FINANCIAL BATTLEGROUNDS: AN AGE OF ANXIETY (CONTINUED)

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W.H. Auden's poem "The Age of Anxiety" asserts: "When the historical process breaks down and armies organize with their embossed debates the ensuing void which they can never consecrate, when necessity is associated with horror and freedom with boredom, then it looks good to the bar business." (Part One, Prologue). And the character Rosetta states (Part One): "Numbers and nightmares have news value."

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FINANCIAL AGITATION

Financial marketplaces and other cultural battlegrounds always include and reflect diverse and contending perspectives and actions. They also inescapably involve values and emotions. In culture, values and emotions permeate viewpoints, thought processes, and behavior.

Within and regarding the competitive interest rate, stock, foreign exchange, and commodity arenas (and other economic fields), marketplace perspectives (outlooks; orientations), arguments, and conclusions are always subjective, matters of opinion. So are the selection and assessment of variables (facts, factors, evidence, information). Although agreement often is widespread, so is disagreement. Views compete. After all, marketplaces have bulls and bears, long and medium and short term traders, various advocates of fundamental and technical methods, and so forth. Opinions regarding history, probability, and causation differ. Hence prices and price relationships fluctuate, sometimes dramatically. In addition, rhetoric aims to persuade audiences (including oneself) that a given goal, view, or action is good (or "reasonable", "rational", prudent, wise; or better than alternatives), less good, neutral, or bad. In cultural fields, this uncertainty of viewpoint and the differences in behavior create agitation, though levels of excitement/emotion (relative calmness) differ. Anxiety can vary in intensity for a given individual or an "overall" community over time, or between a person and group at any given time.

For some marketplace participants, apparent cascades of diverse and often changing information can increase agitation (anxiety). "How does one keep up with it all? Information sure travels fast these days." Perceptions (faith) that "the world" (or some part of it) has become more complex can boost anxiety (tension).

Trading risks and uncertainty of outcome generate agitation and anxiety; enthusiasm, greed, fear, and hope abound. Investors and other courageous trading warriors fervently battle to win the valued (good) American Dream cultural goals of wealth and financial security. Making money and achieving wealth (financial security) makes many people happy and feel successful. Making and having sufficient money is a means to the "good life" and a "better life". Marketplace playgrounds can be exciting and entertaining too! In quests to make money and avoid losing it, many devoted fortune seekers compare their performance with that of others, which enhances ongoing inevitable passions.

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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 (and of course especially a sustained one) in both equity and interest rate arenas is especially agitating (in the sense of being upsetting, a source of unhappiness) to securities owners in America (and around the globe) and their Wall Street, financial media, and political comrades. Substantial wealth destruction due to bloody securities price declines also can damage economic growth, perhaps helping to produce a recession. What if house prices also slump?

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Rising United States interest rates have helped to propel (lead) the S+P 500 lower. The S+P 500 currently is attempting to hold support at around a ten percent decline from its late July 2023 peak. However, long run American stock marketplace history indicates that large and scary falls occur; the average percentage retreat from the peak to the trough is roughly 33.9 percent. The average duration of the descent from the summit to the bottom runs approximately 14.2 months. Marketplace history of course does not have to repeat itself. However, as a bear marketplace trend for the S+P 500 probably commenced in late July 2023, and as the decline thus far only has been 10.9 percent over three months, its bear campaign has quite a bit more distance and time to travel downhill.

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Some would argue that the financial (economic), political, and social worlds, both in America and around the globe, are especially agitated (anxious) nowadays. In any case, "the cultural situation" does not appear peaceful in many respects.

Since "economic", "political", and "social" fields are entirely cultural (subjective), they are not objectively (scientifically) different territories. In any case, culture wars across economic, political, and social dimensions in America arguably are diverse and intense at present and likely to remain so for quite some time. All else equal, this suggests that the resulting agitation and anxiety make it challenging for American politicians to adequately resolve their differences and solve important problems (such as those relating to government spending). This is particularly true as the nation's 2024 election approaches. Cultural wars thereby significantly influence interest rate, stock, and other financial marketplaces.

