MARKETPLACE CROSSROADS

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"I have been passing my life in guessing what I might meet with beyond the next hill, or around the next corner." Wellington, the British military commander who defeated Napoleon in the battle of Waterloo ("Dictionary of Military and Naval Quotations", ed. Robert Heinl, Jr.)

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OVERVIEW

Cultural observers differ in their subjective perspectives, arguments, and conclusions regarding economic phenomena, including the prices of and variables relating to interest rate, stock, foreign exchange, commodity, real estate, and other marketplaces. They consequently develop and express a variety of personal views as to whether a given financial price or price relationship level (or trend), or an economic (commercial; business) or political situation substantially relevant to them, has reached or soon will attain a very important point or stage. Thus figuratively speaking, a marketplace (its level and trend) or an economic (or political scene) is or shortly will be at a crossroads. For example, the S+P 500, inflation, Federal Reserve policy, or the American federal fiscal situation can arrive at a crossroads.

Looking forward, people ask "what will happen from here?" People devotedly select, review, and weigh information to ascertain (develop personal opinions regarding) probabilities for a range of potential outcomes in the aftermath of this key situation. They differ in their views of "the" past and "the" present. In their forecasting (risk evaluation) process, some sentinels analyze the distance and duration a given price move has traveled or eventually (potentially) may move. In various fashions, prophets assess perceived interrelationships between interest rate, stock, foreign exchange, and other marketplaces.

Hence competitive financial arenas fill with diverse and enthusiastic bulls and bears (and neutral players) talking and acting in a variety of ways. Arrays of investors and speculators and traders and hedgers and risk managers ardently promote and behave according to competing viewpoints and probability assessments. Typically, each player views its own subjective analysis and outlook as "reasonable", and probably at least as reasonable (intelligent, rational) as that of others. Consequently, we hear fervent rhetoric and see artful pictures relating not only to probabilities, but also patterns and trends, support and resistance, critical levels and turning points, breakout and breakdown, continuation and reversal, convergence and divergence, and lead and lags.

Many believe that some cultural situations are more difficult to predict than others. In any case, imagine future hypothetical (potential) events regarding a given marketplace (such as the S+P 500 or the United States Treasury 10 year note) or a particular economic or political battlefield (such as "the" US or global economy; American political wars). For some particular potential outcomes (including a related process creating it), many marketplace warriors will label the result as unlikely or very unlikely or unusual (against the odds; having little chance), or even unreasonable, irrational, extraordinary, incredible, unbelievable, astounding, surprising, crazy, impossible, and so forth.

Nevertheless, cultural history, including that of marketplaces, of course evidences that what many (or even the great majority of) clairvoyants viewed as very unlikely to occur indeed has happened. So in practice, many scouts look out for and consider so-called "tail risks" (subjectively highly unlikely outcomes) to some degree. A trader once said: "In commodities, the

impossible happens at least once a year." Besides, what will be highly unlikely or surprising to one cultural observer may not be so to another.

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Let's review several financial marketplaces which appear to be at or near a crossroads.

UNITED STATES INTEREST RATES AND STOCKS

In their song "Gun", Iggy and the Stooges declare:
"People hyped up all the time
Nobody is thinkin' why
Money is a waste of time
Course I made sure I got mine"

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"Long Run Historical Entanglement: US Interest Rate and Stock Trends" (7/6/23) concluded: "Many times over the past century, significantly increasing United States interest rates have preceded a major peak, or at least a noteworthy top, in key stock marketplace benchmarks such as the Dow Jones Industrial Average and S+P 500. The yield climb sometimes has occurred over a rather extended time span. The arithmetical (basis point) change has not always been large. Sometimes the yield advance has extended past the time of the stock pinnacle."

"Given the historic pattern in which UST [US Treasury; focus on the UST 10 year note] yield increases "lead" to peaks in key American stock benchmarks such as the S+P 500, do signs of a noteworthy rising yield trend exist on the interest rate front? Yes." And "the pattern of rising UST 10 year note yields likely is leading to another peak in the S+P 500. This stock marketplace peak will probably occur relatively soon, probably within the next few weeks or months. However, even if the S+P 500 continues to climb, it probably will not exceed its January 2022 peak by much if at all."

