with a somewhat higher and later trough at 12.05 on 5/21/21), it exploded to 72.62 on 6/21/21. It thereafter broke down to 8/5/21's 28.91. GameStop's close on 8/13/21 was 162.52, AMC's 33.47.

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Many pundits label commodities as an asset class. For commodities "in general", the table enlists the S&P broad GSCI index, although it is heavily petroleum-weighted. ICE Brent/North Sea and NYMEX crude oil are the nearest futures continuation contracts. "LMEX" is the London Metal Exchange's base metals index. Often changes in major trends for commodities in general have occurred at around the same time as those in the S+P 500. Of course, there can be a lag; the S+P 500 pinnacle occurred 10/11/07 at 1576 (final top 5/19/08 at 1440), whereas the broad GSCI peaked several months later, on 7/3/08 at 894 (petroleum also achieved its major high in July 2008).

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Take-Off Low (date)**	**Subsequent High (to date)**
Broad S&P GSCI	453.2 (1/8/20)	218.0 (4/21/20)	333.1 (11/2/20)	549.5 (7/6/21)

In first quarter 2020, the broad S&P GSCI peaked about the same time as the EEM. The GSCI cratered from 2/20/20's 406.6; compare the time of the S+P 500's peak. The GSCI's spring 2020 trough, like that of the petroleum complex, occurred about a month after those in the S+P 500 and the EEM. Note the timing coincidence of the important late October/early November 2020 price lows for the S+P 500 and various other stock marketplace benchmarks and the broad GSCI's early November low.

Not much time has passed since the GSCI's early July 2021 summit. However, its decline since then (divergence from the S+P 500's bull trend) hints that a noteworthy high in the S+P 500 and related stock marketplaces will occur (stock and commodity trends will converge).

ICE Brent/ North Sea	7175 (1/8/20) 6000 (2/20/20)	1598 (4/22/20)	3574 (11/2/20)	7784 (7/6/21)

LMEX (base metals)	2894 (1/20/20) 2699 (2/13/20)	2232 (3/23/20)	2873 (10/1/20)	4402 (5/11/21)

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The development of a notable correction or bear trend in the S+P 500 (and other stock benchmarks linked to it) probably will associate with a spike in the S+P 500's VIX volatility index. Note the VIX's rapid ascent from 2/14/20's 13.38, not long before the S+P 500's major high on 2/19/20. The stratospheric VIX top occurred 3/18/20 at 85.47. The low thereafter is 6/29/21's 14.10, with 8/13/21's close 15.45.

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Looking forward, probably for the "overall" US stock marketplace (use the S+P 500 as a guideline) to have a noteworthy price correction or bear trend, prices for a significant number of large-capitalization American stocks probably will have to decline. And given the importance of American stocks in broad global stock benchmarks such as the FTSE All-World or URTH, it is likely that large-cap US stocks "in general" will have to fall fairly substantially in order to propel those international stock signposts lower. US large-capitalization stocks over the long run often "trade together".

So let's review several very important and widely-watched large capitalization American stocks. These are members of important equity marketplace indices such as the S+P 500. Of course, each of these US stocks has its own supply/demand pictures, and each has various tales about or involving it. Thus far, there has been no price breakdown in the overall array of all-stars below. However, at least a couple of them in the following list, Amazon and Tesla, apparently have made important highs, as their notable subsequent price declines indicate.

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Take-Off Low (date)**	**Subsequent High (to date)**
Apple	81.96 (1/29/20)	53.15 (3/23/20)	89.15 (7/24/20)	150.00 (7/15/21)

[Apple's 8/13/21 close is near its July 2021 high.]

Microsoft	190.70 (2/11/20)	132.52 (3/23/20)	196.25 (9/18/20) 199.62 (10/30/20)	292.90 (8/13/21)
Alphabet (Google)	1532.1 (2/19/20)	1013.5 (3/23/20)	1406.6 (9/21/20)	2800.2 (7/27/21)

[Alphabet has two publicly traded classes of shares, A or C. The GOOG mnemonic indicates the Class C shares, which do not confer voting rights to shareholders. Prices for the Class C/GOOG shares are the ones given above. GOOG closed at 2766.0 on 8/13/21. The GOOGL ticker represents the Class A common shares, which possess voting rights. GOOGL's high to date is 7/28/21's 2766.]

