**FINANCIAL AGITATION**
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Leo.Haviland@gmail.com

In the movie "Wall Street" (Oliver Stone, director), Gordon Gekko proclaims: "Greed…is good, is right, works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms, greed for life, for money, for love, knowledge has marked the upward surge of mankind."

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## FINANCIAL AGITATION

Objective rationality within and regarding cultural fields does not exist, even for so-called "social sciences" such as economics, political science, and psychology. Unlike genuine (natural) sciences such as biology, chemistry, physics, mechanical engineering, and mathematics, social sciences and other cultural arenas are inescapably and entirely subjective (matters of opinion). Not only are economic (financial, commercial, business) perspectives, definitions, analysis, and actions subjective (matters of opinion) as well as diverse and often competitive, but they also inevitably involve emotions and values of good and bad. In cultural fields, as they always involve desired goals and values of "good" and "bad", emotions inescapably permeate the subjective perspectives and actions within and regarding them.

In culture, people eagerly hope and battle to achieve desired (desire; virtuous) ends and to avoid or minimize bad (undesirable; evil) ones. In American Dream ideology, and thus in Wall Street and Main Street, making (winning) and having money (financial security; wealth) generally are viewed as good (desirable), a reason for happiness. In contrast, poverty is undesirable, even if it is not in itself bad. But in general, losing money is a bad (unhappy) outcome. People fear losing money, or at least what they perceive as a lot of money. Having less money or missing out on a so-called "good financial opportunity (good deal)" is at least unfortunate. Also, we declare that the S+P 500's price is at a good (or bad, unfortunate; or satisfactory) level or moving (trending) in a desirable (or undesirable; satisfactory) direction or fashion. Lofty stock prices, bullish (upward) stock marketplace trends, and bullish equity news are all labeled as good! In stocks, whereas bull trends are celebrated and valued as good, bear ones are bad.

Thus in general, large armies of securities "investors" and other owners in stock and interest rate realms (especially in stocks) love high and rising prices and hate low and falling ones. After all, those security assets represent big money (trillions of dollars and other currencies). Wall Street's key role in capital formation and investment (wealth management) encourages it to promote bullish outlooks in securities marketplaces (particularly in stocks). Consequently, a significant price decline in both equity and interest rate arenas is especially agitating to securities owners in America (and around the globe) and their Wall Street, financial media, and political allies.

Hence given the great variety of subjective perspectives and the inevitable involvement of emotions and values within cultural reasoning (rhetoric), and as outlooks regarding cultural probabilities (outcomes) and causation are subjective and uncertain, competitive financial battlegrounds fill with diverse and enthusiastic participants and observers. Money-loving and fortune-hunting bulls and bears (and "neutral" players) consequently talk, debate, and behave (take risks) in a variety of ways. Not only do arrays of investors and speculators and traders and hedgers and risk managers ardently promote and behave according to diverse 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 wordplay and see artful pictures relating not only to assorted marketplace probabilities and outcomes, 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.

## RISING AMERICAN INTEREST RATES, FALLING US STOCKS

Listen to "Agitation", jazz music from Miles Davis.

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Let's focus on the American horizon and the exciting US Treasury and S+P 500 marketplaces.

Since around spring 2020, and particularly since August 2022, and especially in recent months, the UST marketplace has suffered noteworthy capital destruction due to falling prices. A glorious bull move in the S+P 500 followed 3/23/20's dismal bottom at 2192. The S+P 500 thereafter exploded upward, more than doubling, to establish a thrilling record high on 1/4/22 at 4819. After an agonizing bear slump to October 2022's bottom, a significant joyful stock rally ensued. The S+P 500 approached January 2022's peak, reaching a summit on 7/27/23 at 4607. The S+P 500 probably has commenced a bear trend, though its slump from its July 2023 peak has been moderate thus far.

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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 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 pierced 10/21/22's 4.34 percent high, achieved around the time of the S+P 500's crucial trough on 10/13/22 at 3492. The UST 10 year note price kept falling, and the UST yield reached 4.81 percent on 10/3/23. A dramatic UST 10 year yield climb over five percent and toward 6/13/07's 5.32 percent Goldilocks Era summit would further unnerve many UST (and stock) holders.

