ON THE ROAD: MARKETPLACE TRAFFIC

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"The highway is for gamblers, better use your sense
Take what you have gathered from coincidence". "It's All Over Now, Baby Blue", Bob Dylan

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CONCLUSION AND OVERVIEW

Given an array of intersecting considerations, critical benchmark financial battlegrounds such as the United States Treasury 10 year note, US dollar, and the S+P 500 probably will continue to travel sideways for the near term. Price trends for commodities "in general" probably will converge with those of the S+P 500 and other key global stock marketplaces, although occasionally this relationship may display divergence.

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In America and many other key countries around the globe, uncertainties and risks regarding numerous entangled economic and political variables and marketplaces appear especially substantial nowadays. In particular, inflationary and recessionary (deflationary) forces currently grapple in an intense and shifting fight for supremacy.

Monetary tightening by the Federal Reserve Board and its central banking comrades has helped to slash lofty consumer price inflation levels. However, despite some deceleration, significant inflation persists. Both headline and core (excluding food and energy) inflation motor well above targets aimed at by these monetary police officers. Yet in comparison with ongoing substantial actual consumer price inflation, inflationary expectations for longer run time spans generally have remained moderate. But monumental public debt challenges confronting America and many other leading nations nevertheless arguably signal the eventual advent of even higher interest rates. And given the Russian/Ukraine conflict and an effort by OPEC+ to support prices, how probable is it that petroleum and other commodity prices will ascend again?

Higher interest rates have diminished worldwide GDP growth prospects and raised recessionary fears. But central bankers, Wall Street, Main Street, and politicians do not want a severe recession and will strive to avoid that eventuality.

The United States dollar, though it has depreciated from its major high milepost reached in autumn 2022, arguably remains "too strong". However, history shows that a variety of nations elect to engage in competitive depreciation and trade wars to bolster their country's GDP.

Unemployment in the United States remains low, which helps consumer confidence. Sunny Wall Street rhetoric regarding allegedly favorable long run nominal earnings prospects for American stocks sparks enthusiastic "search for yield" activity by investors and other fortune-seekers. Yet Fed and other central bank tightening and economic sluggishness may reverse this healthy unemployment situation and dim corporate earnings prospects. Consumer net worth levels and patterns are important in this context. A strong and growing household balance sheet encourages consumer spending and thereby economic growth. Consumers, the major component of American GDP, unfortunately have endured damage to their balance sheet from the fall in the stocks (S+P 500 peak in January 2022) as well as the decline in home prices since mid-2022. The recent

shocking banking collapses in America and Europe warn of fragilities and uncertainties facing diverse economic arenas and the value of their assets.

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Bruce Springsteen's song "Born to Run" proclaims: "In the day we sweat it out on the streets of a runaway American dream".

Persistent fierce partisan conflicts range across numerous economic, political, and other cultural dimensions. This makes it difficult for politicians to compromise (witness America's federal legislative circus), and thus significantly to alter ongoing marketplace trends and relationships via resolute substantive action.

However, the current US legislative traffic jam regarding raising the country's debt ceiling, if it results in default, probably will cause the S+P 500 and related "search for yield" playgrounds to veer off their current sideways paths and tumble downhill. The risk of a default, even if brief and rapidly resolved, probably is greater than what most of Wall Street, Main Street, and the political scene believes.

In this "game of chicken" between Republicans and Democrats (and between sects within each of these parties), each of the raging sides claims to espouse high ("reasonable"; "sensible", "good") principles. This brinkmanship endangers the economy. The wreck of a sizeable stock marketplace plunge and spiking recessionary fears probably will terrify politicians (and scare and infuriate their constituents), thus inspiring the nation's leaders to overcome the legislative gridlock and enact a debt ceiling increase.

US TREASURY YIELDS: ROADS TRAVELED

"Money beats soul, every time." "Roadhouse Blues", by The Doors, with John Lee Hooker

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Since around mid-year 2022, the UST 10 year note has traveled in a range of about 2.50 percent to 4.35 percent.

	1Q20 Yield Bottom	Mid-2020 Yield Lows	1Q21 Yield High	Aug 2021 Yield Low	Following Yield Highs	Lows
UST 10 Year	.31 pc (3/9/20)	.54pc (4/21/20)	1.77pc (3/30/21)	1.13pc (8/4/21)	3.50pc (6/14/22)	3.32pc (1/19/23)
		.50 (8/6/20)			4.01 (9/28/22)	3.33 (2/2/23)
				Aug 2022 Yield Low		
				2.51 (8/2/22)	4.34 (10/21/22)	3.28 (3/24/23)
					4.09 (3/2/23)	3.25 (4/6/23)

Compare the timing of the S+P 500's high since its 10/13/22 bottom, 2/2/23's 4195 as well as the related low in the US dollar around early February 2023 with the UST 10 year note's 2/2/23 interim low at 3.33pc.

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Consumer price inflation measures in America and elsewhere continue to point to higher yields for the UST 10 year and related global marketplaces. For the OECD as a whole, consumer price inflation (all items) grew a still-high 8.8 percent year-on-year in February 2023, with CPI excluding food and energy up a substantial 7.3 percent year-on-year (Table 1; 4/4/23).

The Federal Reserve and most other leading central banks swear allegiance to defeating excessive inflation. Let's focus on the American scene.

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Unnerving United States year-on-year increases in consumer price inflation, though still far above the Fed's revered two percent inflation objective, have slowed. However this decline in the overall (headline) inflation has not come close to attaining revered inflation targets. And core inflation (excluding food and energy) has not decelerated much.

