US DOLLAR VOYAGES: ADVENTURES IN WONDERLAND

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In Lewis Carroll's "Alice's Adventures in Wonderland": "For, you see, so many out-of-the way things had happened lately, that Alice had begun to think that very few things indeed were really impossible." (Chapter I, "Down the Rabbit Hole")

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CONCLUSION

"US Dollar and Other Marketplace Adventures" (2/5/23) stated: "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 US dollar also probably made an important interim top during October 2023.

Variables encouraging US dollar weakness include America's declining share of global GDP in an increasingly multipolar world. In addition, the nation's federal debt situation is fearsome and worsening, especially from the long run perspective. America's severe political divisions, ongoing and wide-ranging culture wars, and the upcoming 2024 national election season make substantive fiscal solutions unlikely anytime soon. Ideological splits and battles of course do not confine themselves to the United States. However, the severity of those in America, as well as substantially diminished faith in many American institutions, help to encourage dollar weakness. The very uncertain outcome in America's 11/5/24 election makes ownership of the US dollar and dollar-denominated assets seem increasingly risky. The potential for legal (including Constitutional) troubles relating to Trump's Presidential candidacy are part of this worrisome picture.

After US and international consumer price inflation soared in 2022, the Federal Reserve has been a leader in the quest to reduce it to tolerable levels. Its monetary policy tightening program (including rapid boosts to the Federal Funds rate, cutting the size of its enormous balance sheet, and hawkish rhetoric) has played a key role in creating and maintaining a very strong dollar. To the extent the Fed changes its policy to a less restrictive stance, its leadership role probably will tend to depreciate the dollar.

BEARISH FACTORS FOR THE US DOLLAR

In Frank Norris's novel "The Pit" (Chapter IV), Cressler observes regarding Chicago commodities trading: "I tell you the fascination of this Pit gambling [Cressler says you can call the gamblers "speculators"] is something no one who hasn't experienced it can have the faintest conception of. I believe it's worse than liquor, worse than morphine. Once you get into it, it grips you and draws you and draws you, and the nearer you get to the end the easier it seems to win, till all of a sudden, ah! there's the whirlpool."

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

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The long run United States national fiscal situation is dangerous. In addition, arguably many political and marketplace players still underestimate and are relatively complacent regarding both near term and long run 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.

Of course the US federal government does not constitute the entire American economy. And currently people inside and outside America see the country and its assets such as US Treasury and many other interest rate instruments, stocks, and real estate (and thus the US dollar) as a worthy location to place money. Yet ongoing imprudent federal fiscal management tends to undermine confidence in the nation's ability to run itself well and thus makes its currency (all else equal) and its assets relatively (marginally) less attractive.

According to the Congressional Budget Office, the fiscal year 2023 budget deficit totaled a massive amount, about $1.7 trillion, equaling 6.3 percent of Gross Domestic Product ("Monthly Budget Review"; 11/8/23). The average deficit from 1974 through 2023 is 3.7pc of GDP. Federal debt rose to 97.3 percent of GDP. According to the CBO, when debt held by the public as a percentage of GDP reaches 107 percent in 2029 , it will exceed its prior historical high (106pc in 1946, right after World War Two). It ascends to a colossal 181 percent of GDP by 2053 ("The 2023 Long-Term Budget Outlook; 6/28/23).

The bipartisan budget deal reached several months ago accomplished little of substance. Moreover, despite the November 2023 Congressional agreement stitched together to avoid a government shutdown, this theatrical performance merely postponed the 2024 fiscal appropriations process until first quarter 2024. The Congressional turmoil and government shutdown risk probably places downward pressure not only on the US dollar, but also on the S+P 500 and other stock marketplaces. An actual fairly lengthy shutdown probably will exacerbate equity weakness.

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. Will credit agencies lower the US government's credit rating?

In America, enthusiastic partisans and factions trumpet the wisdom of contending viewpoints. Wide-ranging, deep-seated, and intense culture wars exist across (and often between) various economic, political, and social dimensions. They likely will remain so for quite some time.

However, America's culture wars arguably make the nation less able to solve its significant problems (not only the sizeable and growing federal debt one). Given the nation's election year 2024 politics, these cultural battles probably will persist for quite some time. Thus the nation and its assets (including the dollar) have become marginally less appealing to some investors.

Economics (finance, commerce, business), politics, and the social field are not separate domains. For example, uncertainty and agitation in the political province interrelates with and flows into the economic district, and vice versa. This situation strongly suggests that American politicians (and citizens in general) will find it extremely challenging to adequately resolve their differences and solve important problems (including but not limited to those relating to government spending). This is particularly true as the nation's 2024 election approaches. Although America will remain an enormous economic force and marketplace, its widespread and persistent civil divisions tend to diminish its relative appeal (and thus of its currency). These violent cultural conflicts thereby significantly influence foreign exchange, interest rate, stock, and other financial marketplaces.