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The UST 10 year note yield has increased since 3/9/20's major bottom at .31 percent, accelerating upward from 8/4/21's 1.13pc to 6/14/22's 3.50 pc. The S+P 500 peaked during this rising yield trend on 1/4/22 at 4819. The UST 10 year note yield, after sliding down to 8/2/22's 2.51 percent resumed its yield ascent. It made another important interim yield low with 4/6/23's 3.25pc. With 8/22/23's 4.37 percent, the UST 10 year recently pierced 10/21/22's 4.34 percent high, attained around the time of the S+P 500's crucial trough on 10/13/22 at 3492.

The German Bund's yield trend in recent years has resembled that of the UST 10 year note. The Bund attained its major low at -.90 percent (negative yield) on 3/9/20, charging upward from 8/2/22's .69pc to 3/2/23's 2.77pc high (8/15/23 at 2.73pc).

Will October 2022's UST yield high resistance be decisively broken, or will it be part of a double top linked to August 2023's level?

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For the 22 US stock marketplace "bear" trends summarized in "US Stocks Over the Long Run: Bear Marketplace History" (8/4/23), the average percentage decline from the peak to the trough is about 33.9 percent. The average duration of the descent from the summit to the bottom is approximately 14.2 months.

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The S+P 500's high to date since 10/13/22's 3492 bottom is 7/27/23's 4607, a joyous 31.9 percent rally spanning about 9.25 months, the same duration as the January 2022 to October 2022 bear plunge. That recent S+P 500 high borders a significant interim top attained after January 2022's major high, 3/29/22's 4637. See also the price gap from 8/1/23's 4568 to 8/2/23's 4551.

The S+P 500's rally from its October 2022 low probably is creating a double top linked to its January 2022 peak. The 7/27/23 elevation is about 4.4 percent distant from the major price resistance at 1/4/22's 4819 (4607/4819 is 95.6pc). A five percent decline from January 2022's pinnacle equals 4578, close to 7/27/23's height. The 4578 level borders the S+P 500's important interim tops at 4639 (3/29/22) and 4513 (4/21/22) attained amidst the bear move which began in January 2022. A 33 percent rally from 10/13/22's trough equals 4655.

A ten percent drop from 4819 (1/4/22) gives 4337, carnage of fifteen pc 4096. A bear move of twenty percent equals 3855, 25pc 3614; a murderous 33pc crash attains 3209. A five percent dip from 4607 (7/27/23) is 4377 (8/18/23 minor low 4335), a ten pc correction 4146. A fifteen percent retreat equals 3916, with a twenty percent collapse 3686. A vicious 25 percent slump gives 3455, with a bloody 33pc crash 3068. A five percent move above 1/4/22's 4819 pinnacle is 5060.

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In a "search for yield" environment, note the timing similarity of Bitcoin's important low on 11/10/22 at 15518 and 7/13/23's 31791 high with those in the S+P 500.

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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 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 Price/Earnings ratio for the S+P 500 is 18.8. This P/E ratio stands above the 18.7 five year average, and it is also above the 17.5 ten year average ("Earnings Insight"; 9/1/23). Refinitiv estimates the S+P 500's forward four quarter P/E ratio at 19.3 ("This Week in Earnings"; LSEG I/B/E/S; 6/30/23). Analysts express optimism for strong year-on-year earnings for 4Q23 and calendar year 2024. This bullish corporate earnings outlook helps to bolster stock prices. Although FactSet indicates 3Q23 year-on year earnings will increase less than one percent (.5pc), it prophesizes they will jump 8.2pc year on year in 4Q23 and leap 12.0pc in calendar 2024 (calendar 2023 estimated up only 1.2pc). Refinitiv predicts a 10.6 percent year-on-year spike in 4Q23 (compare an estimate of up only 1.8pc in 3Q23), with a sharp forecast year-on-year gain of 12.1pc for calendar 2024 (calendar 2023 rises 2.2pc).

Will actual US 4Q23 and calendar 2024 corporate earnings match these optimistic expectations? Or will viewpoints regarding these future earnings darken, thereby disappointing many stock marketplace bulls?

