WE CAN'T GET NO SATISFACTION: CULTURAL TRENDS AND FINANCIAL MARKETPLACES

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July 13, 2022
(1215pm EST)

In "Satisfaction", The Rolling Stones sing: "I can't get no satisfaction."

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CONCLUSION AND OVERVIEW

"Economic" confidence and satisfaction levels and trends interrelate with patterns of and anticipations regarding "economic" performance. These variables entangle with and influence price trends in stocks and other financial marketplaces. Thus consumer (Main Street) confidence and similar measures can confirm, lead (or lag), or be an omen for future movements in GDP, inflation, the S+P 500, interest rates, and so on.

Declines in American economic confidence in recent times confirm deterioration in the nation's (and global) economic condition. The severity of those confidence slumps probably warns of further ongoing economic challenges in the future. These looming difficulties include not only the perpetuation of relatively high inflation for quite some time, but also slowing and perhaps even falling GDP growth. Since America is a leading economic nation in the intertwined global economy, what happens there substantially influences and reflects economic performance elsewhere.

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Regarding and within cultural fields, definitions, propositions, interpretations, arguments, and conclusions are subjective (opinions). So-called "economic" (financial, commercial, business) arenas and analysis regarding them are not objective (scientific). In any case, as they are cultural phenomena, economic realms are not isolated from "political" and "social" ones. They interrelate with them, and sometimes very substantially.

Evidence of substantial (and in recent times, increasing) "overall" (including but not necessarily limited to political or economic) dissatisfaction within America are not unique to that country. However, since overall and political measures of declining confidence within and regarding the United States both include and extend beyond the economic battleground, at present they consequently probably corroborate current and herald upcoming economic troubles (economic weakness; still rather lofty inflation) for the US.

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Marketplace history is not marketplace destiny, either entirely or even partly. Relationships between marketplaces and variables can change, sometimes dramatically. Nevertheless, keep in mind that if prices for assorted "search for yield (return)" marketplaces such as stocks (picture the S+P 500) and lower-grade debt can climb "together" (roughly around the same time), they also can retreat together.

"Runs for cover" in recent months increasingly have replaced "searches for yield" in the global securities playground by worried "investors" and other nervous owners. Price declines in American and other stock marketplaces have interrelated with higher yields for (price slumps in) corporate debt securities and emerging marketplace sovereign US dollar-denominated notes and bonds.

The devastating price collapse in Bitcoin and many other cryptocurrencies surely has dismayed many yield-hunters on Main Street.

Declines in American confidence and satisfaction assist and confirm the price falls in recent months in the S+P 500 and other "search for yield" playgrounds such as corporate and low-grade sovereign debt. Thus confidence destruction has interrelated with capital destruction (loss of money) by "investors" and other owners) in stock and interest rate securities marketplaces. From the historical perspective, slumps in as well as very low levels for some of the confidence ("happiness"; optimism) indicators probably signal further price drops in the S+P 500 and interconnected search for yield marketplaces.

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The beloved Federal Reserve and its central banking friends finally recognized that consumer price inflation is not a temporary or transitory phenomenon and have elected to raise policy rates (end, or at least reduce, yield repression) and shrink their bloated balance sheets. Yet inflation probably will not drop significantly for some time. Besides, how much faith exists that the Federal Reserve will (or can) control and even reduce consumer price inflation anytime soon? How much trust should we place in the Fed's abilities? The Fed helped to create inflation (and not just in consumer prices, but also in assets) via its sustained massive money printing and ongoing yield repression, and the Fed did not quickly perceive the extent and durability of consumer price inflation.

Long run history shows that significantly rising American interest rates for benchmarks such as the US Treasury 10 year note lead to bear marketplaces in the S+P 500.The US stock marketplace has declined significantly since its January 2022 peak. Home price appreciation, a key factor pleasing many consumers, probably will decelerate, and perhaps even cease. The Ukraine/Russia war continues to drag on. Despite recent declines from lofty heights, prices for commodities in general remain elevated from the pre-war perspective. Global government debt is substantial, and fearsome long-run debt problems for America and many other countries beckon. American and international GDP growth has slowed. Stagflation and even recession fears have increased. The coronavirus problem, though less terrifying, has not disappeared.

Therefore many American Main Street confidence indicators probably will decline, or at least remain relatively weak, over at least the next several months.

MAIN STREET VIEWS: US CONSUMER AND SMALL BUSINESS CONFIDENCE

America retains a large and crucial share in today's global economy, and the nation's consumers represent a major part of its GDP. Consumer spending has a 68.6 percent share of US GDP as of 1Q22 (St. Louis Fed). Small businesses, which obviously closely link to Main Street consumers, are very important for American economic growth and employment. Declining confidence and increasing anxiety on Main Street eventually can result in reduced consumer spending and thereby weaken economic growth. Sustained high consumer price inflation troubles consumers and tends to lower their confidence. So does deterioration of economic growth, or concerns that it will slump.

Whether or not Main Street dwellers in America have substantial confidence in (optimism regarding) the economic situation reflect not only factors such as CPI-U inflation levels and trends (food and fuel prices capture headlines), but also their net worth and earnings situation and outlook as well as their employment prospects. These and other interrelated considerations thereby influence their spending and investment decisions. Main Street consumer confidence viewpoints and shifts thus intertwine with GDP growth and are relevant variables in assessing (or confirming) S+P 500 (and other marketplace) trends.