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 (and in their ability to ensure satisfactory economic outcomes for the majority of people)? A substantial majority of the US is displeased with the direction of the country. According to polling summarized in RealClearPolitics, only 26.3 percent believe America is moving in the right direction, with 65.5pc claiming the nation is moving on the wrong track (wrong track net 39.2pc; date range 10/17-11/27/23).

If substantial percentages of Americans believe the country is heading the wrong way, why should foreigners feel differently from them about the US? Major foreign holdings of US Treasury securities have increased little over the past year, despite the very large supply of securities available via the US budget deficit. In September 2023, foreigners possessed about $7.6 trillion versus September 2022's 7.3tr UST (and about unchanged from January 2022's 7.7tr).

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All else equal, the highly uncertain overall outcome in America's upcoming 11/5/24 national election (especially in regard to the Presidency, but also for control of the Senate and House of Representatives) probably makes ownership of the dollar and (dollar-denominated assets) appear particularly risky. Keep in mind that the nation's fierce culture wars and its near term and long run federal fiscal irresponsibility intertwine with this political uncertainty, and probably will continue to do for a long time.

Since November 2024's national election is about a year away, it is a truism that much can and will happen between now and then. Political roads will have numerous twists and turns. Which party, Republican or Democrat, will capture the Presidency? Polls involving Trump and Biden suggest a close race. A great percentage of voters wish there were competent electable alternatives to these two leaders. There remains an outside chance that their given party may fail to nominate Trump or Biden to lead the respective tickets. Also, the existence of declared or potential third party Presidential candidates makes the 2024 electoral vote outcome even more unclear.

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In the 1966 movie "Fantastic Voyage", the character Cora declares: "We're going to see things no one has ever seen before. Just think about it." (Richard Fleischer, director)

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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 confronts 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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Since existing public debt as a percentage of GDP is very substantial, and as clairvoyants expect this probably will rise over time under current policies, United States interest rates consequently over the murky long run may need to increase quite a bit (even if US Treasury yields happen to dip in the short term) to attract investment buying. In that case, unless Treasury yields offer a decent real return relative to inflation, the dollar (and many dollar-denominated assets) may become less desirable.

Sometimes America's national leaders and other global politicians have enlisted monumental deficit spending schemes to bolster the economy as well as stock and housing prices. However, at present, given the substantial federal national debt, US leaders probably have relatively little room to maneuver. To some extent, if the country's real GDP grows less than that of its competition, the dollar will tend to be less desirable than many other currencies.

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

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According to the International Monetary Fund's "World Economic Outlook", the US current account deficit will fall to -3.0 percent in 2023 from 2022's 3.8pc (Table A.10; 10/10/23). It forecasts the current account deficit will slide a bit further, reaching -2.8 percent in 2024 and -2.4pc by 2028. Though numerous variables influence current account levels, this outlook is consistent with some dollar weakness.

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To fight excessive inflation, the Fed raised interest rates substantially (and began reducing the size of its huge balance sheet). This monetary tightening policy helped the US dollar to appreciate.

The US consumer price index (CPI-U; all items) ascended only 3.2 percent year-on-year in October 2023. Compare June 2022's year-on-year peak at 9.1 percent. Declines in the inflation rate for guideposts such as the US consumer price index (CPI-U; all items) have generated marketplace optimism that inflation probably will attain the Fed's two percent inflation target relatively soon.

In addition, in recent weeks, comments from some Federal Reserve Board members have hinted that factors such as progress in slowing inflation may enable the Fed to announce an end to its

Federal Funds rate rising program in the near future. However, keep in mind that not all Fed members (and the Fed itself) have made such statements. In any case, many marketplace participants have interpreted such easing wordplay as a signal that a policy rate reduction (assuming further inflation progress) is on the horizon for first half calendar 2024. All else equal, if US increasing interest rates helped the US dollar to rally (and remain strong), declining yields probably will weaken the dollar.

As part of its rhetoric relating to its goal of stable prices, the Fed wants inflation to be well-anchored. The St. Louis Fed publishes a daily "5-year, 5-year forward inflation expectation rate". Its website states: "This series is a measure of expected inflation (on average) over the five year period that begins five years from today." Long run history back to 2004 shows that around three percent is "high" for this measure.