Rallies in the "technology" stock sector have played an important role in the S+P 500's price rise in recent months. The Financial Times recently reported (8/26/23) that seven large stocks (the "Magnificent Seven" (six corporations from the technology sector, including Apple, Microsoft, and Nvidia; plus Tesla, which some also deem a tech stock) have been responsible for three-

fourths of the S+P 500's gains this year. Views on "overvaluation", "undervaluation", and "fair (or reasonable) value" and similar notions reflect opinion. However, Factset gives the "information technology" gives the forward 12 month P/E ratio for the "information technology" sector at 26.3 ("Earnings Insight"; 9/1/23). This stands far above the 22.7 five year average, and soars over the 19.5 ten year average.

Perhaps this current "high" valuation for such massive technology firms will persist. Perhaps a "new era" for this sector exists; perhaps "this time is different." But maybe this lofty valuation will decline, especially if US interest rates remain persistently high, or widespread price weakness emerges in the "overall" American stock marketplace.

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Is Federal Reserve policy at a crossroads? Will this earnest guardian pause or keep raising the Fed Funds rate? Inflation still remains above targets of the Federal Reserve Board and its global central banking allies. The Fed and its allies therefore probably will show further proof of their inflation-fighting ability and resolution.

But what if significant increases in United States consumer price inflation resume, reversing the slower year-on-year rates of recent months? UST 10 year note yields may continue to ascend from current levels. This scenario is more probable than many believe.

COMMODITY CONNECTIONS

In his epic poem "The Aeneid", Virgil declares: "To what extremes
Will you not drive the hearts of men, accurst
Hunger for gold! (Book III, lines 79-81)

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Substantial price declines for commodities "in general" from spring 2022 through spring 2023 have significantly reduced headline consumer price inflation in America, although "core" inflation (exclusive of food and energy) has remained elevated on a year-on-year basis relative to the Fed's two percent goal. However, in recent months commodities in general have rallied. Thus further bullish news for equities from the declining inflation parameter appears less likely than many hope. In addition, this pattern of rising commodity prices, if it continues, helps to encourage higher interest rates and thus (eventually) weaker prices for the S+P 500 and other stock arenas. All else equal, sustained "high" interest rates tend to put downward pressure on both commodities and stocks. This overall vista probably increases the probability for very sluggish US and global GDP growth, or even a recession.

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American stocks and commodities in general (and individual commodities) of course have different supply/demand situations. History indicates that over the long run, the S+P 500 (and other global stock realms) 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. Over the long run, prices of commodities in general tend to converge with the S+P 500.

However, price and time trends for commodities "in general" sometimes have diverged from that of the S+P 500 (and other international equity arenas) for extended periods.

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.

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Prices for commodities in general climbed substantially after December 2021 (Russia invaded Ukraine 2/24/22), magnifying global inflation concerns and increasing consumer price indices in America and elsewhere, thus helping to shove US Treasury yields upward. The higher interest rate pattern encouraged the price peak and subsequent noteworthy decline in global stock marketplaces. The UST 10 year note yield ascended dramatically from 8/4/21's key interim bottom at 1.13 percent to 10/21/22's 4.34pc high.

Use the broad S+P GSCI as a yardstick for the overall commodities domain, 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 divergence 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. Though commodities peaked in early March 2022, on balance they remained very elevated until around mid-June 2022.

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However, divergence between the S+P 500 and the broad GSCI developed beginning around autumn 2022. The S+P 500 bottomed on 10/13/22 at 3492 and rallied substantially from mid-summer 2022 through end May 2023. In contrast, the bear trend in commodities retained momentum and continued for more than seven months, until end May 2023. Commodities established new lows in their bear trend since March 2022's formidable peak; the GSCI cratered a harrowing 38.9 percent from 3/8/22's 853.3 to 5/31/23's 521.6.

This late May 2023 GSCI trough level bordered important prior lows at 522.3 (12/20/21; pre-Ukraine invasion) and 509.2 (12/2/21) The GSCI has rallied 15.1 percent to its recent highs at 600.3 (8/10/23 and 9/1/23). Thus the GSCI now hovers around crucial resistance around 600. After making a final high around nine years ago on 6/23/14 around 673, its subsequent crash beneath support around 600 in 2014 was noteworthy. In more recent times, recall 10/25/21's high at 599.9 and that 595.2 on 1/24/22 was the take-off point in the bull move to March 2022's peak. See also the 600.8 (2/13/23) and 599.2 (4/13/23) drop-off levels.