Cultural feuds also exist in other leading nations. Moreover, especially in today's globalized and multipolar world, cultural hostilities can and do cross national boundaries, which in turn can directly affect financial marketplaces, which increase anxiety (agitation) regarding and within them. Picture the rich versus poor divide, democracy versus authoritarianism, capitalism (free markets) against socialism, and religious differences. Those wars of course can be military, as the violent Russia/Ukraine and Hamas/Israel situations demonstrate.

RISING AMERICAN INTEREST RATES, FALLING US STOCKS

In "Francis Ford Coppola's film "Apocalypse Now", a photojournalist quotes Kurtz, a renegade US Army colonel: "'Do you know that "if" is the middle word in life? If you can keep your head when all about you are losing theirs and blaming it on you, if you can trust yourself when all men doubt you.'"

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

Since about 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. "Financial Agitation" (10/3/23) stated: "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. "Financial Agitation" (10/3/23) noted: "A dramatic UST 10 year yield climb over five percent toward 6/13/07's 5.32 percent Goldilocks Era summit would further unnerve many UST (and stock) holders." The high yield to date is 10/23/23's 5.02 percent.

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, particularly those holding instruments with a long time to maturity, 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 10/19/23's 105-11, an eviscerating 25.1 percent tumble (and beneath 10/21/22's 108-26). From 8/2/22's interim price high at 122-02, 10/19/23's level drops 13.7 percent. UST 10 year owners will worry even more 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 retreated 17.8 percent to 10/19/23's 103-24 (under 10/21/22's 105-15). An assault 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?

The Conference Board's consumer Expectations Index offers a short term outlook for income, business, and labor market conditions. It stood at 75.6 in October 2023 (1985=100; 10/31/23). According to the Conference Board, a reading below 80 is a "historically signals a recession within the next year."

Many Wall Street and Main Street stock investment communities preach the wisdom of buying and holding 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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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. The July 2023 S+P 500 high neighbors a significant interim crest 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 4607 high probably created a double top linked to its triumphant 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 marketplace generals 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"? For the S+P 500, 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 guides proclaim that a bear move in stocks equals a slump of twenty percent or more from a peak. Such troubling declines create agitation for 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 in the S+P 500 from 7/27/23's 4607 top is 4377, a ten pc correction 4146. The low to date since July 2023's pinnacle is 10/27/23's 4104, a vicious 10.9pc slide. Many downhill price moves from an important top find support (even if that floor is temporary) after "around" a ten percent decline. Might phenomena such as signs of Federal Reserve dovishness or a humanitarian ceasefire (even if brief) in the Hamas/Israel war spark a rally (even if short-lived)? A fifteen percent retreat equals 3916, with a fearful twenty percent collapse 3686. A traumatic 25 percent slump gives 3455, with a bloody 33pc crash 3068.

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Many fortune hunters watch the relationship between the CBOE's VIX volatility index and the S+P 500. The VIX made an important low at 12.74 on 7/27/23 (12.73 on 6/22/23; 12.68 on 9/15/23), with its recent high 10/23/23's 23.08.

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Suppose the S+P 500 and other key international equity playgrounds plummet substantially and raise (reflect) recessionary fears. Then a related significant "flight to quality" into US Treasury and other "safe haven" debt securities may occur, thereby reducing yields.

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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.

Marketplace history of course is not marketplace destiny. However, as a bear marketplace trend for the S+P 500 probably commenced in late July 2023, and as the decline thus far only has been 10.9 percent for three months, its bear move has quite a bit more distance and time to travel.