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However, "consumer confidence" statistical levels and movements probably do not reflect only "economic" attitudes and economic phenomena and trends. The same likely is true, at least to some extent, for small businesses confidence yardsticks as well. Such confidence weathervanes do not only involve (reflect) and influence economic phenomena, including consumer price inflation, GDP growth and economic assessments, home and stock price levels and trends, and economic inequality and mobility. Consumer (economic) confidence assessments also respond to political and social variables. The so-called economic universe interrelates with other cultural phenomena. And nowadays severe and wide-ranging cultural divisions and wars (and related anxieties and fears) are not confined to so-called economic topics (such as economic inequality), but stretch across numerous political and social matters, and thereby to some extent influence consumer confidence.

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The various consumer confidence measures are not all the same. They do not necessarily all attain apparent critical highs and lows at the same time. However, the pattern of recent months indicates noteworthy deterioration in several key indicators. This probably portends further economic slowing (and perhaps a recession) in the United States and elsewhere, as well as further declines in the S+P 500 and related stock marketplaces.

Let's review an array of confidence and satisfaction variables.

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The US Consumer Confidence Index (Conference Board; 1985=100; 6/28/22) was 98.7 in June 2022 (103.2 in May 2022). June 2022's level dives substantially from June 2021's 128.9, which had neared the pre-coronavirus height (February 2020's 132.6; recall the timing of the first quarter 2020 peak in the S+P 500, 2/19/20's 3394) and stood fairly close to July 2019's 135.8 top. Previous essays noted that the ongoing decline in this yardstick since June 2021, which thus commenced well before Russia's invasion of Ukraine, probably was a bearish signal for the American economy and US stocks. See also the steady decline of the Consumer Confidence Index ("CCI") from its minor high at 115.2 in December 2021 (January 2022 CCI was 111.1), which neighbored 1/4/22's 4819 peak in the S+P 500. Although the CCI still sits above the coronavirus period valleys of 85.7 (April 2020; not long after the S+P 500's 3/23/20 major bottom at 2192) and 87.1 (December 2020; S+P 500 key take-off point low 10/30/20 at 3234), further declines in the CCI toward those troughs will be ominous.

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The University of Michigan's "Surveys of Consumers" includes the important "Index of Consumer Sentiment". Its June 2022 level of 50.0 (notable drop from May 2022's 58.4) was the lowest in the data series, which goes back almost seven decades, to November 1952. Compare the pre-coronavirus elevation in February 2020 at 101.0. The current height craters beneath April 2020's 71.8 and August 2021's 70.3.

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According to a June 1-20, 2022 Gallup poll (6/28/22 release), in June 2022 only 11 percent of Americans rated current economic conditions as either "excellent" or "good", whereas 34 percent deemed them “only fair”, and 54pc saw them as “poor”. This is the first time since April 2009, around the end of the 2007-09 global economic disaster, in which over fifty percent of America has called economic conditions poor.

Underline the deterioration since a year ago. In Gallup’s June 1-18, 2021 poll, excellent (3.0 percent) and good (27.0pc) combined captured thirty pc, fair won 43pc, and poor 26pc. Compare the lowest levels for poor during the dismal coronavirus era (May 1-13, 2020), in which poor grabbed 42pc of the total (22pc excellent or good; 35pc as only fair). History hints that Main Street ratings of “economic conditions in this country today” have scope to worsen. The poor category for the October 10-12, 2008 polls won 73 percent of the vote (five pc excellent/good, 22pc fair).

What about the trend for economic conditions? In June 2022, merely 13 percent viewed the economic outlook as a whole as “getting better”, whereas 85pc perceived it as “getting worse”. The balance said the same or no opinion. Contrast June 1-18, 2021. At that time, forty-seven percent asserted it was getting better, with fifty pc claiming conditions were worsening. The current attitudes regarding getting better/worse rival those in the middle of the worldwide financial disaster, which in June 9-12, 2008 had eight percent seeing things getting better, with a massive 87pc (the record to date) getting worse. Recall that the S+P 500’s major bull move started later than mid-2008 (3/6/09 bottom at 667); the US economic recovery did not commence until around June 2009 (National Bureau of Economic Research, website).

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According to a New York Times/Siena College nationwide poll from 7/5 to 7/7/22, seventy-seven percent of registered American voters see the US moving in the wrong direction, “a pervasive sense of pessimism that spans ever corner of the country, every age range and racial group, cities, suburbs and rural areas, as well as both political parties” (cited in the NYTimes, 7/11/22, ppA1, 18). Only 13 percent of voters believed the nation was on the right track, the lowest point in the poll since the international financial crisis of over a decade ago. Ten percent don’t know or have no opinion. The net wrong direction thus is a formidable 64 percent. Fifty-eight percent rate economic conditions as poor, with 29pc labeling them as only fair.

And the NYTimes headlines that most “Democrats Sour on Biden”; almost two-thirds of them prefer to have a new candidate for the 2024 Presidential election. The Real Clear Politics summary of polls give President Biden a net disapproval rating of -17.5 percent (6/23 through 7/12/22 average; RCP website). Biden had a net approval rating of 19.7pc on 1/28/21, which gradually fell, becoming net disapproval on 8/23/21 (.3pc).

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The U.S. Small Business Administration study released in December 2018, “Small Business GDP, 1998-2014”, though relatively old, likely underscores the ongoing significant importance of small business to the American economy. In 2014, small businesses accounted for about 44 percent of US economic activity.