Reconnoiter US consumer price statistics (CPI-U, all items; Bureau of Labor Statistics; see Tables 1 and 5; 4/12/23; next release 5/10/23). In June 2022, it raced up to a peak of 9.1 percent year-on-year. Inflationary growth gradually descended from this towering height. The CPI-U (all items) eroded to 7.1 percent year-on-year in November 2022 and 6.5pc year-on-year in December 2022, retreating to 6.0pc year-on-year in February 2023 and 5.0pc year-on-year in March 2023. However, the five percent rate of increase remains a rapid speed.

Although the US CPI-U all items has braked lately, look under its hood for statistics in March 2023 regarding particular sectors. First, note the 6.4 percent year-on-year slide in the energy category (seven percent of the index), The used cars and trucks arena constitutes 2.6pc of the CPI-U; it crashed 11.2pc year-on-year. These inflation declines accounted for much of the amelioration in the March 2023 CPI-U rate. Consequently, excluding these two fields, CPI-U inflation did not improve much relative to prior months.

In addition, US CPI-U core inflation (excluding food and energy) remains robust and thus appears rather well entrenched. The CPI-U excluding food and energy grew at a bulky 6.6 percent year-on-year pace in September 2022. It descended modestly in several later months. However, March 2023's measure not only remained elevated at 5.6 percent year-on-year, but also rose from February 2023's 5.5 pc year-on year climb.

What about US price indices for Personal Consumption Expenditures, a favorite Fed yardstick? The PCE for all items in March 2023 dropped to 4.2 percent year-on-year from February 2023's 5.1pc height. (Bureau of Economic Analysis; Table 11; 4/28/23; next release 5/26/23). This notable progress relative to "too high" inflation, still leaves the PCE indicator decisively above the Fed's target for "stable prices". In addition, this significant monthly improvement did not occur in the PCE excluding food and energy in March 2023, which increased at 4.6 percent year-on-year in March 2023, about the same as February 2023's 4.7pc ascent.

Moreover, note the significant increase in the services component of the Personal Consumption Expenditures index: PCE services accelerated 5.5pc year-on-year in March 2023, far beyond a two percent policy target.

"Inflation" of course has other dimensions such as wages. For example, review the Atlanta Fed's wage tracker (4/13/23) for nominal overall unweighted hourly median wage growth. In March 2023, this moved up 6.4 percent (three month moving average;), a substantial expansion from May 2021's 3.0pc. Thus wages have fallen little in nominal terms from August 2022's high of 6.7 percent year-on-year. Real wages have been negative (or mediocre) relative to inflation for quite

some time. However, persistent high nominal wage increases risks becoming real (inflationary) wage growth, with real inflationary consequences for price index measures and other fields.

To what extent will past inflationary increases become even longer-lasting due to efforts by workers to maintain their earning power? Note also strikes in Germany, the United Kingdon, and elsewhere due to the inability of wages to keep pace with inflation.

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The Federal Reserve's broadcasts from its latest gathering, despite the recent disturbing banking troubles, still indicated a fairly militant monetary tightening bias. On 3/22/23, the FOMC raised the Fed Funds rate by only 25 basis points to the 4.75 to 5.00 percent range. Its Statement noted: "The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. This wordplay was somewhat less hawkish than that of its 2/1/23 meeting, which anticipated that ongoing increases in the [Federal Funds] target "will" be appropriate. However, 3/22/23's Statement remarked that "Inflation remains elevated." The Fed siren loudly underlined in the Chairman's Press Conference that "inflation remains too high, and the labor market continues to be very tight." Moreover, the Fed continues to tighten monetary policy by shrinking the size of its monumental balance sheet by up to $60 billion in UST and $35bb in agency mortgage-backed securities each month.

The crisis in recent weeks involving US regional banks probably has tightened credit to some extent. Some banks (and perhaps other financial institutions) have suffered declines in asset values (not only in long-dated debt instruments such as UST, but also in their commercial real estate portfolios) and endured higher funding costs; many expect enhanced regulatory scrutiny.

Most forecasters believe the Fed will not need to tighten aggressively in the near future given the slowdown in America's headline inflation increases and financial stability concerns regarding recent banking troubles (and perhaps fears relating to the US debt ceiling impasse as well). GDP growth has started to slow. However, inflation statistics in general remain lofty and unemployment low. to continued Fed next assembles 5/2-3/23 and 6/13-14/23.

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The Fed's March 2023 Economic Projections offer guidance on future near term Fed monetary policy and US interest rate trends. The Fed's outlook for the Federal Funds rate at the end of a given calendar year (Table 1) gave a midpoint (central tendency) of about 5.35pc for 2023 and 4.50pc for 2024, with 2025's falling to 3.45pc. The zealous watchdog continues to promote its misty "Longer run" PCE inflation level of 2.00 percent, with the Federal Funds rate for that horizon at 2.50pc.

In any case, suppose the 10 year US Treasury note at year end 2023 matches the Fed Funds level projection. Then the UST will yield 5.35 percent, well above October 2022's 4.34pc crest. Compare the UST 10 year yield top at on 6/13/07 at 5.32 percent. Alternatively, if the United States 10 year note yield at end December 2023 is 100 basis points beneath the 5.35 percent Fed Funds midpoint, the UST's resulting yield of 4.35pc stretches up from its present elevation. What if the UST 10 year note yield provides a real return of 50 basis points relative to the Fed's core PCE measure at year end 2023? Then its yield will be around 4.20 percent (3.70pc plus 50 basis points). Or, looking forward, suppose America's core CPI-U inflation rate dips further on a year-on-year basis, yet remains persistently at four percent or higher. Assume the UST 10 year yield provides a real return of 50 basis points relative to this inflation weathervane. Then the US 10 year yield will hover at 4.50 percent or higher.

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Assume continued fairly high CPI-U inflation for the next few months. Based on the preceding yield analysis derived from the Federal Reserve Economic Projections, the UST 10 year note yield could climb to about 5.35pc. Thus the UST 10 year note arguably has a hypothetical near term trading range between around 2.50 percent and 5.35 percent. A slump to 2.50 percent or less probably would warn of (confirm) a "flight to quality" (and likely recession); soaring above 5.35pc likely would signal a dangerous inflation trend.