The St. Louis Fed's forward inflation expectation rate bottomed during the early stage of the coronavirus at .86 percent on 3/19/20 (alongside the major low in the S+P 500 at 2192 on 3/23/20). However, its high remains 4/21/22's 2.67pc. Although the inflation expectation rate slipped to 2.08pc (6/30 and 7/11/22), the high attained thereafter is 2.53 percent, reached on 8/7/23 and 10/18/23 (2.32pc on 12/1/23). Since this yardstick has remained fairly close to two percent since spring 2022, optimism that the Fed will quit raising the Fed Funds rate and ease policy sometime in the next few months has grown.

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

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The Fed probably will tolerate a brief recession to defeat inflation, but it (and of course Wall Street and Main Street and politicians) likely would hate a severe one. In today's international and intertwined economy, renewed substantial price falls (close to or under October 2022 lows) in the stock and corporate debt arenas (and other search for yield interest rate territories), and greater weakness than has thus far appeared in home prices, plus a "too strong" US dollar, are a recipe for a fairly severe recession.

The real Broad Dollar Index (Federal Reserve, H.10; monthly average) peaked in October 2022 at 121.2; it endured a moderate decline from that "too strong" elevation. However, the dollar remained strong, and in recent months it appreciated. October 2023's 117.1 level (the recent high) stands only about 2.9 percent from October 2022's resistance. Since nowadays the Fed probably does not want the US dollar to be too strong, not raising the Federal Funds rate from current levels (and of course lowering it) probably will tend to stop a notable further dollar rally.

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A major appreciation over a very long time span for a currency of course does not preclude further climbs. The same is true of depreciation and potential retreats.

However, such a major bull move for the US dollar, in conjunction with other variables, should alert marketplace observers of a potential trend change in the dollar. The Federal Reserve's real Broad Dollar Index had a titanic ascent from the price and time perspective from its major bottom at 83.9 in July 2011. Over the next 11 years, the Broad Dollar Index voyaged a long distance, 44.5 percent, reaching its crest in October 2022 at 121.2. In its critical last stage of 21 months from January 2021's 103.3 interim low, the real BDI jumped a substantial 17.3 percent to its peak. October 2023's 117.1 height is rather close to October 2022's elevation.

STRONG DOLLAR VARIABLES

The character Simms Reeves declares in the movie "Red River" (Howard Hawks, director): "Well, I don't like to see things goin' good or bad. I like 'em in between."

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However, for the near term, the Broad Dollar Indices ("BDI") probably will remain fairly strong. Why?

First, although some Fed members hint that the rate-raising process probably is at or near an end, the Federal Reserve continues to emphasize its devotion to its monetary tightening agenda in its battle to return inflation to its two percent objective. This navigator has not explicitly ruled out further Federal Funds rate increases. It continues to reduce the size of its bloated balance sheet.

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"; 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." More recently, on 12/1/23 ("Fireside Chat at Spelman College"), the Fed Chairman declared: "It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease. We are prepared to tighten policy further if it becomes appropriate to do so." And: "the FOMC is moving forward carefully, as the risks of under- and over-tightening are becoming more balanced."

As the Fed Chairman noted in his 12/1/23 address, inflation still surpasses the Fed's two percent target. The US consumer price index (CPI-U; all items) climbed only 3.2 percent year-on-year in October 2023 (3.7 percent in September 2023). Compare June 2022's year-on-year peak at 9.1 percent. However, the core CPI-U (less food and energy) advanced 4.0 percent year-on-year in October 2023, down only slightly from September 2023's 4.1pc (Bureau of Labor Statistics; 11/14/23, next release 12/12/23). The personal consumption expenditure index likewise remains above the Fed's two percent objective. In October 2023, it grew 3.0 percent year-on-year, but the core PCE increased 3.5pc year-on-year (Bureau of Economic Analysis; 11/30/23). The Chairman called the 3.5pc increase "well above" the Fed's two percent objective.

Unemployment figures remain very low, further suggesting the likelihood that Fed policy will remain moderately hawkish for a while longer. Unemployment stood at 3.9 percent in October 2023 (3.8pc September 2023; Bureau of Labor Statistics; 11/3/23, next release 12/8/23).

The American economy has not weakened substantially. Real GDP actually increased at an annual rate of 5.2 percent in 3Q23 (Bureau of Economic Analysis; 11/29/23).

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In addition, as of November 2023, the real Broad Dollar Index (a monthly average) borders important support, April 2020's 113.4 summit.