In some circumstances, rising interest rates can indicate or portend adequate (good) real GDP growth, and thus from some perspectives (up to some point), increasing UST yields (falling debt

prices) are designated as "good". And investors in interest rate instruments of course want a decent (and real) return relative to inflation, so rising yields have been a blessing for many of them, at least to some extent.

However, many institutions and individuals bought low-yielding UST during the Fed's yield repression era. Their interest income during the past couple of years likely fell beneath inflation heights represented by the consumer price index. Many of these interest rate instrument owners probably have suffered some noteworthy mark-to-market damage to their principal; so have numerous other recent buyers given the rising rate trend of recent months. Nowadays, the average maturity of total outstanding marketable UST debt is about six years.

From the price perspective, review the CME's UST 10 year note (nearest futures continuation contract) as a rough guide to the capital consequences of recent trends. (In practice, this contract sometimes prices relative to deliverable grade instruments with a maturity somewhat different from ten years.) The UST 10 year peaked at about 140-22 on 3/9/20. Its recent low is 10/3/23's 106-20 (as of 300pm EST), an eviscerating 24.2 percent tumble (and beneath 10/21/22's 108-26). From 8/2/22's interim price high of 122-02, 10/3/23's level drops 12.6 percent. Excitement (emotions) will increase if the price heads closer to 104-00 (6/13/07 price bottom 104-04; 6/28/06 low 104-01).

The CME UST five year note's price peak (nearest futures continuation) occurred at about 126-08 on 8/7/20 (126-07 on 1/8/21). It nosedived 17.2 percent to 10/3/23's 104-18 (under 10/21/22's roughly 105-15). An attack on price support around 103-00 (7/5/06; 103-02 on 6/13/07) will boost anxiety.

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In America, a substantial amount of household net worth resides in debt securities (not only in US Treasuries) and equity shares (not just the S+P 500 playground). Read the fine print of the Federal Reserve's Z.1, "Financial Accounts of the United States" (9/8/23; see Tables B.101, B.101.e, and B.101.h). As of end 2Q23, total assets for households and nonprofit organizations combined were about $174.4 trillion (net worth was $154.3 trillion), the great majority of which resided in the household domain. As of end 2Q23, for households and nonprofit organizations combined, debt securities at market value were about $10.9 trillion, or around 6.2 percent of total assets (9.3pc of total financial assets). Equity shares in 2Q23 had a value of about 44.7 trillion dollars, or 25.6 percent of total assets (almost 38.3pc of total financial assets).

Consumers represent about two-thirds of United States GDP. If they suffer substantial wounds to their net worth, to what extent will they slash their spending?

Many Wall Street and Main Street stock investment communities preach the wisdom of buying good (or high) quality American stocks for some version of the misty long run. To what extent are such stock bulls married to their positions?

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For the twenty-two 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 magnificent 31.9 percent rally spanning about 9.25 months, the same duration as the terrible January 2022 to October 2022 bear plunge. That recent S+P 500 high neighbors 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 and its subsequent decline from 7/27/23's high probably has created a double top linked to its January 2022 peak. The 7/27/23 elevation is only 4.4 percent distant from the major price resistance imposed by 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.

Many wizards define a ten percent fall in stocks from an important high as a "correction". Is such a worrisome decline nevertheless, at least sometimes, a "good buying opportunity"? A ten percent drop from 4819 (1/4/22) gives 4337 (twice 3/23/20's major bottom at 2192 equals 4384). carnage of fifteen pc 4096. Numerous marketplace gurus proclaim that a bear move in stocks equals a slump of twenty percent or more from a peak. The troubling declines inspire agitation from stock investors and other owners and their allies on Wall Street and in the financial media. A bear move of twenty percent from 1/4/22's 4819 equals 3855, an infuriating 25pc collapse 3614; a murderous 33pc crash attains 3209.

A five percent dip from 4607 (7/27/23) is 4377 (low to date is 10/3/23's 4216, an 8.5pc slide), a ten pc correction 4146. A fifteen percent retreat equals 3916, with a fearful twenty percent collapse 3686. A vicious 25 percent slump gives 3455, with a bloody 33pc crash 3068.