What about recent American small business confidence levels and trends? Review the NFIB’s “Small Business Optimism Index” (“Small Business Economic Trends”, 7/12/22). This benchmark peaked in August 2018 at 108.8 (1986=100). Its February 2020 elevation on the eve of the coronavirus pandemic at 104.5 remained high. It plummeted to 90.9 in April 2020. It thereafter rebounded, reaching an interim high at 104.0 in October 2020. Though the Small Business Optimism Index ebbed to 95.0 in January 2021, it rallied to a subsequent top at 102.5 in June 2021, the same month as the Conference Board’s Consumer Confidence Index top.

Like the Consumer Confidence Index, the Business Optimism Index has retreated, with June 2022's 89.5 (May 2022 at 93.1) the low since June 2021. The slump since June 2021 in the Optimism Index has been a bearish warning sign for the US economy and S+P 500. Its June 2022 move beneath April 2020's low adds to the gloomy picture.

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A separate Gallup poll explores "Americans' Satisfaction With the Way Things Are Going in the U.S." On balance, Americans clearly are dissatisfied. The June 1-20, 2022 review displays a paltry 13 percent satisfied, with 87pc dissatisfied, for a net dissatisfaction of 74 percent. This manifests a sharp increase in unhappiness since April 2022; the April 1-16, 2022 study shows 22 percent satisfied, 77pc dissatisfied, for a net dissatisfaction of 55 percent.

The June 2022 mournful net dissatisfaction number admittedly is less severe than the dreadful net dissatisfaction of 77 for the January 4-15, 2021 survey around the time of the January 6, 2021 US Capitol insurrection (compare the global economic disaster era net dissatisfaction valley of 84; October 10-12, 2008). However, June 2022's net dissatisfaction skyrockets over the pre-coronavirus disaster (February 3-16, 2020) net dissatisfaction level of ten.

The Real Clear Politics "Direction of Country" measure for polls taken 6/12/22 through 7/11/22 averages -57.1 (right direction 18.0, wrong track 75.1; it was -31.0 on 4/25/22). This increasing dissatisfaction (net wrong track trend) began from a very low level in spring 2021, 4/15/21's minus six (this RCP direction over the past several years has always been net negative). The take-off point for rising net wrong track ("unhappiness") began around 8/4/21's -14.8. This increasing dissatisfaction coincides with the sharp climb in the United States inflation rate (CPI-U). On the day of the S+P 500's pinnacle, 1/4/22's 4819, the net wrong track level stood at -34.0.

The current high net wrong track level surpasses tops reached around the time of the Capitol insurrection (-48.2 on 1/21/21) and during the early stages of the coronavirus pandemic (-47.5 on 8/4/20). The current net wrong track level borders the extremes attained with 10/17/11's -59.5 and 10/19/13's -57.5.

The Gallup satisfaction and Real Clear Politics direction of the country measures are not only reflective of economic conditions and trends. And in principle and practice, someone can be satisfied with the economic condition and direction of their country, but not the political and other cultural trends of the nation. However, their current strongly negative readings signal a generally unhappy "general public" and probably warn of both economic and political (and social) dangers ahead for America.

And dissatisfaction can interrelate with (reflect, encourage) distrust. For some people, dissatisfaction can involve anxiety or anger.

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In "Busload of Faith", Lou Reed bleakly chants: "You need a busload of faith to get by."

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Americans' confidence nowadays in US institutions in general is low (Gallup survey, June 1-20, 2022). Gallup has measured confidence in institutions since 1973. This year's 27 percent average expressing "a great deal"/ "quite a lot" of confidence in 14 institutions is the lowest recorded, three points beneath the prior low in 2014. In the June 2022 poll, only the military (64 percent) and small business (68pc) received a majority confidence (great deal or quite a lot) total.

Such feeble American confidence in its institutions obviously represents rather widespread and significant distrust of (or at least lack of faith in) them and their leadership. With the exception of 2020's 36 percent, the average of confidence has been 34pc or less. Compare 1979's 48pc and 2004's 43pc.

To some extent, this June 2022 record low level of confidence in institutions, and the related downward shift over the past year, nevertheless probably is an ominous bearish sign for the "economy" and the S+P 500 and related search for yield marketplaces. Why? It parallels the declining consumer confidence and net dissatisfaction levels discussed above. The institutional confidence survey also in part probably reflects growing doubts of many of the surveyed institutions to solve difficult cultural problems.

The three branches of national government attained record new confidence lows in the June 2022 statistics. Congress had seven percent, the Presidency 23pc, and the Supreme Court 25pc (before its controversial reversal of Roe v. Wade, so confidence in the Court probably is even lower now). Five other institutions are at their lowest point in at least 30 years of measurement, including "big business" at 14 percent. Though "big business" is not necessarily the Federal Reserve, the shift to a new record low for that category arguably hints that faith in the Fed also has deteriorated. People have only 27pc "great deal/quite a lot" of confidence in banks.

CULTURE WARS AND CONSUMER CONFIDENCE

Before Abraham Lincoln became President and the outbreak of the American Civil War, he stressed regarding the slavery issue: "A house divided against itself cannot stand." (Speech, "A House Divided"; Springfield, Illinois, June 16, 1858). He added: "I do not expect the house to fall—but I do expect it will cease to be divided." Lincoln's "house divided" metaphor traces back to the Bible. Jesus warned (Matthew 12:25; see also Mark 3:24-25): "Every kingdom divided against itself is brought to desolation; and every city or house divided against itself shall not stand."

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"Hunting for Yield: Stocks, Interest Rates, Commodities, and Bitcoin" (11/7/21) emphasized that in wide-ranging and intense cultural wars, there tends to be relatively low (and arguably at times falling overall) trust in any given set of economic and political institutions and leaders. Faiths like the American Dream, once broadly accepted, increasingly may be called into question, or at least said to require repair or revision.