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Take-Off Low (date)**	**Subsequent High (to date)**
Amazon	2186.0 (2/11/20)	1626.0 (3/16/20)	2256.4 (5/4/20) 2871.0 (9/21/20)	3773.1 (7/13/21)

[Amazon dove down to 3269.7 on 8/12/21, a fearful 13.3 percent drop from July's crest. It closed at 3294 on 8/13/21. Amazon's May 2020 take-off point was earlier than those of many other stocks (such as Apple's July 2020 low or Microsoft's September and October 2020 troughs. Amazon had another spike upward following and from about the same height as the September 2020 trough, 3/5/21's 2881.0.]

Facebook	224.2 (1/29/20)	137.1 (3/18/20)	207.1 (6/29/20) 244.1 (9/21/20)	377.5 (7/28/21)

[Facebook had another take-off point around the level of its September 2020 low, 1/14/21's 244.6. Facebook tumbled to 347.7 on 8/3/21, a 7.9 percent fall. It closed at 363.2 on 8/13/21, hovering about 3.8pc its July 2021 top.]

Tesla	193.8 (2/4/20)	70.1 (3/18/20)	273.0 (8/11/20) 379.1 (10/30/20)	900.4 (1/25/21)

[Tesla's second valley in autumn 2020 was much higher than its August 2020 depth. Tesla fell a murderous 40.1 percent to its 3/5/21 low at 539.5. Tesla's interim high thereafter is 4/14/21's 780.8. Its 8/13/21 settlement at 717.2 is 20.3 percent beneath its January 2021 pinnacle.]

JPMorgan (Chase)	141.10 (1/2/20)	76.91 (3/19/20)	91.38 (9/24/20) 95.24 (10/29/20)	167.44 (6/2/21)

[JPMorgan's attained its high over two months ago. A sharp 13.0 percent slide to 7/19/21's 145.71 followed. However, JPMorgan climbed back up quite a bit, with 8/13/21's close at 159.98 about 4.5pc under June 2021's high.]

Johnson & Johnson	154.50 (2/6/20)	109.16 (3/23/20)	133.65 (10/30/20)	176.20 (8/13/21)

[Johnson & Johnson had a notable second rally from a later low than October 2020's: 3/4/21's 151.47.]

Berkshire Hathaway	347,400 (1/17/20)	239,440 (3/23/20)	297,817 (10/29/20)	445,000 (5/7/21)

[Berkshire Hathaway's high also is fairly distant in time relative to now, about three months ago. It retreated 8.4 percent to 7/19/21's trough at 407,773. However, its 8/13/21 close at 433,124 is within 2.7 percent of May 2021's crest.]

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"We all got it coming, kid" says William Munny in Clint Eastwood's Western movie, "Unforgiven".

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For detailed further discussion of stock, interest rate, currency, and commodity marketplaces and the political scene, see essays such as "Financial Fireworks: Accelerating American Inflation" (7/3/21); "Marketplace Rolling and Tumbling: US Dollar Depreciation" (6/1/21); "American Inflation and Interest Rates: Painting Pictures" (5/4/21); "Financial Marketplaces: Convergence and Divergence Stories" (4/6/21); "Truth and Consequences: Rising American Interest Rates" (3/9/21); "GameStop and Game Spots: Marketplace and Other Cultural Backgrounds" (2/13/21); "The Fear Factor: Financial Battlefields" (1/5/21); "Games People Play: Financial Arenas" (12/1/20); "Born to Be Wild: American Economic and Political Battlefields" (11/2/20); "Adventures in Marketland: Hunting for Return" (10/6/20); "Marketplace Maneuvers: Searching for Yield, Running for Cover" (9/7/20); "Dollar Depreciation and the American Dream" (8/11/20).

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