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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 warriors. 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 17.1. This P/E ratio stands beneath the 18.7 five year average as well as the 17.5 ten year average ("Earnings Insight"; 10/27/23). Refinitiv/LSEG estimates the S+P 500's forward four quarter P/E ratio at 17.3 ("This Week in Earnings"; LSEG I/B/E/S; 10/27/23). Analysts express optimism for strong year-on-year earnings for 4Q23 and calendar year 2024. This bullish corporate earnings outlook aims and may help to bolster stock prices. FactSet indicates 3Q23 year-on-year earnings will rise moderately (2.7 percent). It prophesizes they will lift 5.3 percent year-on-year in 4Q23 and leap

11.9pc in calendar 2024 (calendar 2023 estimated up only .9pc). Refinitiv sunnily heralds an 8.5 percent year-on-year earnings gain in 4Q23 (estimate up 4.3pc in 3Q23), with an impressive forecast year-on-year spike of 11.9pc for calendar 2024 (calendar 2023 ascends 2.2pc).

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In the film "Seven Samurai" (Akira Kurosawa, director), a character declares: "Danger always strikes when everything seems fine."

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Will actual US 4Q23 and calendar 2024 corporate earnings match these optimistic expectations? Will the "technology" stock sector lead the way? The Financial Times 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 profits darken, thereby disappointing the hopes and prayers of many stock marketplace bulls?

	Recent High (date)	Recent Low (date)	Percentage Decline
Apple	198.23 (7/19/23)	165.67 (10/26/23)	16.4 percent
Alphabet (Google)	142.38 (10/12/23)	121.46 (10/27/23)	14.7
Amazon	145.86 (9/14/23)	118.35 (10/26/23)	18.9
Meta	330.54 (10/12/23)	279.40 (10/26/23)	15.5
Microsoft	366.78 (7/18/23)	309.45 (9/28/23)	15.6
Nvidia	502.66 (8/24/23)	392.30 (10/31/23)	22.0
Tesla	299.29 (7/19/23)	194.07 (10/31/23)	35.2 percent

The time and price moves within this "technology" group of seven firms in recent months of course are not precisely the same. However, note that three of the individual members (Apple, Microsoft, and Tesla) started to fall in mid-July 2023, shortly before the S+P 500's 7/27/23 summit at 4607. The Nasdaq Composite, a broad representative of the tech sector, peaked on 7/19/23 at 14447. Also, the recent low prices for six of these seven magnificent corporations occurred close in time to the S+P 500's subsequent low, 10/27/23's 4104. The Nasdaq Composite's recent valley is 10/26/23's 12544, an alarming 13.2 percent correction from its peak.

HOLDING GROUND? THE AMERICAN HOUSING MARKETPLACE

The poster for the movie "Wall Street" (Oliver Stone, director) stresses: "Every dream has a price."

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Owning a home is an important part of American Dream culture. The price level and trend of American homes (and mortgage rates) greatly influence household confidence and 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 (10/31/23) has skyrocketed 46.7 percent to about 311.5 as of August 2023 from January 2020's 212.4 elevation on the eve of the coronavirus disaster. The appreciation since January 2020 has exceeded United States consumer price inflation and thrilled homeowners. The August 2023 National Index is up about 2.6 percent year-on-year.

However, the average US 30 year fixed rate mortgage rate is about 7.79 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; 10/26/23).

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 ("NAR"; 10/19/23), 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, descending to 3.5mm in September 2023 (4.2mm September 2022; 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 notable 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 homeowners much. However, the August 2023 Case-Shiller height only slightly exceeds that of June 2022. According to the NAR, the median sales price for existing single family homes was $415,700 in June 2023 ($410,200 in August 2023), but it eroded about four percent to $399,200 in September 2023. Given burdensome mortgage rates (and the related rise in the Federal Funds and UST rates) as well as the S+P 500's fairly sharp decline (correction) since late July 2023, homeowners and other asset holders should beware of emerging weakness 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 (or a National Association of Realtors price signpost) 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 the commercial real estate price trend landscape as well.

ANOTHER FINANCIAL BATTLEFIELD: THE US DOLLAR

"Oh you're riding and you're riding on the wings of destruction
Cash, culture and violence
It's the sword, the jewel, imagination
Cash, culture and violence". "Cash, Culture and Violence", a Rancid song

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 11/1/23 is the latest) as well as a nominal Broad Dollar Index (daily data; 10/30/23 release; 10/27/23 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. This weathervane 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 30.0 percent portion of the EEM (BlackRock's iShares website, 9/30/23). 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 11.8 years (9/30/23). 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."