Increasingly sharp and ongoing conflicts between cultural alternatives, all else equal, probably tend to decrease consumer confidence and cause mounting worries about the state of and direction of a country, especially when widespread concerns about economic growth and economic and political stability (and inequality and social mobility) develop, whether in America or elsewhere. Cultural conflicts are one factor, in conjunction with other variables, which can help to weaken appeal of (faith in) a nation's currency and financial assets.

Not everyone agrees on the meaning and application of the overall American Dream and the economic, political, social, and other aspects of the Dream's culture. The American Dream is not unchanging. Yet for America in recent years (and especially nowadays), the ongoing, intense, and broad-based cultural fights probably indicate that community visions and values increasingly have become less shared (more open to partisan debate). Great numbers of cultural warriors currently are unwilling to sacrifice their ideals and compromise much with their antagonists.

A seriously divided America confronts a cultural crisis. So probably does much of the rest of the globe. Many other nations around the world in recent times have endured significant cultural schisms and conflicts. That reflects and generates ongoing international economic, political, and social uncertainty and risk.

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Cultural divisions within the United States exist across various parameters. These include "political" ideology (such as left wing versus moderates versus right wing; various species of "radicals"; liberal/progressive versus conservative/traditional; globalist versus nationalist; assorted varieties of populism). Think also of divergent "economic" principles (and "haves" versus "have-nots" as well as "capitalists" versus "socialists"). Both left and right wing populism have economic ideologies and consequences and reflect consumer grievances and hopes. Focus on the heated rhetoric and ideological fights relating to America's substantial economic inequality. Underscore the divisions according to age, sex/gender, region, urban/rural, racial/ethnic background, and religion. Look at intense battles relating to immigration, abortion, law and order ("justice"), climate change, and coronavirus vaccination (and masking). Much of current Republican (and former President Trump's) doctrine combats ferociously with that of Democrats in general.

America's ongoing substantial cultural battles in economic, political, and social arenas reflect and encourage reduced national unity and tend to undermine domestic confidence and mutual trust. Trust in economic and political institutions and their leaders can decline and even wither. Although political leaders can differ in their doctrines and are not saints, increasing cultural divisions (wars) tend to create increasing doubt within the overall political domain regarding the "disinterestedness" of such authorities.

Moreover, in America and elsewhere in recent years, cultural divisions probably have been encouraged and exacerbated by growing concerns regarding truth (truthfulness). This current situation on the truth dimension to some probably increases distrust in authorities and institutions in general.

"Hunting for Yield" emphasizes: "Increasingly sharp and ongoing conflicts between cultural alternatives, all else equal, probably tend to decrease US consumer confidence and increase worries about the state of and overall direction of the country, especially when widespread concerns about economic growth and stability develop."

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The widespread range and intensity of American (and international) cultural wars make it unlikely these cultural divisions will end soon. Populist agitation from diverse directions will persist. So will fervent efforts by various elites (the establishment) to preserve or enhance their privileges (forms of entitlement). Thus dissatisfaction will tend to persist. In addition, because US midterm elections loom in November 2022 (and the 2024 Presidential election campaign, though relatively distant, still beckons), the nation's uncompromising leaders probably will not successfully and significantly act to improve consumer economic (political) confidence and satisfaction (whether by gigantic new rounds of deficit spending or otherwise) anytime soon.

The US Supreme Court's abortion decision of 6/24/22 reversing its decades-old Roe v. Wade precedent probably has increased American divisiveness and measures of dissatisfaction. Recent investigative hearings by the House of Representatives regarding the January 6, 2021 insurrection at the Capitol likely has encouraged divisions between and increased the unhappiness (dissatisfaction) of the general public.

LOWER GROWTH, HIGHER INFLATION

Lincoln said in his 1858 "house divided" address: "If we could first know where we are, and whither we are tending, we could then better judge what to do, and how to do it."

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The World Bank's "Global Economic Prospects" (Chapter 1, Table 1.1; 6/7/22) forecast 2022's world GDP will rise 2.9 percent (compare calendar 2021's excellent 5.7pc). However, this marks down January 2022's prediction by 1.2pc. The World Bank in June 2022 cut 2023's global output by only .2pc to 3.0pc, and has faith that 2024 likewise will grow 3.0pc. The United States will expand only 2.5 percent in 2022 (a 1.2pc downward revision from the January 2022 viewpoint; compare calendar 2021's 5.7pc jump), with 2023 at 2.4pc and 2024 up 2.0pc.

The World Bank worries: "Rising inflation and slowing growth raise concerns that the global economy is entering a period of stagflation reminiscent of the 1970s." Though the World Bank states that important differences with the 1970s exist, it nevertheless fears: "The current juncture resembles the 1970s in several key aspects." For example, "supply disruptions driven by the pandemic and the recent supply shock dealt to global energy prices by the war in Ukraine resemble the oil shocks in 1973 and 1979-80." Also, "global growth is decelerating sharply, with the current slowdown even more pronounced that the one following the 1975 recession." Both "then as now, monetary policy was highly accommodative in the run-up to these shocks, with interest rates negative in real (inflation-adjusted) terms for an extended period." Substantial emerging marketplace debt troubles the World Bank too; rising global borrowing costs "may trigger financial crises, as it did in the early 1980s". (Figure 1.12 and p30). The potential dangerous consequences of massive government debt levels in the United States and many other advanced nations probably also should worry the World Bank.