The petroleum complex constitutes the largest share weight of the broad S&P GSCI, almost 57 percent for 2023. OPEC+ has attempted to support oil prices for many months, beginning with its 10/5/22 production cut agreement. Brent/North Sea crude oil (nearest futures continuation) spiked 26.9 percent from its low on 3/20/23 at 7012 low to 9/1/23's 8899.

The GSCI faces important price resistance between 670 to 705. Recall not only 6/23/14's final high near 673, but also 671.5 (10/10/22 interim top)/679.3 (3/15/22 interim low); see also 705.3 (7/29/22 high)/705.2 (8/29/22 high). A 33 percent rally from 5/31/23's 521.6 low is 695.3.

Beneath its recent valley, the GSCI has key support at 453.2 (the 1/8/20 drop-off point on the eve of the coronavirus disaster) and 426.7 (50 percent collapse from 3/8/22's 853.3 peak).

Might prices for commodities in general continue to keep rising for several months, after a notable fall in the S+P 500 had commenced? For many marketplace wizards, such significant

divergence between the two domains might seem to be a rather low probability. However, revisit the ending of the Goldilocks Era, in which the S+P 500 peaked over nine months before commodities. The S+P 500 pinnacle occurred 10/11/07 at 1576, the GSCI summit on 7/3/08 at 894.

EMERGING MARKETPLACE STOCKS

The Duke of Gloucester concludes in Shakespeare's Henry VI, Part II (Act II, Scene 4):
"Thus sometimes hath the brightest day a cloud;
And after summer evermore succeeds
Barren winter, with his wrathful ripping cold:
So cares abound, as seasons fleet."

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Since the last years of the Goldilocks Era and 2007-09's ensuing global economic crisis, prices of emerging marketplace stocks in general have tended to converge with the S+P 500, moving "together" upward (or downward) around the same time. After all, emerging/developing nations (especially China) are very important to the intertwined international economy.

"EEM" is the iShares MSCI (BlackRock) 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 29.3 percent portion of the EEM (BlackRock's iShares website, 6/30/23). China's Shanghai Composite Index's price and time picture generally resembles that of the EEM.

For example, the EEM's Goldilocks Era major high occurred 10/31/07 at 55.83. Compare the neighboring timing of the Goldilocks Era's S+P 500 summit, 10/11/07's 1576. Remember the similarity in the EEM's drop-off points in mid-February 2020 and early March 2020 to those in the S+P 500. Emerging marketplace stocks, as they began to decline in mid-January 2020, "led" the decline in the S+P 500 and other advanced nation stock playgrounds. The S+P 500 peaked 2/19/20 at 3394. The EEM peaked on 1/13/20 at 46.32 (2/12/20 at 44.84; 3/3/20 at 40.83); the Shanghai Composite Index made an important interim high on 1/14/20 at 3127 (earlier top 4/8/19 at 3288). The S+P 500's subsequent major bottom was 3/23/20 at 2192, with the EEM's 3/23/20 at 30.10, and the Shanghai Composite's 3/19/20 at 2647. More recently, highlight the price and time convergence of the EEM's interim top at 50.89 on 1/12/22 and the S+P 500's major summit on 1/4/22 at 4819.

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This convergence pattern of course is not always true, as substantial price and time trend divergence between the S+P 500 and emerging marketplace stocks from around mid-February 2021 through end December 2021 evidenced. During this time span, emerging marketplace equities kept tumbling down while the majestic bull march in the S+P 500 continued. Supply-demand considerations of emerging stock marketplaces of course differ to some extent from those of advanced nations.