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The United States federal debt situation warns of a long term trend for higher US Treasury yields. Note the substantial demand for credit (big budget deficits) and the related large and growing public debt level as a percentage of GDP. See the Congressional Budget Office's "The Budget and Economic Outlook: 2023 to 2033" (2/15/23). For example, federal debt held by the public as a percentage of GDP rises from 98.0 percent in fiscal 2023 (compare the 46.9 percent average for the 1973-2022 average) to about 118.0 pc of GDP in 2033, soaring to 195.0 pc of GDP in 2053 (See "By the Numbers", Table 1-1, and Figure 1-2).

In the near term, a debt ceiling crisis and talk (or the reality) of default also might cause an upward leap in UST yields. In any case, given the divided Congress (Democratic Senate, Republican House of Representatives), the competitive passions of 2024 election season, and intense and often uncivil national culture wars, no notable progress on reducing America's long run deficit problems will occur anytime soon.

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The CPI-U all items reached 5.0 percent year-on-year in May 2021 and thereafter stayed above that level. Despite the pattern of sustained troubling inflation since then, many marketplace observers probably retained faith in the Fed's ability to subdue it eventually. Arguably the Fed's unleashing rhetoric about its determination to vigorously combat inflation, as well as its sharp raising of the Federal Funds rate and shrinking of its balance sheet, have helped to keep inflation expectations and thus longer term UST yields relatively modest despite ongoing high CPI-U and personal consumption expenditure inflation statistics.

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Growing marketplace and political fears about oncoming global economic slowdowns and recessions probably helps to moderate inflation expectations and thus keeps US 10 year note yields modest (despite current CPI inflation still being high). Although US 4Q22 GDP grew at a 2.6 percent annual rate, that for 1Q23 sputtered only 1.1 percent higher (Bureau of Economic Analysis; Table 1; 4/27/23; 5/25/23 next release).

Based on the Fed's Economic Projections (3/22/23), the near term road ahead for US GDP expansion appears gloomy. The midpoint of the central tendency for the change in 2023 real GDP is a slim .40 percent increase, with 2024 walking only 1.25pc upward. The International Monetary Fund's "World Economic Outlook" (Table 1.1; April 2023) estimated US GDP will increase only 1.6 percent in 2023, with that for 2024 scraping up only 1.1pc. The IMF predicts global growth of only 2.8pc in 2023 (compare 3.4pc in 2022), with 2024's at 3.0pc. World output for "advanced economies", according to the IMF, drives up only 1.3 percent in 2023 and 1.4pc in 2024. Looking out to 2030, the World Bank recently warned of a "lost decade" for the worldwide economy ("Falling Long-Term Growth Prospects"; see the "Foreword"; March 2023). "Today nearly all the economic forces that drove economic progress are in retreat…The result could be a lost decade in the making…for the whole world."

The recent banking crisis involving Silicon Valley Bank (and assorted regional banks), by igniting fears of a related widespread economic downturn, helped reduce UST yields and at least temporarily soothed fears of a renewed sharp rise in interest rates. The financial emergency plan of the Treasury, Fed, and FDIC aimed to support (rescue) the banking system and thus the economy (recall 2007-09)—and save uninsured depositors at shipwrecked or endangered banks. To the extent fears persist that similar shocks may erupt, these worries can mitigate interest rate increases for the near term. These banking disruptions do not confine themselves to America, as the Credit Suisse blow-up reveals. However, monetary easing schemes, if repeated on a large scale, may boost inflationary trends.

US DOLLAR MANEUVERS

The essay "US Dollar and Other Marketplace Adventures" (2/5/23) concluded: "Based upon the Federal Reserve Board's real and nominal Broad Dollar Indices, the United States dollar probably established a major top in autumn 2022." This remains the case.

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The dollar's subsequent decline intertwined with a fall in the yield in the US 10 year Treasury note, and the dollar depreciation and UST yield decline interrelated with and encouraged notable price climbs in the S+P 500, emerging marketplace stocks, and several other important "search for yield" playgrounds."

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What factors indicate the likelihood of United States dollar weakness over the misty "long run"? The United States share of global GDP probably will continue to decline. Moreover, as the world has become increasingly multipolar, economic and political interests competitive with (or hostile to) American ones no longer as easily (or at least as extensively) accept or require American leadership (hegemony) in the economic (including the dollar) and political spheres. Although the dollar will remain the important international reserve asset and the critical benchmark for conducting world trade business, on the margin (gradually), it probably will become less important.

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In the film "Taxi Driver" (Martin Scorsese, director), Senator Palantine claims: "We meet at a crossroads in history. No longer will the wrong roads be taken."

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Even if Republicans and Democrats eventually agree to increase the debt ceiling, the American debt situation for the long run remains very worrisome. The existing public debt burden as a percentage of GDP is very substantial, and experienced observers expect this probably will rise over time under current policies. Interest rates consequently may need to increase quite a bit from current levels. So near term (and ongoing) debt (and spending) squabbles and underlying long term debt challenges will induce some fear in US dollar asset holders. Thus the dollar (and many dollar-denominated assets) may become less desirable.

Cultural divisions and conflicts (and assorted varieties of populism) of course span the globe. However, America's deep-seated ones arguably make the nation less able to solve its significant problems (not only the sizeable and growing federal debt). Given the nation's election year 2024

politics, these cultural wars probably will persist for quite some time. Thus the nation and its assets (including the dollar) have become marginally less attractive to some investors.