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In general, a powerful nation probably requires a strong (or at least fairly/sufficiently robust) currency, including from the rhetorical vantage point. Consider United States language about the merit of democracy relative to autocracy (authoritarianism; socialism) and other undesirable alternatives. This is consistent with America's historic vision (held by the majority of Americans) that the country should be a guiding (and leading) light and active advocate for "good" principles such as democracy (freedom, liberty; individualism; and appropriate versions of capitalism and free markets). In regard to this American exceptionalism ideology, also see the White House's "National Security Strategy" (10/12/22). Is all such recent wordplay and related American global policy actions on topics such as the Ukraine/Russia conflict and the Taiwan/China relationship an effort to keep the dollar fairly strong? Related to this, American political and economic leaders want the dollar to retain its special role as the key global reserve currency. A feeble dollar diminishes its attractiveness in this regard.

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In the world's globalized economy (and the related interconnected political scene), competitive depreciation, perhaps linked to trade conflicts, can mitigate US dollar depreciation.

Also, suppose consumer price inflation in many leading advanced nations falls alongside and to a similar extent the current American trend. Central banks in those leading advanced nations generally have raised their policy rates roughly alongside the Fed's hikes. They probably will tend to reduce those rates at around the same time as the Fed, which will tend to keep the dollar relatively firm.

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America is not the only nation with substantial and growing indebtedness. For example, 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).

Underline the depreciation of the Chinese Renminbi since its peak against the US dollar on 2/28/22 at 6.304 to its 9/8/23 low at 7.349 (second trough 10/20/23 at 7.323). This represents a notable bearish warning signal for the Chinese and thus the global economy.

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Cultural divisions and conflicts of course span the globe. Substantial culture wars exist in other leading nations, not just in America.

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Suppose the S+P 500 and other key international equity playgrounds sink substantially (picture a bear move of at least 20 percent) and raise (reflect) widespread recessionary fears. Related significant "flight to quality" purchasing of US Treasury and other "safe haven" debt securities may occur, thereby reducing UST yields and perhaps thereby rallying the dollar.

US DOLLAR TRENDS: THE NUMBERS GAME

In Lewis Carroll's "Through the Looking-Glass", Alice and the Queen converse. The Queen tells Alice : "That's the effect of living backwards; it always makes one a little giddy at first." Alice repeats in astonishment: "Living backwards! I never heard of such a thing!" The Queen continues: "But there's one great advantage in it, that one's memory works both ways." Alice declares: "I'm sure *mine* only works one way. I can't remember things before they happen." The Queen emphasizes that "It's a poor sort of memory that only works backwards." (Chapter V, "Wool and Water"; italics in original)

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 12/1/23 is the latest) as well as a nominal Broad Dollar Index (daily data; 11/27/23 release; 11/24/23 most recent datapoint) covering both goods and services.

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. 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.

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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 Decline from 1Q20 High**	**Next Highs (date)**	**PC Rally from 2021 Low to Fall 2022 High**
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 **Recent Nominal BDI Highs** 124.3 (10/5/23) 124.4 (10/26/23)

The real Broad Dollar Index established an important initial top 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).

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.

"Marketplace Crossroads" (9/4/23) concluded: "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 rallied to 116.2 in September 2023 and 117.7 in October 2023. The US dollar therefore remained powerful. Though the US dollar in October 2023 was mildly under its autumn 2022 pinnacle, its rally from July 2023's low arguably had made it "too strong" from the long run historical perspective. The real BDI slipped to 115.8 in November 2023, but that height still manifests a "strong" dollar. The nominal BDI likewise declined from its October 2023 summit; it closed at 120.6 on 11/24/23 (the most recent datapoint).

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) 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.

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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In Alfred Hitchcock's film, "Lifeboat", Connie Porter asks the skipper: "All right, Commissar, what's the course?"

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Survey critical cross rate relationships versus the United States dollar such as the EuroFX. Despite some differences between countries in their cross rate trends against the dollar, note the roughly similar timing of their various direction changes (marketplace turns). Overall (together), the moves in these key cross rate relationships parallel those in the US nominal and real Broad Dollar Indices.

The Federal Reserve provides currency weights for the Euro Area and various nations within its United States Broad Dollar Index (H.10; as of 2/6/23). In the following table, the weights of these seven currencies add up to about 74.0 percent. Note the timing of the recent cross rate lows in various key currencies relative to the US dollar.

In the table, the indicated percentage rally for the given currency in its cross rate against the dollar since its autumn 2022 bottom is to the highest subsequent high to date. For the Chinese Renminbi and Japanese Yen, this top occurred in mid-January 2023. The other five currencies established highs relative to the dollar in July 2023 (the other five currencies).