The International Monetary Fund's preliminary Article IV assessment of the United States economy (6/24/22) has the same US GDP growth level for 2021 as the World Bank, and a slightly higher one for calendar 2022, at 2.9 percent year-on-year. However, the IMF's 1.7pc predicted increases for 2023 (1.7pc) and 2024's (only .8pc) slide beneath the World Bank's.

The Federal Reserve's recent predictions regarding US real GDP growth for 2022 are feebler than those of the World Bank and IMF. The midpoint of the Fed's Central Tendency for 2022 growth (Economic projections, Table 1, 6/15/22) is only 1.7 percent, a notable downward revision from its March 2022 conjecture of slightly less than 2.8pc. Its 2023 Central Tendency midpoint outlook is for sluggish growth (about 1.7pc), with that for 2024 about the same (up almost 1.8pc).

According to America's Bureau of Economic Analysis, although real GDP grew 5.7 percent in calendar 2021, 1Q22 dropped at a 1.6pc annual rate (Table 1, 6/29/22).

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OECD inflation as measured by the Consumer Price Index for May 2022 spiked 9.6 percent year-on-year, the greatest price increase since August 1988 (7/5/22), and thus continuing the substantial inflationary trend. Remember that the OECD's average year-on-year inflation rate for calendar 2020 was only 1.4pc, with that for calendar 2021 4.0pc. Excluding food and energy, the OECD's May 2022 CPI inflation leaped 6.4 percent.

The US consumer price index (CPI-U, all items; Bureau of Labor Statistics; see Tables 1 and 5) soared 9.1 percent year-on-year in June 2022 (May 2022 flew up 8.6pc year-on-year), the largest 12 month increase since that ending over 40 years ago in November 1981. This inflation indicator's disturbing climb has exceeded five percent year-on-year since May 2021. Compare December 2020's very modest 1.4pc increase. In June 2022, the CPI-U excluding food and energy May 2022 ascended a large and worrisome 5.9 percent (May 2022's rose 6.0pc relative to May 2021).

Though commodity prices "in general" have fallen from their March 2022/June 2022 highs, which to some extent eventually may ease inflation fears, their current height still exceeds that of second half 2021.

The Bank for International Settlements in its June 2022 Annual Economic Report (6/26/22; Editorial section) warns: "We may be reaching a tipping point, beyond which an inflationary psychology spreads and becomes entrenched. This would mean a major paradigm shift." At the European Central Bank's end-June 2022 annual conference: "Central bank chiefs declare end to era of low inflation" (Financial Times, p1).

THE INTEREST RATE PICTURE

"Beautiful credit! The foundation of modern society. Who shall not say that this is not the golden age of mutual trust, of unlimited reliance upon human promises?" "The Gilded Age", by Mark Twain and Charles Dudley Warner (Chapter 26; published 1873)

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The major yield increase trend in the United States Treasury marketplace (use the UST 10 year note as a benchmark) started with 3/9/20's .31 percent bottom. Lows at .54 percent on 4/21/20 and .50pc on 8/6/20 confirmed this. The UST 10 year note yield ascended sharply after 8/4/21's 1.13pc low. The German Bund's yield pattern in recent years broadly has resembled that of the UST 10 year note, although it spent a long time beneath zero (negative yields).

Sustained rising US (and global interest rate) yields led to the peak in the S+P 500 in January 2022.

	1Q20 Yield Bottom	**Spring 2020 Yield Low**	**Later 2020 Yield Low**	**1Q21 Yield High**	**Aug 21 Yield Low**	**Recent Yield High**
UST 10 Year	.31 pc (3/9/20)	.54pc (4/21/20)	.50pc (8/6/20)	1.77pc (3/30/21)	1.13pc (8/4/21)	3.50pc (6/17/22)

The UST 10 year yield eventually broke above its late March 2021 interim high, attaining 2.06 percent on 2/11/22. Highlight that the S+P 500 peaked during this yield ascent with 1/4/22's 4819, with lower interim tops on 2/2/22 (at 4595) and 2/9/22 (at 4590).

Russia's invasion of Ukraine briefly halted, but did not end, the major trend for rising yields in the United States Treasury marketplace which commenced in March 2020 and accelerated in early August 2021. Reflecting its safe haven status, the UST 10 year's yield increase trend paused, descending to 3/7/22's 1.67pc. Despite the UST 10 year note's "flight to quality" yield fall to its 3/7/22 trough, the long run pattern for increasing UST rates resumed, making a higher high with 6/17/22's 3.50pc (compare 10/9/18's high at 3.26pc).

Potential and many actual home owners do not like rising mortgage rates.

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All else equal, high (rising) inflation tends to lead to increases in US Treasury and other yields.

The Fed's Economic projections for the Federal Funds rate at the end of a given calendar year (Table 1, 6/15/22) give a midpoint of about 3.4 percent for 2022, 3.9pc for 2023, and about 3.3pc for 2024. Suppose the 10 year US Treasury note offers a real return of 50 basis points at year end 2022 relative to these Fed Funds level projections. Then it will yield around 3.9 percent, higher than current levels. However, suppose CPI-U inflation remains at four percent or higher (recent months, even if one excludes food and energy, decisively exceed four percent). Then probably the US 10 year yield will march above four percent, and perhaps by a noteworthy amount (recall 6/13/07's yield top at 5.32pc).