The EEM peaked on 2/16/21 at 58.29. China's Shanghai Composite Index's summit occurred alongside the EEM's, on 2/18/21 at 3732 (note double top linked to 9/14/21's 3724 high). Yet convergence between the S+P 500 and the EEM eventually developed. In the EEM's pattern of descending interim highs following 2/16/21, note the proximity in time of 1/12/22's 50.89 to the S+P 500's major high on 1/4/22. The EEM and S+P 500 converged greatly after the S+P 500

commenced its bear move in January 2022, for the EEM's October 2022 trough occurred close in time to the S+P 500's 10/13/22 major low at 3492. The EEM's low in its bear move since 2/16/21's 58.29 crown was 10/24/22's 33.49, a shattering 42.5 percent crash, (not far from 3/23/20's coronavirus pandemic bottom at 30.10). China's Shanghai Composite Index attained an adjacent crucial trough on 10/31/22 at 2885 (near 4/27/22's 2864; creating a double bottom).

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What about nowadays? The current price relationship between emerging marketplace stocks and the S+P 500 shows modest divergence. When interpreted alongside the rising UST 10 year note yield trend, ongoing significant inflation, and fears regarding slow GDP growth, this warns that the S+P 500's rally probably will end in the near term.

The EEM made a key bottom on 10/24/22 at 33.49, close in time to the S+P 500's. Its subsequent high was 1/26/23 at 42.53, many months ago. The EEM's climb from its October 2022 trough was about 27.0 percent, about the same as the S+P 500's 31.9 percent bull charge from autumn 2022 to 7/27/23's 4607. Yet the EEM has not surpassed its January 2023 summit, though it ran up to 42.00 on 7/31/23, about the same day as the recent S+P 500 high on 7/27/23.

Thus despite the passage of many months, the failure of emerging marketplace equities to rally after January 2023 and achieve a new high around end July 2023 (when the S+P 500 established its new top (after the October 2022 low) represents divergence between the EEM and S+P 500 from the time perspective. It also reflects some divergence from the price aspect as well, for the EEM has moved sideways since January 2023). In today's interconnected global economy with its interwoven financial marketplaces, this divergence thus signals that the S+P 500 probably has made, or soon will establish, an important top. Watch the EEM's lows at 38.21 (8/18/23; compare timing of S+P 500 interim low 4335)/37.91 (5/31/23)/36.90(3/15/23; S+P 500 3809). Monitor the Shanghai Composite's 8/25/23 low at 3053.

The strong bullish price trends for a handful of large US technology stocks, the "Magnificent Seven" (Apple and others), arguably accounts for much of the relative strength in recent months in the S+P 500 relative to the EEM.

The Shanghai Composite Index's high since its October 2022 valley occurred later than the EEM's, with 5/9/23's 3419, an 18.5 percent rally. However, that May 2023 interim top did not break over 7/5/22's 3424 (a 19.6pc jump from 4/27/22's 2864). In relation to the EEM, also note the Shanghai Composite's lower high at 3322 on 7/31/23.

EMERGING MARKETPLACES: SOVEREIGN DEBT

Rising American interest rates and a strong US dollar can intertwine to place pressure on many emerging marketplace borrowers (debtors). This tends to push prices for emerging marketplace US dollar-denominated debt instruments lower (yields higher), which in turn helps to encourage weakness in emerging marketplace stocks. Conversely, reduced pressure on emerging marketplace sovereign and corporate borrowers with dollar-denominated debt (picture falling UST yields and a depreciating dollar) can elevate emerging marketplace debt and stock prices.

Rising yields in important emerging marketplace government (and corporate) instruments, as well as rising rates in the United States, helped to create a key peak in February 2021 for emerging marketplace stocks "in general". The higher yield pattern since around August 2021 in both

advanced and emerging marketplace debt fields produced further falls in emerging marketplace stocks.

Let's investigate emerging marketplace sovereign debt arenas alongside those of emerging marketplace stocks in recent years. 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 and has a weighted average maturity of about 12.3 years (6/30/22). 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 view, as well as an eye on price trends for commodities in general.

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At the advent of the coronavirus disaster, the EMB attained its price summit on 117.20 on 2/21/20 (117.08 on 3/4/20). The EEM peaked on 1/13/20 at 46.32 (2/12/20 at 44.84; 3/3/20 at 40.83). Compare the timing of the S+P 500's summit, 2/19/20's 3394. The EMB's bottom occurred 3/20/20 at 85.00. The S+P 500's attained its major bottom on 3/23/20 at 2192, with the EEM's 3/23/20 at 30.10. In contrast to the EMB's bearish price move, UST 10 year note prices (in a "flight to quality"), rallied; the UST yield low was 3/9/20 at .31 percent.