Currency (Percent Weight in BDI)	**Autumn 2022 Low Vs. USD (date)**	**Following Initial High Vs. USD (date)**	**Next High Vs. USD**	**Percent Rally to High**	**Next Low Vs. USD**
Euro FX (19.3 percent)	.954 (9/28/22)	1.103 (2/2/23)	1.128 (7/18/23)	18.2pc	1.045 (10/3/23)
British Pound (4.7pc)	1.035 (9/26/22)	1.245 (1/23/23)	1.314 (7/14/23)	27.0pc	1.204 (10/4/23)
Canadian Dollar (13.1pc)	1.398 (10/13/22)	1.323 (11/15/22)	1.309 (7/14/23)	6.4pc	1.390 (11/1/23)
Mexican Peso (13.8pc)	20.58 (9/28/22)	18.51 (2/2/23)	16.63 (7/28/23)	19.2pc	18.49 (10/6/23)
Chinese Renminbi (14.6pc)	7.327 (11/1/22)	6.691 (1/16/23)	7.120 (7/14/23)	8.7pc	7.349 (9/8/23)
Japanese Yen (5.5pc)	151.9 (10/21/22)	127.2 (1/16/23)	137.2 (7/14/23)	16.3pc	151.9 (11/13/23)
Swiss France (3.0pc)	1.015 (10/21/22)	.906 (2/2/23)	.856 (7/27/23)	15.7pc	.924 (10/3/23)

The Canadian Dollar essentially equaled its November 2022 top with 2/2/23's 1.326. Thus various cross rates converged in mid-January/early February 2023 in attaining highs against the US dollar.

Looking forward for the near term, watch to see if any eventual cross highs against the dollar exceed the July 2023 high in the move since the autumn 2022 bottom. Within the European pond, the Euro FX high since 10/3/23 is 11/29/23's 1.102, rather close to 7/18/23's 1.128 top. The British Pound's recent high is 11/29/23's 1.273, with the Swiss Franc's .868 on 12/1/23. The Canadian Dollar's is 12/1/23's 1.349, and the Mexican Peso's 11/27/23's 17.04. The Chinese renminbi high to date after 9/8/23's 7.349 low is 11/29/23's 7.118. Watch 7/14/23's 7.120 (the 1/16/23 height at 6.691, though important, is distant). The Yen's high since 11/13/23's trough occurred on 11/1/23, at 146.7.

Marketplace history does not necessarily repeat itself, either entirely or even partly. However, for the short term, based on recent history, continuing dollar weakness on an overall cross rate basis (as is true for the Broad Dollar Index) probably will link to falling UST 10 year note yields and upward moves in the S+P 500 and emerging marketplace stocks. And that history indicates that for the near term, renewed US dollar strength on an overall cross rate basis (and for the Broad Dollar Index) probably will connect with rising UST 10 year yields and a decline in the S+P 500 and emerging marketplace equities.

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To some extent, the dollar is a safe haven in troubled global economic (and political) epochs. Watch the currency trends of emerging marketplaces for signs of crisis.

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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; 9/28/22 low at 1620). Gold thereafter rallied up to 2/2/23's 1959. After falling to 1808 on 2/28/23, it advanced, but ran into crucial resistance around 2070 with 5/4/23's 2072 summit. Recall 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. This top was close in time to 7/14/23's interim low in the nominal Broad Dollar Index (July 2023 trough in the real BDI); compare highs in various cross rates against the dollar), as well as the late July 2023 highs in the S+P 500 and emerging marketplace securities.

Gold's recent trough is 10/6/23's 1809, right near 2/28/23's low. On the timing front, compare the 10/6/23 gold low with the timing of highs in the nominal Broad Dollar Index, 10/5/23 at 124.3 (just prior to the 10/7/23 attack by Hamas on Israel) and 10/26/23's 124.4. Gold's high to date is 12/1/23's 2073, right around prior highs. A sustained move in gold above this resistance probably would intertwine with (confirm) dollar depreciation.

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Though Bitcoin and other cryptocurrencies absorb the label "currency", they also belong to an alluring search for yield asset category. Since first quarter 2020, Bitcoin and the S+P 500 sometimes have displayed roughly similar price and time shifts (trend changes). For example, as the coronavirus pandemic emerged, the S+P 500 made a major high on 2/19/20 at 3394; Bitcoin attained an important interim top shortly before then, on 2/13/20 at 10769. Bitcoin's major bottom on 3/13/20 at 3926 slightly preceded the S+P 500's major low on 3/23/20 at 2192. Bitcoin's record peak occurred on 11/10/21 at 69000, a few weeks before the S+P 500's major high at 4819 on 1/4/22. Bitcoin attained an important second top on 12/27/21 at 52100, very close in time to the S+P 500's January 2022 summit.