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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) obviously 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 17.9. This P/E ratio stands beneath the 18.7 five year average, but it hovers above the 17.5 ten year average ("Earnings Insight"; 9/29/23). Refinitiv estimates the S+P 500's forward four quarter P/E ratio at 18.5 ("S&P 500 Earnings Scorecard"; LSEG I/B/E/S; 9/29/23). 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 decline very slightly (-.1pc), it prophesizes they will jump 8.3pc year on year in 4Q23 and leap 12.2pc in calendar 2024 (calendar 2023 estimated up only 1.1pc). Refinitiv sunnily predicts a 11.0 percent year-on-year spike in 4Q23 (compare an estimate of up only 1.6pc in 3Q23), with an impressive forecast year-on-year gain of 12.1pc for calendar 2024 (calendar 2023 rises 2.4pc).

Will actual US 4Q23 and calendar 2024 corporate earnings match these optimistic expectations? Will the "technology" stock sector lead the way? 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 deem a tech stock) were responsible for three-fourths of the S+P 500's gains this year. Or will viewpoints regarding future corporate earnings darken, thereby disappointing the prayers of many stock marketplace bulls?

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Federal Reserve policy probably is at a crossroads. Will this earnest guardian pause or keep raising the Fed Funds rate? At what point will it reduce rates? Inflation still remains above targets set by the revered Fed and its global central banking allies. Note the rise in recent months in petroleum prices. Significant economic weakness in American GDP has not yet appeared. The S+P 500 has not declined twenty percent or more from its July 2023 crown. The Fed continues to tighten policy via reducing the size of its bloated balance sheet. For at least the near term, the Fed and its allies therefore probably will show further proof of their inflation-fighting ability and resolution and keep rates steady.

## KEEPING IT REAL: THE AMERICAN HOUSING MARKETPLACE

In "Glengarry Glen Ross" (David Mamet screenplay; James Foley director), Blake snarls at his fellow real estate agent: "That watch costs more than your car. I made $970,000 last year. How much you make? You see pal, that's who I am, and you're nothing."

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The price level and trend of American homes (and mortgage rates) greatly influence household happiness. As of end 2Q23, the value of household and nonprofit organization real estate stood at a colossal $48.9 trillion (compare $36.6 trillion at end 2020), or about 28.0 percent of total assets. The household real estate sector's $44.5tr captured the lion's share of the $48.9tr total. See the Federal Reserve's Z.1 (Table B.101).

The S&P CoreLogic Case-Shiller National Home Price Index (9/26/23) has skyrocketed 46.0 percent to about 310.2 as of July 2023 from January 2020's 212.4 elevation on the eve of the coronavirus disaster. This appreciation has exceeded consumer price inflation and thrilled homeowners.

The average US 30 year fixed rate mortgage rate is about 7.31 percent, sharply higher than the appealing major low on 1/7/21 at 2.65pc. The current elevation surpasses the Goldilocks Era pinnacle, 6/14/07's 6.74 percent, and beckons toward a summit reached over two decades ago, 5/19/00's 8.64pc (Federal Reserve Bank of St. Louis, weekly data; 9/28/23).

Higher prices and relentless mortgage rate increases, because they have made homes significantly less affordable, have upset many would-be home buyers and thus helped to slash existing single family home sales. According to the National Association of Realtors (9/21/23), US home sales in calendar 2020 were about 5.1 million and 5.4mm in 2021. However, they fell to about 4.5 million in 2022 and were 3.6mm in August 2023 (seasonally adjusted annual rate).

Does this ominous reduction in American home buying volume alongside higher mortgage rates (and the related increase in UST yields) and falling S+P 500 prices foretell a decline in housing prices? What about a recession?

The Case-Shiller National Index's five percent price dip from June 2022's 308.3 (a few months after the S+P 500's early January 2022 peak) to January 2023's 292.9 probably did not trouble American homeowner much. However, the July 2023 Case-Shiller height only slightly exceeds that of June 2022. Given burdensome mortgage rates (note the related rise in the Federal Funds and UST rates) as well as the S+P 500's modest decline since late July 2023, homeowners should beware of weakness emerging in US home prices. It may take a sharp and sustained downtrend in

the S+P 500, perhaps as much as 20 percent or more, to encourage a substantial home price fall. In any case, a ten percent fall in the Case-Shiller Index probably would disturb the confidence and significantly unsettle many homeowners, with a horrible downturn of 20 percent or more scaring them (especially if consumer price inflation remained fairly high).