Competitive depreciation (currency wars) tends to limit currency depreciation and appreciation to some extent. In any case, Americans do not want a “too weak” dollar. Not only does a too weak dollar signal economic and political feebleness (reduced power), but also (all else equal) a depreciating dollar can have inflationary consequences. However, the Federal Reserve’s benchmark real Broad Dollar Index currently is far from feeble from the long run historical perspective. Besides, perhaps a somewhat weaker dollar will assist American economic growth for a while. With the 2024 election campaign looming, the current US Administration probably does not want the dollar to be “too high”.

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 5/1/23 is the latest) as well as a nominal Broad Dollar Index (daily data; 5/1/23 release; 4/28/23 most recent datapoint) covering both goods and services.

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The real Broad Dollar Index’s touched its peak (monthly average; Fed H.10; goods and services: January 2006=100) in October 2022 at 121.2. From its major bottom over 11 years before then in July 2011 at 83.9, the BDI skyrocketed 44.5 percent. The real BDI jumped substantially, 17.3 percent, from January 2021’s 103.3 low to the October 2022 peak at 121.2 about 21 months later.

That price and time BDI bull market history (a substantial percentage climb over a long period of time with several extensive bull stages) does not mandate a major long run decline for the US dollar. However, in conjunction with the preceding noteworthy bearish factors, it does indicate the real Broad Dollar Index has the potential for an impressive decline (and greater than what has transpired since October 2022’s summit) lasting for a considerable time period. The widespread depreciation of the dollar since early autumn 2022 versus most of its major trading partners (even if the dollar rallies some in the near term) also indicates the probability that a major long term bear move for the US dollar is underway.

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However, for the near term, several bullish factors support the Broad Dollar Indices (“BDI”). First, the Federal Reserve recently reemphasized its loyalty to its monetary tightening scheme in its battle to return inflation to two percent. This illuminated guardian has not ruled out further Federal Funds rate increases to achieve its objective. It continues to reduce the size of its mammoth balance sheet. Moreover, this respected leader trumpets its strategy of maintaining policy rates for quite some time at heights sufficient to bring inflation down to its vision of acceptable levels. Unemployment figures remain very low, further suggesting the likelihood that Fed policy will maintain a moderately hawkish stance for at least the near term.

Also, the US dollar’s weakness which emerged in autumn 2022, and the rally in key global stock marketplaces such as the S+P 500, has not been matched by a sustained rally in commodities “in general”. All else equal, a slumping US dollar tends to boost the nominal price of dollar-denominated assets. Marketplace history is not marketplace destiny. However, despite occasional divergence, over the long run commodities in general have moved in similar time and price patterns with the S+P 500. Yet commodities in recent months, despite occasional rallies, have acted comparatively weak in relation to the S+P 500. Even the petroleum complex, despite vigorous OPEC+ efforts to support the price and Western restrictions on Russian oil imports, has

shown only intermittent strength. This relative feebleness in commodities despite dollar depreciation hints that at least for the near term, the dollar probably will not decline much further.

In addition, the real broad Dollar Index (a monthly average) currently borders critical support, April 2020's 113.4 summit. The nominal BDI (daily data) has retreated almost eight percent from its autumn 2022 pinnacle, fairly close to the important ten percent "correction" distance.

Finally, consider US Administration rhetoric about the importance of democracy relative to autocracy. For example, see the White House's "National Security Strategy" (10/12/22). Is that wordplay and related American global policy actions on topics such as the Ukraine/Russia conflict and the Taiwan/China relationship a campaign to keep the dollar moderately strong?

Thus for the near term, and also given the prevailing convergence relationships between the UST 10 year note and the US dollar, a return to rising UST rates, all else equal, probably will keep the US dollar fairly powerful from the long run historic perspective. The dollar nevertheless will find it challenging to surpass its recent high by much (if at all) for very long.

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.	**1Q20 High (date)**	**Key Low Level (date)**	**Percent Fall from 1Q20 High**	**Next Highs (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	123.9 (7/14/22) 123.5 (8/22/22) 128.3 (9/27/22) 128.3 (10/19/22)	16.1pc

Note the initial low in the nominal Broad Dollar Index low in early January 2021 (1/6/21) occurred close in time to the peak on 1/4/21 in US dollar-denominated government bonds issued by emerging market countries (iShares EMB ETF top at 116.09) as well as the emerging marketplace stocks pinnacle on 2/16/21 (iShares EEM ETF top at 58.29).

The real Broad Dollar Index peaked in April 2020 at 113.4. It sunk to 103.3 in January 2021. With May 2022's 114.3, it surpassed April 2020's key resistance barrier. The real Broad Dollar Index ("BDI") was triumphantly strong (arguably "too strong") in the several months running up to and including its pinnacle in October 2022. From August 2022's lofty 116.6, it appreciated to 119.5 in September 2022 and 121.2 in October 2022, smashing 6.9 percent over April 2020's 113.4 summit. The nominal BDI in mid-July and late August 2022 approached its late March 2020 high, eventually accelerating through it to reach 9/27/22's and 10/19/22's 128.3 zenith (see also 11/3/22's 128.1).

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Marketplace history indicates that United States dollar weakness can fuel or coincide with (confirm) a rally in the S+P 500. Sometimes (but not always) the Broad Dollar Index has attained critical marketplace tops alongside important bottoms in the S+P 500.

For example, recall the real Broad Dollar Index crown at 101.6 in March 2009 in connection with the S+P 500's major low on 3/6/09 at 667. The S+P 500 bottomed on 2/11/16 at 1810 (1/20/16 at 1812); compare the real BDI's January 2016 interim high at 107.5 (final top at 110.0 in December 2016, though). The S+P 500 attained a significant trough on 12/26/18 at 2347; November 2018's

real BDI interim top at 107.7, though not a final high in the major bull move of the real BDI, was not exceeded by much for quite a few months (September 2019 minor high at 108.6), until March 2020/April 2020.