The EMB manifested a pattern of lower interim price highs since its 1/4/21 pinnacle at 116.09. This resembled the picture of emerging marketplace stocks in general, which peaked in mid-February 2021. For example, see the EMB's 8/31/21 top at 113.64 and 1/3/22's 108.73. Later EEM interim highs included those at 53.58 on 9/7/21 and 1/12/22 at 50.89. The EMB's 34.2 percent price crash from its January 2021 peak (yield spike) to 10/21/22's 76.35 bottom burrowed well beneath 3/18/20's 85.00 price trough.

Rising yields in emerging marketplace debt securities thereafter helped lead to price peaks for and subsequent weakness in emerging stock marketplaces. These EMB and EEM price and time relationships intertwined with the timing of the S+P 500's heavenly 1/4/22 pinnacle at 4819 (EMB minor high on 1/3/22; EEM interim top 1/12/22). Falling EMB and EEM prices thereafter converged with the plummeting S+P 500. Underscore the similar time of the EMB, EEM, and S+P 500 and October 2022 bottoms.

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Note the closeness in time of the UST 10 year note's important yield high (10/21/22's 4.34 percent) to the EMB's late October 2022 yield high (price low; 10/21/22's 76.35), the EEM's important bottom on 10/24/22 at 33.49, and the S+P 500's important low on 10/13/22 at 3492.

An increase in the UST 10 year note yield tends to weaken EMB prices (raise emerging marketplace debt yields), and feebler emerging marketplace debt prices help to weaken emerging marketplace stock prices. The recent climb in the UST 10 year note yield from 4/6/23's 3.25 percent to levels challenging 10/21/22's 4.34pc yield high (8/22/23 high 4.37pc) therefore is an ominous bearish warning sign for the EMB and EEM, and therefor for the S+P 500 as well.

The EMB's price high since its October 2022 low is 2/2/23's 89.97, a 17.8 percent climb. But like the EEM, despite the passage of many months, the EMB price has not surpassed its winter 2022/23 summit (EEM high 1/26/23 at 42.53). In the context of rising UST rates, this pattern in emerging marketplace stock and debt also tends to confirm that the S+P 500 probably has made or soon will make an important peak. Note the EMB's recent high at 87.79 on 7/31/23, close in time to the S+P 500's 7/27/23 one at 4607. The EMB price probably will continue to fall. An

EMB slump toward and especially decisively under support around 83.60 (8/21/23 low 83.63, 3/2/23 at 83.60) probably will be bearish for the EEM and the S+P 500.

ANOTHER FINANCIAL INTERSECTION: THE US DOLLAR

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 Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 9/1/23 is the latest) as well as a nominal Broad Dollar Index (daily data; 8/28/23 release; 8/25/23 most recent datapoint) covering both goods and services.

A mighty dollar and price slumps in emerging marketplace securities helped to undermine the S+P 500 and create the S+P 500's January 2022 pinnacle. 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). A very strong US dollar encouraged the relationships of higher US Treasury yields, descending stock prices, and nosediving prices for commodities "in general".

Although the United States dollar, the leading international reserve currency, has depreciated from its major high milepost reached in autumn 2022, it arguably remains "very strong". The Federal Reserve's benchmark real Broad Dollar Index currently is far from feeble from the long run historical perspective. Perhaps a somewhat weaker dollar will encourage American economic growth for a while.

In any case, the dollar's modest retreat since its autumn 2022 peak probably assisted the S+P 500's rally from its 10/13/22 bottom at 3492. What about emerging marketplace stock and debt battlefields? As for the EEM, the EMB's price initial rally since autumn 2022 and subsequent sideways move intertwines with an initial decline in and then sideways pattern in the real (and nominal) Broad Dollar Index.

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The real Broad Dollar Index's attained its peak 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 October 2022's peak about 21 months later.

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

.	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)	16.1pc

128.3
(9/27/22)
128.3
(10/19/22)

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 sank 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 116.7, it appreciated to 119.6 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).