Although Bitcoin and other cryptocurrencies can be priced (quoted) in dollars (and other currencies), some view it as an alternative to the dollar. In recent years, cryptocurrency marketplaces have become an alluring racetrack for some search for yield players (especially Main Street fortune-hunters, but also numerous institutions).

However, let's focus on Bitcoin from the "currency" trend perspective in recent times relative to the real and nominal Broad Dollar Indices (and US dollar cross rates). Bitcoin's 11/10/22's bottom at 15518 occurred not long after the peak in the nominal BDI (128.3 on 9/27/22 and 10/19/22).

Bitcoin achieved an interim high at 31,791 on 7/13/23 (see the various cross rate highs against the dollar in mid-July 2023). It dropped to 24,925 on 9/11/23. However, it thereafter sharply advanced from the lows on 10/16/23 at 26,781 and 10/24/23 at 31,642 to 12/1/23's 38,922.

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To what extent to the recent rallies in gold and Bitcoin reflect not only US dollar depreciation and safe haven/political unrest (war; violence), and "search for yield" considerations, but also reduced faith in many quarters that important countries and global institutions can manage economic and political outcomes well?

CURRENT US DOLLAR PATTERNS AND OTHER MARKETPLACES

In Carroll's "Alice's Adventures in Wonderland", Alice asks the Cheshire Cat:
"Would you tell me, please, which way I ought to go from here?" The Cat replied: "That depends a good deal on where you want to get to." Alice said: "I don't much care where—", and the Cat interrupted: "Then it doesn't matter which way you go," with Alice adding "—as long as I get *somewhere*.'' The Cat responded: "You're sure to do that, if you only walk long enough." (Chapter VI, "Pig and Pepper"; italics in original)

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United States dollar levels and trends of course will continue to intertwine in complex fashions with interest rate, stock, and commodities marketplaces.

All else equal, a weaker United States dollar tends to boost the nominal prices of dollar-denominated financial instruments such as commodities and the S+P 500. However, marketplace history is not marketplace destiny. A feebler dollar does not always in practice mandate (parallel; confirm) higher prices for dollar-denominated "assets". Neither does a stronger dollar necessarily coincide with or inevitably lead to a slump in the prices of commodities "in general" or US stocks.

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Commodities "in General" and the S+P 500

Enlist 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.

Russia's invasion of Ukraine 2/24/22 ignited a massive bull move in commodities in general and the petroleum complex in particular. The broad GSCI peaked relatively shortly thereafter, on

3/8/22 at 853.3, making a significant further summit on 6/8/22 at 825.4. Commodities thereafter capsized, sinking a harrowing 38.9 percent from 3/8/22's 853.3 to 5/31/23's 521.6 (528.0 on 6/28/23). This late May 2023 GSCI trough level borders important prior lows at 522.3 (12/20/21; pre-Ukraine invasion) and 509.2 (12/2/21). Brent/North Sea crude oil (nearest futures continuation), following 3/7/22's 13913 pinnacle, crashed to 7012 on 3/20/23, making another important low at 7157 on 6/28/23.

The GSCI flagship advanced a noteworthy19.6 percent from its May 2023 valley to its following high at 623.6 (9/15/23; 623.4 on 9/28/23). Brent/North Sea crude oil 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 almost eight weeks, and despite the nominal and real Broad Dollar Indices having made highs in calendar October 2023, both the GSCI and Brent/North Sea crude remain well beneath their September 2023 highs. The GSCI high following 10/7/23 is 10/20/23's 607.7, but it fell to 545.4 on 11/16/23. Although Brent/North Sea crude raced up to 10/20/23's 9379, it backed down to 11/16/23's 7660. Despite OPEC+'s crude oil production cuts over the past year, beginning with its 10/5/22 production cut agreement (and 11/30/23's OPEC+ meeting continuing this program), Brent/North Sea crude oil currently floats under 8000.

The US dollar, as represented by the BDI, despite its having declined some since October 2023, was strong before then and still remains so. The real BDI in recent months has remained above April 2020's key low at 113.4. This currency consideration probably has played a key role in the GSCI and petroleum complex general weakness since September 2023.

If the US dollar depreciates on a sustained basis beneath the real BDI's April 2020's important low, and if global economic growth prospects also look fairly satisfactory, that combination will help to push up commodities "in general", including the petroleum complex. A significant fall in US interest rates (widespread faith in Fed easing) in the absence of a recession probably would assist a commodities rally.

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 warned of a potential surge in crude oil prices over $100, or even to around $150/barrel ("Commodity Markets Outlook"; October 2023).