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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 staggered downhill 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 116.2 in September 2023 and 117.9 in October 2023. The US dollar therefore remains powerful from the historical perspective. Thus even though the US dollar remains fairly distant from its autumn 2022 pinnacle, since around late summer 2023, it probably again became "too strong" from the long run historical perspective.

In addition, highlight 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. Compare the timing of the July 2023 high in the S+P 500 (7/27/23 at 4607; Nasdaq Composite 7/19/23 at 14447) with the 7/14/23 low in the nominal BDI. Note the nominal BDI's subsequent rally and the S+P 500's fall. The high in

the nominal BDI since then is 10/26/23's 124.4; the S+P 500's low since its July 2023 peak is 10/27/23's 4104. The nominal BDI was 124.3 on 10/5/23, the eve of Hamas' attack on Israel.

What about the price pattern of emerging marketplace securities? See their late July 2023 highs in particular. 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 on 10/21/22 and interim tops on 2/2/23 at 8997 and 7/31/23 at 87.79. The EEM's recent low is 10/23/23's 36.38, the EMB's trough 10/19/23 at 79.70.

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 was 4.9 percent, a significant distance. In this context, note the UST 10 year note's increasing yield following 9/1/23's 4.05 percent 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.

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Survey critical cross rate relationships 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). With 10/3/23's 1.045 low, the restless 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).

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In relation to the US dollar's high in autumn 2022, compare 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 exuberant highs at 2072 on 3/8/22 and 8/6/20 at 2063. Following its May 2023 pinnacle, gold made a second and lower top with 7/18/23's 1978, close in time to the low in the nominal Broad Dollar Index, as well as the late July 2023 highs in the S+P 500, EEM, and EMB. Gold's recent trough is 10/6/23's 1809 (compare the timing of the EuroFX low against the US dollar), just prior to the 10/7/23 attack by Hamas on Israel.

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After the Hamas/Israel war erupted on 10/7/23, the Israel shekel plummeted 6.5 percent against the US dollar from 10/6/23's close around 3.838 to 10/26/23's 4.086. From its 2285 high on 10/2/23, the Tel-Aviv Stock Exchange suffered a jolting 27.0 percent fall to its recent low on 10/26/23 at 1669. Compare the date of the S+P 500's recent low, 10/27/23's 4104.

COMMODITY TENSIONS

"Ball of Confusion (That's What the World Is Today)", by The Temptations:
"Ball of confusion
Oh yeah, that's what the world is today…
So, round and around and around we go
Where the world's headed to, nobody knows…
Fear in the air, tension everywhere…"

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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 turbulent 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 realms) 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).

Russia's invasion of Ukraine 2/24/22 ignited a massive bull move in commodities in general and the petroleum complex in particular. This inflationary factor encouraged US Treasury yield increases and a slump in the S+P 500 (and other leading stock indices). Will the Brent/North Sea crude oil price exceed $100 per barrel again? The Hamas/Israel war, which began 10/7/23, might help to accomplish this. Will that conflict spread around the Middle East, or even further? Will many oil producing nations impose an oil embargo to help reverse the humanitarian crisis in Gaza or for other policy reasons? The World Bank warns of a potential surge in crude oil prices over $100, or even to around $150/barrel ("Commodity Markets Outlook"; October 2023). Moreover, apart from the battle between Israel and Hamas, and since about one year ago, OPEC+ has attempted to support oil prices, beginning with its 10/5/22 production cut agreement. This has tended to tighten petroleum inventories.