In relation to the US dollar's high in autumn 2022, note the timing of gold's 11/3/22 bottom at 1615 (nearest futures continuation). Gold has built crucial resistance with its multiple highs around 2070 (2072 on both 5/4/23 and 3/8/22; 8/6/20 at 2063).

Following late September/October 2022's highs, the US dollar "in general" has depreciated a moderate amount. The real Broad Dollar Index tumbled down to 114.2 in January 2023. However, the real BDI has held around April 2020's 113.4 top. It increased slightly to 115.1 in March 2023. Though the real BDI slipped to 112.7 in July 2023 (a 7.0 percent decline from autumn 2022's high), it inched up to 114.2 in August 2023. The US dollar therefore remains rather strong from the historical perspective.

The nominal BDI's low following its September/October 2022 highs around 128.3 is 7/14/23's 117.6, an 8.3 percent slide. The nominal BDI appreciated 3.2 percent from a previous interim trough on 2/2/23 at 118.3 to 122.1 on 3/15/23, which remains the high to date (8/25/23 close 121.0)

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The late September/October 2022 highs in the real and nominal Broad Dollar Indices coincided with (interrelated with; confirmed) not only the October 2022 lows in the S+P 500 (10/13/22 at 3492) and other search for yield marketplaces, but also 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 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 continues to rest above or even "around" April 2020's 113.4 prior top, it still will 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.

MARKETPLACE HAZARDS

The narrator Johnny Strabler (played by Marlon Brando) says in the film "The Wild One" (Laslo Benedek, director): "It begins here for me on this road. How the whole mess happened I don't know, but I know it couldn't happen again in a million years. Maybe I could of stopped it early, but once the trouble was on its way, I was just goin' with it."

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Looking forward, higher than "generally expected" United States (and global) consumer price inflation may dismay many marketplace forecasters, including central banks. Firmer Federal Reserve Board policy is probably more likely (more of a risk) than "the consensus view" expects. Thus US interest rates (Federal Funds; UST 10 year note) may be higher for a longer time span, than "the majority" believes (and desires), and they may even increase.

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In addition to inflation-related troubles (or "surprises"), what are some other phenomena that may upset widely held current risk probability estimates for financial marketplaces?

The long run United States national fiscal situation is dangerous. This probably is well known, and this ongoing fiscal problem probably will tend to propel US interest rates higher. However, arguably many players underestimate and thus are relatively complacent regarding the near term problems in the US budget and fiscal situation and process. But won't things work themselves out, as has happened in the past? Perhaps not easily.

First, the bipartisan budget agreement reached earlier this year accomplished little of substance. Moreover, a heated battle over spending cuts looms, risking a partial government shutdown this autumn due to a failure to pass appropriation bills. Noteworthy quarrels exist within Republican ranks in the narrowly Republican-controlled House of Representatives. Sharp disagreements on spending and taxation exist between Republicans and Democrats, and the Democrats hold the Senate majority. An American government shutdown, and almost certainly a fairly lengthy one, probably would put downward pressure on the S+P 500 and other stock marketplaces.

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Economics (finance, commerce, business) and politics are not separate territories. The November 2024 US national election is over a year away, and it is a truism that much can and will happen between now and then. The political roads will have numerous twists and turns.

But legal (even Constitutional) fights might generate turmoil in interest rate, stock, foreign exchange, and commodities fields. Might Trump be kept off the ballot in certain states based on an interpretation of the Constitution's 14th Amendment? Or, suppose Trump captures the Republican Presidential nomination, wins the overall Electoral College vote, but also is convicted of one or more crimes for which he has been indicted. Will US laws bar him from taking office, whether directly, or via roundabout fashion involving his being pardoned?

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Some historians nowadays recall the United States real estate (housing) marketplace universe during the Goldilocks Era of around 2006-09, including the very opaque (hard to comprehend) debt securities directly tied to that playground. In any case, back then Wall Street firms and their media allies and political friends generally did not foresee the potential for the development of massive problems in the wonderful real estate world (and related interest rate instruments). However, observers and remember the shocking bloody 2008-09 crash in housing (and stocks).