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Clairvoyants should monitor commercial real estate price trends as well.

## ANOTHER FINANCIAL GAME: THE US DOLLAR

Recall Duke Ellington's "Money Jungle".

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 10/2/23 is the latest) as well as a nominal Broad Dollar Index (daily data; 10/2/23 release; 9/29/23 most recent datapoint) covering both goods and services.

United States dollar level and trends play an important role in securities marketplaces, particularly in those of emerging marketplaces. For example, all else equal, a stronger dollar alongside high and rising American US Treasury yields presses on US dollar-denominated (and other) emerging marketplace debt prices (increases yields), and thereby tends to weaken emerging marketplace stocks.

The real Broad Dollar Index 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.

A mighty dollar and price slumps in emerging marketplace securities helped to undermine the S+P 500 and create its 1/4/22 pinnacle at 4819. The "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".

"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.

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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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.

The dollar's modest depreciation following 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 intertwined with an initial decline in and then sideways pattern in the real (and nominal) Broad Dollar Index.

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"Marketplace Crossroads" (9/4/23) concluded: "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."

Thus although the US dollar remains fairly distant from its autumn 2022 pinnacle, in recent weeks it probably again became "too strong" from the long run historical perspective.

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The nominal BDI (daily data) 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) declined since October 2022, it did not decisively break beneath 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) 128.3 (9/27/22) 128.3 (10/19/22) | 16.1pc |

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).

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 UST 10 year note interim yield highs at 4.01 percent (9/28/22) and 4.34pc (10/21/22).

Following late September/October 2022's highs, the US dollar "in general" 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 steadied at 114.4 in August 2023.

Significantly, the real BDI then rallied to 116.0 in September 2023. The US dollar therefore remains rather strong from the historical perspective. In addition, underscore the timing of the nominal BDI's low following its September/October 2022 highs around 128.3, 7/14/23's 117.6, an 8.3 percent slide.

Recall that 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. The ascent from 7/14/23's trough to 9/7/23's 122.4 height tested 3/15/23's interim high, and 9/27/23's 123.4 broke above it. The rally from 7/14/23's low to 9/27/23 is 4.9 percent, a significant distance. In this context, note the UST 10 year note's increasing yield following 9/1/23's 4.05pc low. Its yield closed at 4.41 percent on 9/20/23, above 8/22/23's minor top at 4.37pc (recall 8/22/23's key interim high at 4.34pc), flying upward thereafter.

Compare the timing of the recent highs in the S+P 500 (7/27/23 at 4607) with the 7/14/23 low in the nominal BDI. What about emerging marketplace securities? The EEM's 10/24/22 low at 33.49 was followed by a high on 1/26/23 at 42.53 and a second and lower top on 7/31/23 at 42.00. Compare the EMB's 76.35 trough and interim tops on 2/2/23 at 8997 and 7/31/23 at 87.79.

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Monitor key cross rates versus the US dollar such as the EuroFX. The EuroFX established a key bottom against the dollar with 9/28/22's .954. Note the date of the recent EuroFX high, 7/18/23's 1.128 (this top is well beneath 1/6/21's top at 1.235, as well as earlier ones). The EuroFX currently is testing key support around 1.034 (1/3/17 trough; 1.046 on 3/16/15, 1.052 on 12/3/15) to 1.064 (3/23/20 low).

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 thereafter rallied but ran into crucial resistance around 2070 with 5/4/23's 2072 summit. Recall the prior highs at 2072 on 3/8/22 and 8/6/20 at 2063. Following its May 2023 pinnacle, gold made a second and top with 7/18/23's 1978, close in time to the low in the nominal Broad Dollar Index, and the late July 2023 highs in the S+P 500, EEM, and EMB.

## COMMODITY ANXIETY

A long time ago, the jazz great Jelly Roll Morton wrote "Oil Well".

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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). Use the broad S+P GSCI as a yardstick for the overall commodities domain, The petroleum complex constitutes the largest share weight of the broad S&P GSCI, almost 57 percent for 2023. 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. 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.

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).