Many on Wall Street and Main Street surely recognize the nominal Broad Dollar Index's 3/23/20 pinnacle at 126.1 coincided with the S+P 500's 3/23/20 major low at 2192. The nominal BDI's venture beneath its 3/23/20 crest at 126.1 after around 11/9/22 probably accelerated the bull move in the S+P 500 (which began with 10/13/22's 3492) and many other key global stock marketplace signposts.

The late September/October 2022 highs in the real and nominal Broad Dollar Indices coincided with (interrelated with; confirmed) the October 2022 lows in the S+P 500 (10/13/22 at 3492) and other search for yield marketplaces as well as the timing of the UST 10 year note yield highs at 4.01 percent (9/28/22) and 4.34pc (10/21/22).

Therefore, looking forward for the near term, a fairly strong dollar for the near term could intertwine with higher UST yields and a falling S+P 500. Suppose the real BDI stays beneath October 2022's 121.2 high. If it nevertheless rests above or even "around" April 2020's 113.4 prior top, it still would be quite powerful from the long run historic perspective. The real BDI therefore probably would be a bearish factor for the hunt for yield/return securities playgrounds, especially if United States and other key interest rate benchmarks continued to climb.

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For the real Broad Dollar Index, a five percent decline from October 2022's 121.2 pinnacle equals 115.1, a ten percent tumble gives 109.1, a fifteen percent drop 103.0 (March 2009 summit 101.6), with a twenty percent crash 97.0. A five percent fall in the nominal BDI from its September/October 2022 highs around 128.3 gives 121.9, a ten percent correction 115.5, a fifteen pc one 109.1, with a twenty pc collapse 102.6.

Following late September/October 2022's highs, the US dollar "in general" has depreciated a moderate amount. The real Broad Dollar Index was pushed down to 114.2 in January 2023. However, the real BDI increased slightly to 115.2 in March 2023. However, it slipped to 113.9 in April 2023 (holding above April 2020's 113.4 top), a 6.0 percent decline from autumn 2022's high. Despite this slump since autumn 2022, the US dollar remains rather strong from the historical perspective.

The nominal BDI's low following its September/October 2022 highs around 128.3 is 2/2/23's 118.3, a 7.8 percent slide. The nominal BDI appreciated 3.2 percent from 2/2/23's trough to its following high at 122.1 on 3/15/23. It thereafter weakened for about a month, with its subsequent low at 118.6 on 4/13/23 adjacent to 2/2/23's depth.

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The Silicon Valley Bank collapse began on 3/8/23. Concerns regarding many other regional banks and financial firms rapidly developed. Gold sharply rallied from around 1814 on 3/8/23 to 2049 on 4/13/23. From its interim low at 19568 on 3/10/23, Bitcoin flew to its recent high at 31044 on 4/14/23. Note the close proximity in time of the recent gold and Bitcoin highs to the nominal Broad Dollar Index's 4/13/23 low at 118.6.

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Given the bullish and bearish crosscurrents for the "overall" US dollar, what price range for the real Broad Dollar Index looks probable for the near term horizon? October 2022's formidable

roadblock at 121.2 will be very difficult to surpass. A five percent decline to 115.1 neighbors April 2020's important 113.4 landmark. A ten percent tumble from the October 2022 high equals 109.1, a likely eventual target.

For the longer run, notable support exists around 103.0 (a fifteen percent drop from October 2022; January 2021 low 103.4) to 100.0 (remember March 2009's 101.6 summit during the 2007-09 global economic disaster; see February 2018's 100.2 trough).

US STOCK MARKETPLACE PATHS

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

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Scan the S+P 500's thrilling bullish and bearish travels over the past three years.

	1Q 2020 High (date)	**1Q 2020 Low (date)**	**Interim High**	**Take-Off Low (date)**	**Peak and Other Highs (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)
				Key 2022 Lows	4513 (4/21/22)
				4115 (2/24/22)	4308 (4/28/22)
				3637 (6/17/22)	
				3722 (7/14/22)	4325 (8/16/22)
				3492 (10/13/22)	4195 (2/2/23)

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The Grateful Dead sing in "Truckin'": "Lately it occurs to me what a long strange trip it's been."

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In the Wild West of stocks and other financial territories, various competing subjective perspectives (opinions) fight to analyze and promote marketplace outlooks and trends. In "investment" domains such as the United States stock marketplace, "investment" advocates and their media and political friends traffic in investment rhetoric and values to attract and persuade audiences.

The extent of economic growth in America and elsewhere influences the size and duration of US corporate earnings. Corporate earnings (levels, patterns, and outlook) of course are an important stock price variable for many investors and other trading pilgrims. History obviously shows that equity indices such as the S+P 500 (and individual equities) can and do trade at various price/earnings ratios. According to FactSet, the forward 12 month P/E ratio for the S+P 500 is

18.1. This P/E ratio stands below the five year average of 18.5, but above the 17.3 ten year average ("Earnings Insight"; 4/28/23). Refinitiv estimates the forward four quarter P/E ratio at 18.3 ("S&P 500 Earnings Scorecard"; 4/28/23).

Nevertheless, all else equal, mediocre United States real GDP prospects (if realized) indicate that the S+P 500 probably will not rally much in real terms from around current levels.

Yet we live in a nominal price world. According to the Bureau of Economic Analysis (Table 1; 4/27/23), 1Q23 current dollar GDP grew at a 5.1 percent annual rate (4Q22's expanded 6.6 percent annualized) . All else equal, nominal price increases throughout the economy resulting from (reflecting) inflation (and of course other factors matter) will tend to boost stock prices. Given a tendency for nominal price increases (and thus in nominal corporate earnings as well), nominal S+P 500 prices (all else equal) will tend to march upward modestly.