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Let's review a benchmark for United States corporate interest rates travels since first quarter 2020. Also, investigate emerging marketplace sovereign debt arenas. The Moody's seasoned Baa corporate bond yield is based on bonds with maturities of 20 years and above (statistics below from the St. Louis Fed, data through 7/12/22). The "EMB" ETF, from iShares (BlackRock)/J.P. Morgan, provides exposure to United States dollar-denominated government bonds issued by emerging market countries. The EMB includes over 30 countries. The EMB is quoted in price terms, so falling prices reflect rising yields. Keep price trends for the S+P 500 and other stock marketplaces in mind.

The Baa made an early 2020 yield low (price high) on 3/6/20 at 3.29 percent. The EMB attained its price highs (yield lows) around then, on 2/21/20 at 117.20 and 3/4/20 at 117.08. Their prices dramatically crashed alongside global stock marketplaces to their March 2020 major bottoms.

Keep in mind the UST 10 year's 8/4/21 interim yield low at 1.13 percent. Note the rising yields in the Baa and EMB since summer/end year 2021.

	1Q20 Price Low	**Price High**	**Interim Price Low**	**Price High**	**Price Low**	**Summer 2021 (and Later) Price Highs/Yield Lows**	**Recent Yield High**
Baa	5.15pc (3/20/20)	3.12 (8/6/20)	3.52 (10/5/20)	3.11 (12/31/20)	3.88 (3/18/21)	3.15 (8/2/21) 3.15 (9/14/21) 3.13 (11/9/21) 3.16 (12/3/21)	5.48 (6/14/22)

On the day of Russia's invasion of Ukraine, 2/24/22, the Baa yielded 4.20pc. After fluctuating for the next few weeks, the Baa yield increased rapidly from 4/1/22's interim low at 4.20pc. The Baa's yield high since summer 2021, 6/16/22's 5.48 percent, decisively breaks through 3/18/21's 3.88pc barrier, and it also exceeds 3/20/20's yield top.

	1Q20 Price Low	Price High	Interim Price Low	Price High	Price Low	Summer 2021 (and Later) Price Highs/Yield Lows	Recent Yield High
EMB	85.00 (3/18/20)	114.65 (8/11/20)	109.20 (9/24/20)	116.09 (1/4/21)	106.70 (3/8/21)	113.64 (8/31/21) 111.08 (11/9/21) 109.70 (12/13/21) 108.73 (1/3/22) 105.83 (2/2/22) 103.51 (2/16/22) 98.41 (3/17/22) 92.62 (5/27/22)	82.26 (7/13/22)

The EMB collapsed 29.1 percent from 1/4/21's 116.09 to 7/13/22's low. Note the EMB's pattern of lower interim price highs since January 2021, which resembles the picture of emerging marketplace stocks in general, which peaked in mid-February 2021. The Baa and EMB's price fall beneath their March 2020 valleys is a bearish sign for emerging marketplace (and advanced nation) stocks.

The rising yield trend in US corporate as well as emerging marketplace sovereign US dollar-denominated bonds since summer 2021, when interpreted in the context of the UST 10 year note's similar pattern (and American and international inflation jumps), reflects a major and sustained climb in overall global interest rates. The dangerous climbing yield (falling price) links to the bear moves in the S+P 500 and other key stock marketplaces.

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The strong (or "too strong") US dollar, especially in an era of ascending interest rates for US dollar (and other) debt securities probably has assisted price weakness in emerging nation (and other foreign marketplace) corporate and sovereign debt denominated in US dollars.

The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average) as well as a nominal Broad Dollar Index (daily data) covering both goods and services. The real Broad Dollar Index ("BDI") for June 2022 is 115.1, about 1.5pc over April 2020's 113.4 top. The nominal BDI (data through 7/8/22) recently neared its late March 2020 high.

.	1Q20 High (date)	Key Low Level (date)	Percent Fall from 1Q20 High	Next High (date)	PC Rally from 2021 Low
Nominal Broad Dollar Index	126.1 (3/23/20)	110.9 (1/6/21) 110.5 (6/1/21)	12.4pc	123.1 (7/6/22)	11.4pc

ADVENTURES IN STOCK LAND

"I know what gold does to men's souls," comments a grizzled prospector in the movie, "The Treasure of the Sierra Madre" (John Huston, director)

In “Summertime Blues”, The Who declare:
“Well, I’m gonna raise a fuss
I’m gonna raise a holler
‘Bout workin’ all summer
Just to try to earn a dollar.”

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Numerous Wall Street guides and their corporate, political, and media allies preach sermons to Wall Street and Main Street audiences (particularly various “investment” sects) regarding the wisdom of buying and holding United States stocks (at least those of alleged investment quality), especially over the “long run”. Investors and investment are “good”, right? Marketplace history of course reveals that such determined bullish stock rhetoric and a generally enthusiastic buy orientation do not preclude substantial price falls in the S+P 500 or related American stock benchmarks.

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	1Q 2020 High (date)	**1Q 2020 Low (date)**	**Interim High**	**Take-Off Low (date)**	**Subsequent High (to date)**
S+P 500	3394 (2/19/20)	2192 (3/23/20)	3588 (9/2/20)	3209 (9/24/20)	4819 (1/4/22)
	3137 (3/3/20)			3234 (10/30/20)	4637 (3/29/22)
					4513 (4/21/22)
					4308 (4/28/22)
					4178 (6/2/22)

Since the S+P 500’s 1/4/22 peak, note the descending pattern of lower interim highs. Compare the related declines in US consumer confidence (increases in public dissatisfaction).

The S+P 500 low since its peak is 6/17/22’s 3637, a 24.5 percent fall from 1/4/22’s glorious crown.