Will the Brent/North Sea crude oil price exceed $100 barrel again? Higher gasoline and diesel prices probably will dismay Main Street and encourage US Treasury yield increases. OPEC+ has attempted to support oil prices for many months, beginning with its 10/5/22 production cut agreement. Might prices for commodities in general nevertheless continue to keep rising for several months, after a notable fall in the S+P 500 had commenced? The GSCI rollercoaster ascended a disturbing 19.6 percent from its May 2023 valley to its recent high at 623.6 (9/15/23; 623.4 on 9/28/23). Brent/North Sea crude oil (nearest futures continuation) spiked 39.3 percent from its low on 3/20/23 at 7012 low to 9/28/23's 9769.

However, recent days unveil signs of price convergence between the S+P 500 and the commodities battleground. The S+P 500, following its 7/27/23 high, began to collapse from 9/14/23's 4512. This mid-September 2023 collapse point occurred alongside the GSCI's 9/15/23 high and only two weeks prior to Brent/North Sea crude oil's 9/28/23 high (Brent cratered 8.6 percent to 10/3/23's low).

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. Nevertheless, the dollar's rallying and becoming very strong since mid-July 2023 probably helps to weaken commodity prices.

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The GSCI lurks near a crucial point 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 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.

## MARKETPLACE HAZARDS, CONTINUED

In John Huston's film, "The Treasure of the Sierra Madre", a wise experienced gold prospector states: "I know what gold does to men's souls."

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The long run United States national fiscal situation is dangerous. This ongoing fiscal problem probably tends to propel US interest rates higher over the long run. In addition, arguably many marketplace (and political) players underestimate and 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 eventually has happened in the past? Perhaps not easily.

First, the bipartisan budget deal reached several months ago accomplished little of substance. Moreover, despite the end September 2023 Congressional agreement stitched together to avoid a government shutdown for 45 days, the heated battle over spending cuts still looms for this autumn. The failure to pass appropriation bills continues. And a divided and disorderly House of Representatives today removed its Speaker.

Political battlefields, like financial arenas, are fields of emotion, and they inevitably express subjective and competing perspectives and values. Wide-ranging and deep-seated culture wars exist in various economic, political, and social dimensions. To what extent do Americans trust and have confidence in their political leaders and institutions? Noteworthy, heated 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 and the Presidency. The threat of an American government shutdown, and almost certainly a fairly lengthy actual one, probably place 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. 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 $14^{th}$ Amendment? Or suppose Trump captures the Republican Presidential nomination and 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 remember 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 remember the shocking bloody 2008-09 crash in housing (and stocks).

Despite Mainland China's global economic and political power, many analysts classify it as an emerging market nation from the economic perspective. In any case, emerging/developing nations (especially China) are very important to the intertwined international economy.

China's substantial role in the world economy and 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 United States 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 mammoth 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 attained a minor low on 8/17/23 at 7.317, neighboring 11/1/22's bottom at 7.327; 9/8/23's 7.349 renminbi low broke beneath this. The Bank for International Settlements has an effective exchange rate ("EER") index for the renminbi and other currencies (2020=100; monthly average; 9/21/23). The renminbi's real broad effective exchange rate peaked in March 2022 at 106.4, falling 14.3 percent to July 2023's 91.2 (August 2023 at 91.6).

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 reached 10/21/22's 4.34 percent high, and 10/3/23's 4.81 percent decisively blasted above this.

China's Shanghai Composite Index's summit during the coronavirus pandemic following its 3/19/20 low at 2647 occurred on 2/18/21 at 3732 (note double top linked to 9/14/21's 3724 high). The Shanghai Composite attained a crucial trough on 10/31/22 at 2885 (near 4/27/22's 2864; creating a double bottom).

The Shanghai Composite Index's high since its October 2022 valley occurred with 5/9/23's 3419. That May 2023 interim top did not break over 7/5/22's 3424 (a 19.6pc jump from 4/27/22's 2864). Note the Shanghai Composite's lower high at 3322 on 7/31/23, close in time to the S+P 500's top on 7/27/23 at 4607.

Keep in view the Shanghai Composite's 8/25/23 low at 3053. Attacks on 10/31/22's 2885, and especially on 3/19/20's coronavirus pandemic era bottom at 2647, probably will agitate global marketplaces.

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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: "Marketplace Crossroads" (9/4/23); "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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