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Despite supposedly courageous inflation fighting rhetoric and tactics from the heroic Fed and other central bankers, with year-on-year United States consumer price inflation at least five percent, current yields for the UST 10 year note as well as shorter UST maturities still do not provide investors (and other owners) a real return relative to recent yearly consumer price inflation. This situation encourages many people hunting for adequate yield (return) to purchase the S+P 500 and other global stocks, which of course assists bullish price moves. In fervent search for yield environments, marketplaces such as US corporate and emerging marketplace debt and commodities "in general" at times also have appealed to enthusiastic investors and others seeking worthy roads to financial security and riches.

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However, in addition to other US and foreign stock marketplaces, the S+P 500 connects with other financial avenues such as interest rates, currencies, commodities, and homes. Given the probable sideways trends for the near term in the UST 10 year note and the real Broad Dollar Index, the S+P 500 likewise will tend to meander in a rather wide sideways path.

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Very long run American marketplace history demonstrates that substantially climbing United States interest rates in important benchmarks such as the US Treasury 10 year note have preceded noteworthy peaks and led to bear trends in key stock marketplace signposts such as the Dow Jones Industrial Average and the S+P 500. Sometimes a yield climb, after preceding a stock marketplace top, then retreated; yet in some cases yields marched even higher after the equity peak.

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Sustained rising US (and global) interest rate yields led to the S+P 500's majestic and joyful pinnacle at 4819 on 1/4/22. UST 10 year yields began rising in early March 2020, accelerating aggressively upward following 8/4/21's 1.13 percent trough as American (and worldwide) consumer price inflation became very significant. Following the S+P 500's victorious bull parade to its January 2022 summit, it collapsed 27.5 percent to 10/13/22's gloomy 3492 low. This valley rested merely 2.9 percent above 2/19/20's 3394 pre-coronavirus pandemic peak.

In general, from around the beginning of calendar 2022 until mid-October 2022, as American and other key global government interest rates continued to rise (enlist the United States Treasury 10 year note as a benchmark), the S+P 500 (and other advanced nation and emerging marketplace stock playgrounds) declined. Growing fears regarding substantial and persistent consumer price

(and other) inflation by the Federal Reserve and other central banking generals and the linked policy response of raising Federal Funds and similar rates played key roles in the yield climbs and stock price falls. Bear trends for other search for yield assets such as corporate bonds and United States dollar-denominated emerging marketplace sovereign debt converged and interrelated with those of the S+P 500 and emerging marketplace stocks. Commodities "in general" ("overall") of course do not always trade "together" in the same direction around the same time as the S+P 500. Nevertheless, in broad brush terms since around late first quarter 2022 and for many months thereafter, their downward price and time trends converged.

The S+P 500's 6/17/22 interim low at 3637 occurred only three days after the UST 10 year note's 3.50 percent yield interim top. The UST 10 year's yield high at on 10/21/22 at 4.34 percent occurred only a few days after the S+P 500's critical trough at 3492 on 10/13/22.

Spotlight also the upward move in the UST 10 year yield from 8/2/22's interim low at 2.51 percent in conjunction with the S+P 500's rapid retreat after 8/16/22's 4325 interim high (especially the S+P 500's dreadful carnage after 8/26/22's 4203, the day of the Fed Chairman's Jackson Hole speech).

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A "too strong" United States dollar intertwined with ongoing price declines in both emerging marketplace equities and US dollar-denominated sovereign debt securities (both emerging marketplace stock and debt prices peaked in first quarter 2021). The mighty dollar and the price slumps in emerging marketplace securities helped to undermine the S+P 500. A very strong US dollar encouraged the relationships of higher US Treasury yields, descending stock prices, and nosediving prices for commodities "in general".

However, the US 10 year note yield achieved an important high on 10/21/22 at 4.34 percent. Using the Federal Reserve Board's nominal Broad Dollar Index as a guidepost, the US dollar peaked at 128.3 on 9/27/22 and 10/19/22. The S+P 500 established a trough in its bear trend with 10/13/22's 3492. Thereafter, S+P 500 rallies usually have linked with a declining Broad Dollar Index, with a tumble in the S+P 500 connected to an appreciating BDI.

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Broad Dollar Index trends probably assisted the creation of the S+P 500's January 2022 top and its subsequent decline. The real Broad Dollar Index peaked in April 2020 at 113.4. After an extensive rally from January 2021's 103.2 low, May 2022's 114.6 surpassed April 2020's key resistance. Note the S+P 500 slump from its interim highs at 4637 (3/29/22) and 4513 (4/21/22). The real BDI kept rising for several more months. In this BDI and S+P 500 context, note the timing of the broad S&P GSCI's peak on 3/28/22 (at 853.3) and its important subsequent drop-off point on 6/8/22 (at 825.4). Thus the real Broad Dollar Index ("BDI") was very strong (arguably "too strong") in the several months running up to and including its peak in October 2022.

Underscore the similar timing of the rally in the S+P 500 from its October 2022 bottom and the US dollar's depreciation for several months beginning in fall 2022. A recent rally in the dollar helped push the S+P 500 downhill; its low since 2/2/23's 4195 was 3/13/23's 3809.

All else equal, United States dollar feebleness tends to inspire ascents in the nominal value of dollar-denominated assets, including stocks.

Nevertheless, in practice that tendency is not inevitable. History reveals that the dollar can depreciate substantially alongside notable falls in the S+P 500 and "related" stock marketplaces.

For example, contemplate a world of rising US and international interest rates (perhaps alongside dangerous inflation), widespread belief that America's public debt situation is poorly controlled and at frightening levels, and tighter monetary policy in many other leading nations relative to the US. And suppose corporate earnings prospects looked dismal. Marketplace history of course also shows the dollar can appreciate alongside a rally in the S+P 500.

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The American real estate field of course is complex, as is its relationship to other economic domains. US single-family home price trends nevertheless enmesh with and offer an interpretive window on levels and trend in American stock and interest rate playgrounds.