Very long run history shows that significantly climbing United States interest rates have preceded noteworthy peaks in key stock marketplace signposts such as the Dow Jones Industrial Average and the S+P 500. Quite some time prior to Russia’s 2/24/22 attack on Ukraine, rising interest rates and tumbling emerging equity marketplaces warned that the S+P 500 probably would fall significantly. “Emerging Marketplaces, Unveiling Dangers” (12/2/21) concluded that “the S+P 500 probably has established a notable top or soon will do so”. “Paradise Lost: the Departure of Low Interest Rates” (2/9/22) stated: “The S+P 500’s stellar high, 1/4/22’s 4819, probably was a major peak; if its future price surpasses that celestial height, it probably will not do so by much.” “The S+P 500 price probably will decline further and establish new lows beneath the January 2022 trough. The development of a bear trend (decline of at least 20 percent) also is probable.”

"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 analysts classify it as an emerging market nation from the economic perspective. It possesses a 29.9 percent portion of the EEM (see BlackRock's iShares website, 3/31/22).

	1Q 2020 High (date)	**1Q 2020 Low (date)**	**Interim High**	**Take-Off Low (date)**	**Subsequent Highs (to date)**
EEM	46.32 (1/13/20) 44.84 (2/12/20) 42.08 (3/3/20)	30.10 (3/23/20)	45.56 (8/28/20)	42.29 (9/25/20) 44.41 (10/30/20)	58.29 (2/16/21) 56.18 (6/1/21) 55.62 (6/28/21) 53.58 (9/7/21) 52.62 (10/20/21) 52.14 (11/15/21) 50.89 (1/12/22; S+P 500 top 1/4/22) 50.11 (2/10/22) 46.78 (4/4/22) 43.23 (6/6/22)

Rising yields in emerging marketplace debt securities apparently helped lead to price tops for and subsequent weakness in emerging stock marketplaces (EEM). Stocks for these developing nations built a framework of lower and lower interim highs since February 2021. The higher yield pattern since around August 2021 in both advanced and emerging marketplace debt fields encouraged further price drops in emerging marketplace stocks. Compare the timing of the late summer 2021 and November/December 2021 price drop-off points in emerging marketplace debt provinces with interim highs in emerging stock marketplaces, including the EEM's 50.89 on 1/12/22. Emphasize not only the UST 10 year note's long run campaign of rising yields since March 2020, but also the arrival of the upward stage beginning with the UST 10 year's early August 2021 trough at 1.13 percent. These debt and EEM price and time relationships intertwine with the timing of the S+P 500's heavenly 1/4/22 peak at 4819 (about one week before the EEM's 1/12/22 interim high).

The EEM's low in its bear move to date since 2/16/21's 58.29 crown is 7/13/22's 38.30, a vicious 34.3 percent fall.

RISK TO HOME VALUES

Given widespread American home ownership, the notable climb in US home prices in recent years and particularly in the past several months (thus happily boosting consumer net worth) arguably has been a key reason why the Conference Board's Consumer Confidence Index still manages to hover well above the coronavirus period bottom of April/December 2020. To some consumers, owning a home represents not only an important aspect of American Dream achievement, but also is an "inflation hedge".

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However, the BIS proclaims that global house prices are "high by historical standards" (5/25/22 "Statistical Release"). The European Central Bank's "Financial Stability Review" declares that Euro Area residential real estate market price increases have resulted "in increasingly stretched valuations". This watchdog adds: "In the current low interest rate environment, increased sensitivity of house price growth to changes in real interest rates makes substantial house price reversals more likely." (See section 1.5; 5/25/22).

Housing prices can lead or lag marketplace trend changes in the S+P 500. The Case-Shiller National Index price high of July 2006 at 184.6 preceded the S+P 500's summit on 10/11/07 at 1576, the Case-Shiller's February 2012's price bottom at 134.0 (a 27.4 percent bear move) occurred considerably later than the S+P 500's 3/6/09 basement-level depth at 667.

Higher inflation alongside rising interest rates (and the risk of real interest rates) and a slowing overall economy (and growing fears regarding recession) injures not only consumer and business confidence, but also S+P 500 prices. Although a home can be an inflation hedge, these trends endanger the real (and even the nominal) price gains in homes. Consequently, further declines in consumer confidence measures probably will reflect or warn of the emergence of home price weakness. Using the Conference Board's CCI as a guide, a move in the CCI toward and especially under its 2020 lows will be ominous for home prices (and the economy). Moreover, given that American consumer dissatisfaction with the way things are going/direction of the country is so severe, a significant slowdown in nominal home price increases (and obviously a decline in them) will magnify that dissatisfaction and lower overall consumer confidence, and thereby increase the chances for a notable economic downturn (recession).

COMMODITIES, CONFIDENCE, AND CONVERGENCE

The gunfighter Joe says in the movie "A Fistful of Dollars" (Sergio Leone, director): "Crazy bell ringer was right, there's money to be made in a place like this."

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Assorted commodities of course have their own supply/demand profiles. Of course in practice, not all individual commodities necessarily trade "together" (in the same direction, around the same time span). Price and time trends for various commodities are not always the same. One marketplace may be in a bull trend, another in a less bullish, sideways, or bear pattern. Thus price trends over a given time horizon for a given commodity group (such as the "overall" petroleum complex) or a member within it (such as gasoline or diesel fuel) can venture further in a given direction than, or indeed have an opposite marketplace trend from, that of another commodity sector (such as agriculture "in general").