Might prices for commodities in general rise for several months, even 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) soared 39.3 percent from its low on 3/20/23 at 7012 to 9/28/23's 9769. However, the GSCI fell to 570.4 on 10/6/23, and Brent/North Sea crude oil plummeted to 8344 that day. Despite the start of the Israel versus Hamas war on 10/7/23 and the passage of over three weeks, both the GSCI and Brent/North Sea crude remain well beneath their September 2023 highs. The GSCI's high following 10/7/23 is 10/20/23's 607.7, with Brent/North Sea crude's rally extending to 10/20/23's 9379. In mid-afternoon on 11/1/23, the GSCI hovered around 575, with Brent/North Sea crude near 8500.

So thus far, since around mid to late September 2023, there have been signs of price convergence between the S+P 500 and the commodities battleground. The S+P 500, following its victorious 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).

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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.

ECONOMIC HAZARDS (CONTINUED)

Hunter S. Thompson's "Fear and Loathing in Las Vegas": "But what is sane? Especially here in 'our own country'—in this doomstruck era of Nixon. We are all wired into a *survival* trip now." (Author's italics)

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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 still underestimate and are relatively complacent regarding 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.

Political battlefields, like financial arenas, are fields of emotion, and they inevitably express subjective and competing perspectives and values. In America (and elsewhere), wide-ranging and deep-seated culture wars exist across (and often between) various economic, political, and social dimensions. Enthusiastic partisans and factions trumpet the wisdom of contending viewpoints. Noteworthy, heated quarrels exist within Republican ranks in the narrowly Republican-controlled House of Representatives despite the selection of a new Speaker. 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 remains. The failure to pass appropriation bills persists. The continuing resolution funding spending expires 11/17/23. The Congressional turmoil and government shutdown risk probably continue to place downward pressure on the S+P 500 and other stock marketplaces. An actual fairly lengthy shutdown probably will exacerbate equity weakness.

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Economics (finance, commerce, business) and politics are not separate territories. Uncertainty and agitation in the political province bleeds into the economic district.

And unease (dismay; anger) in the United States is widespread. To what extent do Americans trust and have confidence in their political leaders and institutions? A substantial majority of the US is displeased with the direction of the country. According to polling summarized in RealClearPolitics, only 24.8 percent believe America is moving in the right direction, with 65.4pc claiming the nation is moving on the wrong track (wrong track net 40.6pc; date range 10/17-10/31/23).

The November 2024 US national election is 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. Yet uncertainty (risk) tends to enhance and sustain anxiety. Which party, the Republicans or Democrats, will capture the Presidency? Current polls involving Trump and Biden suggest a close race. A great percentage of voters nevertheless wish there were alternatives to these two leaders. There remains an outside chance that either party may fail to nominate them to lead the respective tickets. Also, the existence of declared or potential third party Presidential candidates makes the 2024 electoral vote outcome even more uncertain.

Legal (even Constitutional) fights also might generate turmoil in interest rate, stock, foreign exchange, and commodities fields (particularly if these fights also involve notable civil unrest). 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 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 in some roundabout fashion involving his quest to be pardoned? Yet federal pardons issued by the President apply only to federal offenses, not to state crimes; Trump faces state criminal penalties (in Georgia), not just federal ones. If Trump receives a federal or state criminal conviction (which obviously might involve a jail sentence) prior to the election, will he be able to serve as President while his appeal is pending? Will the US Supreme Court hear appeals on an expedited basis, and how will it rule?

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The Smokey Bear website, like the Federal Reserve Board and other central bankers, preaches the merit of vigilance http://www.smokeybear.com/. The trusty bear wisely informs us that "Only you can prevent wildfires" (this proverb used to refer to forest fires).