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American stocks and commodities in general (and individual commodities) of course have different supply/demand situations. But history indicates that over the long run, the S+P 500 (and other global stock realms) and commodities in general tend to travel together (in the same direction, around the same time). Often major highs (major bottoms) for commodities in general and the S+P 500 occur around the same time. Over the long run, prices of commodities in general tend to converge with the S+P 500.

However, price and time trends for commodities "in general" sometimes have diverged from that of the S+P 500 (and other international equity 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 up to 7/27/23's 4607. In contrast, the bear trend in the broad GSCI retained momentum after autumn 2022, not reaching bottom until end May 2023. Some convergence followed. The S+P 500, following its 7/27/23 high, began a 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.

However, divergence arguably has reappeared. Whereas the S+P 500 has rallied substantially since 10/27/23's 4104 depth (high thereafter is 12/1/23's 4599, bordering July 2023's high), the GSCI and petroleum have stayed well under their September 2023 (and late October 2023) highs.

Are petroleum and many other commodity marketplaces oversupplied? If so, is this a sign that global economic growth is slowing? Despite the S+P 500's recent strength, does this comparative weakness in the GSCI and petroleum, if it persists, warn of recession and thus eventual falls in stock prices?

Emerging Marketplaces

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

Often commodities "in general" move in the same direction "around" the same time as prices for emerging marketplace securities (and other search for yield assets such as US corporate bonds).

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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Let's survey recent price patterns of emerging marketplace securities. The EEM's 10/24/22 low at 33.49 (S+P 500 bottom 10/13/22 at 3492) 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 rallied from its 10/19/23 trough at 79.70. Thus the EEM and EMB reached their troughs around the time of the highs in the US dollar (nominal BDI tops on 124.3 on 10/5/23 and 10/26/23 at 124.4; compare timing of US dollar's cross rate highs relative to key trading partners). These emerging marketplace securities lows thus tend to confirm the high in the US dollar. Note the similar timing of the US Treasury 10 year note's yield high to date, 10/23/23's 5.02 percent, as well as the S+P 500's 10/27/23 bottom at 4104.

The EEM's 11/20/23 high at 39.92 is still beneath 7/31/23's level. The EMB rallied from its 10/19/23 depth to 86.75 on 12/1/23, fairly close to its 7/31/23 elevation.

As the battle by the Federal Reserve (and many of its central banking shipmates) to subdue runaway inflation has involved a sharp boost in interest rates (and a reduction in the Fed's enormous balance sheet), it has risked recession (or very slow growth) in America and around the world. Looking forward, the recent fall in the UST 10 year yield, as it has been accompanied by the sharp rally in the S+P 500 and the modest prices gains of emerging marketplace stock and debt securities, indicates developing faith that the Fed and its comrades will achieve their inflation objectives and that GDP expansion will be adequate (recession/very sluggish growth avoided).

The US Treasury 10 Year Note and the S+P 500

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.

For example, 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 climbing yield trend, on 1/4/22 at 4819. The pattern of rising UST yields leading to (encouraging) a fall in the S+P 500 continued. The UST 10 year note yield, after sliding down to 8/2/22's 2.51 percent resumed its yield ascent. Recall the UST 10 year note's interim yield high at 4.01 percent (9/28/22) and the yield peak at 4.34pc on 10/21/22. During this rising yield period, the S+P 500 declined, reaching its major bottom on 10/13/22 at 3492 (close in time to the UST's 10/21/22 yield high).

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 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.

Thereafter, the UST 10 year made another important interim yield low with 4/6/23's 3.25 percent. With 8/22/23's 4.37 percent, the UST 10 year pierced 10/21/22's 4.34 percent barrier. As the UST yield climbed, the S+P 500 established an important top on 7/27/23 at 4607 (a magnificent 31.9 percent rally from October 2022's 3492 valley). Remember the real Broad Dollar Index made an interim low in July 2023 at 112.7 (just under April 2020's 113.4 top) around the time of the S+P 500's July 2023 high. The UST 10 year yield kept rising, reaching 5.02 percent on 10/23/23, one year from October 2022's interim high. Compare that interest rate level to

6/13/07's 5.32 percent Goldilocks Era summit. The S+P 500's 10/27/23 low at 4104 occurred only a few days after the UST 10 year's 10/23/23 high.

Moreover, in both calendar October 2022 and October 2023, the UST 10 year note yield attained an important high. Around the time of those peaks, the S+P 500 established an important low. In this context, underline the role of the very strong dollar and the timing of its summit. The real Broad Dollar Index peaked in October 2022 (nominal BDI pinnacle touched around then as well). The recent highs in the real and nominal Broad Dollar Indices occurred in calendar October 2023.