Sharply rising and sustained very high commodity prices in key arenas such as petroleum (especially gasoline and diesel fuel), natural gas and electricity, and food not only boost consumer (and other) price inflation, but also diminish consumer (and business) confidence. As costs for essential commodities such as food and fuel (and shelter, including rents) increase, that obviously creates greater difficulties for and boosts anxieties of the majority of people around the globe, the middle class and poorer people, than for the affluent.

Huge rallies in the GSCI and petroleum helped to fuel consumer price inflation in the United States (see the CPI-U), the OECD, and elsewhere. Regarding the increases in the US and OECD's consumer price measures since their troughs around end 2020, remember the timing of the fourth quarter 2020 take-off lows for the GSCI and the oil complex.

Since at least around late calendar 2021, sharply rising prices for commodities in general, and food and fuel in particular, likely severely wounded Main Street consumer confidence. Using the broad S&P GSCI as a benchmark, commodities in general remained lofty through at least early June 2022.

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In recent years, numerous marketplace guides have included commodities "in general" as a worthy listing in their entrancing list of asset classes.

History indicates that over the long run, the S+P 500 and commodities in general tend to travel together (in the same direction, around the same time). Often major highs (major bottoms) for commodities in general (broad S&P GSCI) and the S+P 500 occur around the same time.

Traders nevertheless must beware of price and time divergence (significant leads and lags) between commodities and the S+P 500. For example, in 2007-08, the high in the S+P 500 time and price pattern diverged from and preceded that in commodities by several months. At the dawn of the 2007-09 global economic crisis, the S+P 500 peaked on 10/11/07 at 1576. The broad GSCI peaked about nine months later, on 7/3/08 at 894. ICE Brent/North Sea crude oil attained its pinnacle on 7/11/08 at 14750. Yet note that these July 2008 major highs in the GSCI and petroleum occurred not long after the S+P 500's final top, 5/19/08's 1440.

The S+P 500 peaked in January 2022, the broad GSCI in early March 2022. The S+P 500's 1/4/22 pinnacle preceded that of the overall commodities complex (broad GSCI on 3/8/22 at 853.3) by about two months. This represents relatively modest divergence between those marketplace provinces from the time parameter. Since around early March to early June 2022, the S+P 500 and broad GSCI price trends have converged, with both tending to move lower "together". Further significant downward moves in both probably will warn of (reflect) an increased risk of US and global recession.

In July 2007, as the Goldilocks Era was ending, the Conference Board's Consumer Confidence Index peaked at 111.7, shortly the S+P 500's peak. By July 2008, it stood at 51.9. As the global economic disaster continued, the CCI collapsed to its bottom alongside stocks and commodities, making its low at 25.3 in February 2009.

Even after notable descents from their peaks, relatively "high" commodity prices, especially in the arenas of energy and food, still can help undermine consumer and business confidence. However, slumping commodity (and falling stock) prices do not necessarily soon translate into increases in consumer confidence trends.

The following table covering first quarter 2020 to the present enlists the S&P broad GSCI index as a guide to commodities in general, although it is heavily petroleum-weighted.

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.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Nov 2020 Take-Off Low (date)**	**Recent Take-Off Points**	**High (to date)**
Broad S&P GSCI	453.2 (1/8/20)	218.0 (4/21/20)	333.1 (11/2/20)	509.1 (12/2/21) 522.3 (12/20/21) 595.2 (1/24/22) 627.7 (2/9/22) 632.1 (2/18/22) 648.0 (2/25/22) 679.3 (3/15/22)	853.3 (3/8/22) 825.4 (6/8/22)

The broad GSCI collapsed 20.4 percent from its 3/8/22 top to 3/15/22's 679.3. ICE Brent/North Sea crude oil (nearest futures continuation) peaked on 3/7/22 at 13913 (second high 12528 on 5/31/22). NYMEX crude oil (nearest futures) attained its pinnacle on 3/7/22 at 13050. The NYMEX RBOB/gasoline (nearest futures) high occurred 6/6/22 at 4.326. NYMEX diesel (nearest futures) established an initial top on 3/9/22 at 4.671, but swooned 37.2 percent to 2.933 on 3/15/22. Diesel thereafter blasted up to a heavenly 5.860 on 4/29/22. It made an important third top on 6/17/22 at 4.644.

Despite a fierce rally up to a second and lower high in early June 2022 (6/8/22 at 825.4), the GSCI thereafter plummeted to a new low, 7/13/22's 649.3, a 23.9pc fall from March 2022's pinnacle. Relative to the time of the GSCI's 6/8/22 interim top, note the S+P 500's 6/2/22 interim high at 4178, as well as the EEM's on 6/6/22 at 43.23.

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Mr. Roberts, in the movie "Body and Soul" (Robert Rossen, director) says: "You know the way the betting [on a boxing match] is Charlie. The numbers are in. Everything is addition or subtraction. The rest is conversation."

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Other essays discussing key stock, interest rate, currency, and commodity marketplaces and their relationships, as well as the economic and political scenes, include: "Gimme Shelter (and Food and Fuel" (6/5/22); "Running for Cover: Financial Marketplace Adventures" (5/3/22); "Marketplace Trends and Entanglements" (4/4/22); "Marketplace Relationships: Life During Wartime" (3/7/22); "Paradise Lost: the Departure of Low Interest Rates" (2/9/22); "Emerging Marketplaces, Unveiling Danger" (12/2/21); "Hunting for Yield: Stocks, Interest Rates, Commodities, and Bitcoin" (11/7/21); "Rising Global Interest Rates and the Stock Marketplace Battlefield" (10/5/21).

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