From June 2022's peak at $420,900 to January 2023's $365,400 (February 2023's $367,500 about unchanged), the sales price of existing single-family homes slipped 13.2 percent (not seasonally adjusted; National Association of Realtors, 3/21/23). However, prices rebounded the next couple of months (compare the S+P 500's motion), with March 2023's value at $380,000 (a 9.7pc fall from June 2022's high). The notable US home price "correction" commenced alongside trends of rising US Treasury and mortgage rates. The slump in house prices warns of mediocre US real GDP growth. Since US interest rates probably will not plummet sharply in the near future, that will make it challenging for house prices to rally much. If a flat or falling home price trend persists (and real estate business remains uninspiring) , that likely indicates weak near term GDP expansion and perhaps a recession. Though stock and housing prices need not voyage together, a sideways scenario for house values will make it challenging for the S+P 500 to rally dramatically since homes represent a very important part of consumer (household) net worth and housing trends influence household confidence and spending.

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What consequences probably follow from a long run noteworthy increase in American interest rates, assuming significant faith persists in the inflation-fighting credentials and strategy of the Federal Reserve? The probable long term prospects for generally sustained higher United States (and worldwide) interest rates will tend to lower the S+P 500 and other stock marketplaces (and other "search for yield" asset classes).

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Although the cultural past does not necessarily (inevitably) repeat itself, either entirely or even partly, let's venture back to US Treasury yield patterns. The New York Federal Reserve Bank publishes history and graphs indicating the spread relationship (basis point differential) of the UST 10 year note (they label it a "bond") yield less the three month T-bill rate (bond equivalent basis). A negative number indicates that the yield curve is negatively sloped, with the three month T-bill yield exceeding that of the UST note.

Going back to around 1959, the development of a negatively sloped yield curve (monthly average) often has preceded ("led to") a US recession. The US yield curve has a negative slope. The latest NY Fed data (4/3/23 release) gives a differential of 113 basis points for January 2023 102 basis points for February 2023, and 115 basis points in March 2023.

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"'Cause when life looks like Easy Street
There is danger at your door." The Grateful Dead, "Uncle John's Band"

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A recent study reviewed large disinflations that occurred since 1950 in the United States and several other major economies. The analysis concluded: “there is no post-1950 precedent for a sizable central-bank-induced disinflation that does not entail substantial economic sacrifice or recession.” “Significant disinflations induced by monetary policy tightening are associated with recessions.” Moreover, “in the current circumstances that already involve significant policy tightening (and a prospect for further restraint), an ‘immaculate disinflation’ would be unprecedented.” “The bad news is that it is highly likely that achieving the Fed’s inflation target will lead to a recession.” See “Managing Disinflations” (Stephen Cecchetti, Frederic Mishkin, and others; 2/24/23; “US Monetary Policy Forum” of the “Initiative on Global Markets”; The University of Chicago Booth School of Business). See also Mishkin’s comments in the Financial Times, “Fed now on right track to restore price stability”; 3/9/23).

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The S+P 500’s 8/16/22 interim high at 4325 is important near term resistance. Also for the near term, recessionary signs and warnings and determined inflation fighting by the Fed and other central banking guides probably make it very challenging for the S+P 500 to sustain an advance above the 4513 (4/21/22) to 4637 (3/29/22) range.

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In the near term, suppose rising US Treasury yields and some US dollar strength encourage S+P 500 retreats. Perhaps the yield increases in the UST 10 year note to date, and especially those since August 2022’s yield bottom at 2.51 percent, will be sufficient in this regard. But also picture a renewed UST 10 year attack toward or above 10/21/22’s 4.34 percent. How far down in reverse might the S+P 500 venture? It probably will be difficult for the S+P 500 to fall beneath its October 2022 bottom by much (if at all) in the absence of a notable and sustained US recession and global GDP slowdown.

Although a recession probably will be bearish for the S+P 500 and many other related stock marketplaces, the vigilant Fed probably will tolerate a brief recession to defeat the evil of excessive inflation (and thus will countenance lower stock prices than current ones). However, it (and of course Wall Street and Main Street and politicians) likely would hate a severe recession. In today’s intertwined and globalized economy, substantial price falls in the stock and corporate debt price arenas (and other search for yield interest rate territories), and even greater weakness than has thus far appeared in home prices, plus a “too strong” US dollar, constitute a package for a fairly severe recession.

Suppose a badly bloodied S+P 500 collapsed mournfully close to (and especially if it fell beneath) 10/13/22’s critical support at 3492. That situation probably would elicit fervent and fearful appeals for help from Wall Street (particularly from armies of investors and those who serve them), agitated shouts from an armada of politicians and the financial media, and widespread concern on Main Street. October 2022’s 3492 depth borders the 2/19/20 pinnacle at 3394, achieved as the horrible worldwide coronavirus pandemic emerged. The respected Federal Reserve gatekeeper and its trusty central banking cohorts likely would halt monetary tightening (and perhaps even ease conditions significantly), in the event of such a damaging downturn in the S+P 500, Recall the lively massive central banking (and fiscal) actions as the S+P 500 (and American and international economy) violently tumbled in first quarter 2020 during the coronavirus disaster. The S+P 500 plummeted 35.4 percent from 2/19/20’s 3394 to 3/23/20’s 2192.

A 33 percent retreat from 1/4/22’s peak equals 3209. A fifty percent rally from 3/23/20’s 2192 gives 3288. Support in this 3200 to 3500 region further derives from price gaps between 3405

(11/4/20)/3389 (11/3/20) and 3336 (11/3/20)/3330 (11/2/20). Scout out as well the take-off rally point at 3209 (9/24/20)/3234 (10/30/20) created during the major bull charge up to January 2022's 4819 peak.