China's substantial role in the world economy and global political circles implies that it will continue to be a notable source of substantial future adventures in assorted international financial marketplaces. Although one must beware of analogies, compare China nowadays with the US housing marketplace during the Goldilocks Era. First, few guides believe anything extremely serious (disruptive) will happen there. If it does, China supposedly has sufficient reserves and appropriate leadership to manage the situation. As a related threshold concern, like the structure of (risk in) the US housing debt securities marketplace of 15 years ago, the overall Chinese economic and political situation is relatively opaque (unclear; challenging to fathom). Many Chinese statistics arguably are of questionable quality.

Interestingly, headlines relating to the Chinese property marketplace, as they have occasionally in recent years, warn of notable debt and leverage problems. Yet viewers probably should take these recent signals more seriously than previously.

Chinese leaders appear concerned about the slowdown in GDP growth. There also have been some signs of deflation; for example, July 2023 consumer prices dropped .3 percent year-on-year. Trade wars and political conflicts with America and many other nations brew. Moreover, the International Monetary Fund's broad coverage viewpoint indicates that China's overall nonfinancial sector debt is massive, reaching 291 percent of GDP in 2022 (248pc of GDP in 2018). This includes not only the official version of general government debt, but also the IMF's estimate of other types of local government borrowing ("augmented" debt). See the People's Republic of China "2022 Article IV Consultation" (February 2023; Table 5: "Nonfinancial Sector Debt" and Appendix III).

What are probable consequences of this large indebtedness? The central government (and local governments) likely have far less ability to engineer adequate GDP growth than many believe. Moreover, many highly indebted corporations (many of these are in real estate; also, financial entities associated with property firms) find it difficult to generate sufficient income (or borrow additional money to accomplish this).

Underline the depreciation of the Chinese renminbi in this context. Its depreciation over the past year and a half represents a notable bearish warning sign for the Chinese and thus the global economy. The renminbi peaked against the US dollar on 2/28/22 at 6.304. Highlight its renewed and further depreciation from its interim high on 1/16/23 at 6.691 (EEM high 1/26/23), followed by the decline in the Shanghai Composite Index (5/9/23 top at 3419). The renminbi cross against the dollar recently attained a low on 8/17/23 at 7.317, neighboring its 11/1/22 bottom at 7.327. The Bank for International Settlements has an effective exchange rate ("EER") index for the renminbi and other currencies (2020=100; monthly average; 8/17/23). The renminbi's real broad effective exchange rate peaked in March 2022 at 106.4, falling 14.4 percent to July 2023's 91.1.

Recall that history reveals that significantly rising US Treasury 10 year note yields have often preceded (led to) a major pinnacle, or at least a noteworthy top, in the S+P 500 and Dow Jones Industrial Average. Let's travel back to 2015. Remember that the United States Treasury 10year note yield increased from 1.64 percent (1/30/15) to 2.50pc (6/11/15). The S+P 500 peaked on 5/20/15 at 2135. The S+P 500 thereafter slumped, falling 15.2 percent in over eight months to its bottom at 1810 on 2/11/16. What happened to the Shanghai Composite Index during this period? The Shanghai Composite established a major high on 6/12/15 at 5178, about the same day as the UST 10 year note's yield high and only three weeks after the S+P 500's summit. The Shanghai Composite fell to 2638 on 1/27/16 (close in time to the S+P 500's trough), a horrific 49.1 percent retreat.

The 2015 experience may not repeat itself nowadays for the S+P 500 and Shanghai Composite Index. However, keep in mind the UST 10 year note's long run yield climb, including that following 8/2/22's 2.51 percent interim low. It recently established another important interim yield low with 4/6/23's 3.25pc. With 8/22/23's 4.37 percent, the UST 10 year recently reached 10/21/22's 4.34 percent high.

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For further analysis of key interest rate, stock, currency, and commodity marketplaces and their relationships, as well as the economic and political scenes, see essays such as: "US Stocks Over the Long Run: Bear Marketplace History" (8/4/23); "Long Run Historical Entanglement: US Interest Rate and Stock Trends" (7/6/23); "US Treasury Yields, Fed Maneuvers, and Fiscal Games" (6/5/23); "On the Road: Marketplace Traffic" (5/1/23); "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).

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