The heroic Federal Reserve is a financial Smokey Bear, a guardian of the Wall Street jungle and the sacred American home. Smokey aims to preserve forests and related valuable property. The Fed quest involves fulfilling its legislative mandate of stable prices, maximum employment, and moderate long term interest rates (Federal Reserve Act, Section 2A). The dutiful Fed thus sometimes has embarked on economic rescue missions (sometimes assisted by other leading members of the international central bank community) when substantial danger threatened or existed. Recall Federal Reserve interest rate cuts and yield repression, massive quantitative easing (money printing) and other easy money provisions, and policy rhetoric (including forward guidance). In practice, the Fed aspires not only to protect and guide the "real economy" (fulfill the Fed's interpretation of its legislative mandate), but also at times to preserve stock and home prices from terrifying destructive conflagrations. To a substantial extent, US equity and home price levels and trends (and interest rate yield elevations and patterns) influence (interrelate with) and confirm those of "the overall economy". The fierce Fed is thus a loyal friend to both Wall Street, Main Street, and "investment" communities.

Since the S+P 500 has slumped around ten percent, will the Fed try to support the marketplace via notable policy action? Probably not. History suggests this is unlikely following a ten percent slide. In addition, although Federal Reserve policy probably is at a crossroads, the Fed perseveres in its fight to defeat excessive inflation, which still surpasses the Fed's two percent target. The US consumer price index (CPI-U; all items) climbed 3.7 percent year-on-year in September 2023, with the core (less food and energy) rising 4.1pc year-on-year (Bureau of Labor Statistics; 10/12/23). Unemployment remains low, at 3.8 percent in September 2023 (Bureau of Labor Statistics; 10/6/23). The American economy has not weakened substantially; real GDP actually increased at an annual rate of 4.9 percent in 3Q23 (Bureau of Economic Analysis; 10/26/23).

In its 11/1/23 meeting, the Fed kept the Federal Funds rate range at 5.25 to 5.50 percent. The Fed stated: "Inflation remains elevated", and that it "remains highly attentive to inflation risks." "The Committee is strongly committed to returning inflation to its 2 percent objective." And "additional policy firming…may be appropriate to return inflation to 2 percent over time." Interest rates may have to stay higher for longer. The Fed continues to tighten policy via reducing the size of its gargantuan balance sheet. So might the Fed need to raise rates some more, especially if inflation moves up? When might it lower the Fed Funds level?

Suppose the S+P 500 threatened to retreat around 20 percent or more, or that it actually did so (thus earning the bear market badge). Then the Fed might seek to rescue stocks, especially if it feared widespread economic weakness and believed inflation no longer posed a notable danger. However, judging from its ardent intervention (monetary easing) during the coronavirus pandemic era (recall first quarter 2020; the S+P 500 crashed 35.4 percent from 2/19/20's 3394 to 3/23/20's 2192), the Fed might await a disastrous S+P 500 collapse of around 33 percent before acting vigorously to support and rally prices.

The Fed meets 12/12-13/23 and 1/30-31/24.

Sometimes America's national leaders and other global politicians have enlisted monumental deficit spending schemes to support the economy and thereby bolster the economy as well as stock and housing prices. However, at present, given the substantial and federal national debt, US leaders probably have relatively little room to maneuver.

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In "Life During Wartime", the Talking Heads sing: "This ain't no party, this ain't no disco, this ain't no fooling around."

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In the world's globalized economy (and the related interconnected political scene), substantial marketplace worries relate to other leading nations than the United States. China is a key source of anxiety.

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.

The International Monetary Fund ("World Economic Outlook", Table 1.1; 10/13/22) forecasts Chinese GDP will grow 4.9 percent in 2023 (up only 3.2pc in 2022) and 4.7pc in 2024. However, are the IMF predictions too optimistic? Chinese leaders appear nervous about slowing GDP growth. China also has displayed some signs of deflation. For example, July 2023 consumer prices dropped .3 percent year-on-year, and they were unchanged year-on-year in September 2023. Trade and currency wars and political conflicts with America and many other nations brew. The Financial Times states that according to multiple measures, foreign direct investment into China is falling (10/30/23; website).

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; 10/18/23). 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 (September 2023 at 92.1).

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 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.

The Shanghai Composite cut under 8/25/23's 3053 low, reaching 2924 on 10/23/23 (bordering the S+P 500's 10/27/23 low at 4104). Attacks by the Shanghai Composite 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: "Financial Agitation" (10/3/23); "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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