COMMODITY ROUTES

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

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Previous essays detailed the interrelations in theory and in marketplace practice between commodities "in general" and other financial domains such as the US dollar, interest rates, and stocks. All else equal, a weaker US dollar tends to boost the nominal prices of dollar-denominated financial instruments such as commodities. However, a feebler dollar does not always in practice mandate (parallel; confirm) higher prices for dollar-denominated commodities. Neither does a stronger dollar necessarily coincide with or lead to a slump in commodities prices.

In any event, 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 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, as in 2007-08 as the Goldilocks Era ended and the global economic disaster unfolded. The S+P 500 peaked on 10/11/07 at 1576, many months before the peak in the S&P GSCI. Yet note that July 2008's major high in the S&P GSCI (7/3/08 at 894) occurred not long after the S+P 500's final top, 5/19/08's 1440.

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Let's summarize the broad S+P GSCI's key price moves since January 2020. Prices for commodities in general climbed substantially after December 2021 (Russia invaded Ukraine 2/24/22), magnifying inflation concerns and levels and thus assisting the price decline in global stock marketplaces. Though commodities peaked in early March 2022, on balance they remained very elevated until around mid-June 2022.

The S+P 500 peaked in January 2022. The S+P 500's 1/4/22 pinnacle preceded the awesome high for the overall commodities complex (broad S&P GSCI on 3/8/22 at 853.3) by about two months. This represented relatively modest separation between those marketplace realms from the time parameter. After around March 2022 and into autumn 2022, the S+P 500 (note its lower interim high on 3/29/22 at 4637) and broad GSCI price trends tended to converge, usually (roughly) moving lower together.

The real Broad Dollar Index bull trend and high BDI levels and the pattern of rising yields in the UST 10 year note probably assisted the manufacture of the S+P 500's January 2022 top and its subsequent significant bear move, as well as the sharp decline in the broad GSCI from its March

2022 and June 2022 pinnacles. The real Broad Dollar Index peaked in April 2020 at 113.4. After an extensive rally from January 2021's 103.4 low, May 2022's 114.3 exceeded April 2020's key 113.4 barrier. The S+P 500 collapsed from interim highs at 4637 (3/29/22) and 4513 (4/21/22). The real BDI ascended for several more months after May 2022. In this BDI and S+P 500 context, see the timing of the S&P GSCI's major high on 3/28/22 (at 853.3) and the important drop-off point on 6/8/22 (at 825.4). Thus the real Broad Dollar Index ("BDI") was very powerful (perhaps "too strong") in the several months up to and including its October 2022 summit.

.	**1Q 2020 High (date)**	**1Q 2020 Low (date)**	**Nov 2020 Take-Off Low**	**Take-Off Points**	**Highs (to date)**
Broad S&P	453.2	218.0	333.1	509.1	853.3
GSCI	(1/8/20)	(4/21/20)	(11/2/20)	(12/2/21)	(3/8/22)
				522.3	
				(12/20/21)	825.4
				595.2	(6/8/22)
				(1/24/22)	
				627.7	
				(2/9/22)	
				632.1	
				(2/18/22)	705.3
				648.0	(7/29/22)
				(2/25/22)	703.2
				679.3	(8/29/22)
				(3/15/22)	
				Lows	
					671.5
				591.8	(10/10/22)
				(9/28/22)	671.1
				591.1	(11/7/22)
				(11/28/22)	
					622.1
					(1/24/23)
				New Recent Lows	
				564.6 (2/6/23)	
				529.7 (3/20/23)	

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Although the S+P 500 bottomed on 10/13/22 at 3492, from mid-autumn 2022 through mid-March 2023, the bear trend in commodities retained traction and continued, with the GSCI's December 2022 (568.9 low 12/9/22)/February 2023 (564.6 low 2/6/23) support range broken. The GSCI's low is 3/20/23's 529.7, a harrowing 37.9 percent bear crash from the year-earlier peak on 3/8/22 at 853.3. The March 2023 depth bordered important support established a few months before the Russian/Ukraine war at 522.3 (12/20/21)/509.2 (12/2/21). The GSCI high since 3/20/23 is 4/13/23's 599.2.

American stocks and commodities in general (and individual commodities) of course have different supply/demand situations. But the long run tendency for the S+P 500 and commodities

to trade together (similar price and time patterns) encourages optimism among investment and other search for yield/return groups that steady to climbing GSCI prices will associate with increasing stock prices. The prior S+P 500 interim top at 8/16/22's 4325 arguably is within reach over the next several months.

However, in recent months, concerns about weaker international and United States GDP growth generally have increased. The GSCI's March 2023 trough's having occurred about six months after the S+P 500's October 2022 bottom arguably confirms the significant probability that such economic weakness (and maybe even a recession) will emerge. Keep in mind the continued existence of Fed and other central bank inflation fighting schemes and propaganda, and that the US dollar remains fairly strong from the historic perspective. Thus commodities in general, when interpreted in association with these other variables, hint that the S+P 500 probably will not surpass spring 2022's significant interim tops (4/21/22's 4513 and 3/29/22's 4637) for at least the near term.

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For additional analysis of key stock, interest rate, currency, and commodity marketplaces and their relationships, as well as the economic and political scenes, see other essays such as: "Home on the Range: Financial Battlegrounds" (4/1/23); "Balancing Acts: Financial Marketplace Trends" (3/5/23); "US Dollar and Other Marketplace Adventures" (2/5/23); "Wall Street Marketplaces: Fasten Your Seat Belts" (12/5/22); "Critical Conditions in Financial Marketplaces" (11/13/22); "Hunting for Yield: the Thrill Is Gone" (10/4/22); "Marketplace Expectations and Outcomes" (9/5/22); "Summertime Blues, Marketplace Views" (8/6/22); "We Can't Get No Satisfaction: Cultural Trends and Financial Marketplaces" (7/13/22).

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