Many stock marketplace generals proclaim that a bear move in stocks equals a slump of twenty percent or more from a peak. They define a ten percent fall in a stock benchmark such as the S+P 500 from an important high as a "correction". Often, downhill price moves from an important top find support (even if that floor is temporary) after "around" a ten or twenty percent decline. A ten percent correction in the S+P 500 since July 2023's high equals 4146; the low since July 2023's pinnacle is 10/27/23's 4104, a vicious 10.9pc slide in three months.

The S+P 500's high since its 10/27/23 low is 12/1/23's 4599, a rapid 12.1 percent upward march and bordering its 7/27/23 top. The United States Treasury 10 year note's yield low since its 10/23/23 high is 12/1/23's 4.19 percent. This yield steps beneath 10/21/22's important high of 4.34 percent. In conjunction with the falling yield in the UST 10 year and the rising price of the S+P 500, underscore that the US dollar's recent decline commenced during October 2023 (October 2023 real BDI 117.7, November 2023's 115.8).

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Of course, since marketplace history indicates that ongoing relationships can shift or transform (sometimes dramatically), the current patterns between the US dollar trend and those in US Treasury 10 year note yield and the S+P 500 can change.

Also, history reveals that the dollar can depreciate substantially alongside or thus help lead to notable falls in the S+P 500 and "related" stock marketplaces. For example, picture a world of rising US and international interest rates (perhaps alongside dangerous inflation), widespread belief that America's public debt situation is poorly controlled and at fearful levels, and tighter monetary policy in many other leading nations relative to the US (or signs that America will lead the global monetary easing trend). And suppose US and worldwide corporate earnings prospects shift from optimistic to gloomy. Alternatively, marketplace history of course also shows the dollar can appreciate alongside a rally in the S+P 500.

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In any case, will the long run pattern of rising UST 10 year note yields resume in the near term, thus leading to eventual S+P 500 declines? Note the Fed Chairman's 12/1/23 comments.

Alternatively, suppose the UST 10 year note yield does not in the near term make a new high around or above 10/23/23's 5.02 percent. Does recent the recent slump in UST yields portend not only future Fed easing, but also a recession? Monitor commodity price weakness in that regard. Is the rise in the UST 10 year yield up to 5.02 percent on 10/23/23 leading to a later high in the S+P 500 than the July 2023 one? In this scenario, the S+P 500 might exceed either or both the July 2023 and January 2022 tops,

Thus will a new bear marketplace trend for the S+P 500 involving multiple tops emerge? In addition to those of January 2022 and July 2023, will another one be created around those heights? The record peak is 1/4/22's 4819. The 7/27/23 elevation is only 4.4 percent distant from the major price resistance imposed by 1/4/22's summit (4607/4819 is 95.6pc). A five percent decline from January 2022's pinnacle equals 4578, close to 7/27/23's 4607 height. The 4578 level borders important prior S+P 500 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. If the S+P 500 continues to climb, it probably will not exceed its January 2022 peak by much if at all. A five percent venture over 1/4/22's 4819 equals 5060.

Looking forward over the horizon, arguably "around" end year 2023/first quarter 2024 is a time when a key top in the S+P 500 will appear. Incremental year end stock buying "to put stuff on the books"(or to discard losing short positions) by definition will end around year end 2023. Will the US have a federal government shutdown during first quarter 2024 due to a legislative logjam? What if the inflation rate does not keep falling toward the Fed's two percent target? Will the Fed in any case keep its policy rates lofty for many more months?

Also, the S+P 500 has achieved several important peaks and bottoms during first quarter. As for major highs, the record S+P 500 price to date of 4819 occurred 1/4/22. Recall 2/19/20's 3394 pinnacle. The S+P 500's established a major high over two decades ago on 3/24/00 at 1553. Going back 50 years, the S+P 500 peaked around 121.7 on 1/11/73 (the Dow Jones Industrial Average crown occurred on 1/11/73 at 1067.2). What about major bottoms? A peak around first quarter 2024 would be a four year diagonal bull move from the coronavirus disaster major low of first quarter 2020, 3/23/20's 2192. The 12/26/18's key bottom at 2347 neighbors the first quarter. The 2/11/16 trough at 1810 (1/20/16 at 1812) was very important. Also in regard to the first quarter window, remember the aftermath of the Goldilocks Era; the worldwide economic disaster bottom for the S+P 500, 3/6/09's 667. The final low following 3/24/00's summit was 3/12/03's 788 (10/10/02 bottom at 769).

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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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"He was an honest Man, and a good Sailor, but a little too positive in his own Opinions, which was the Cause of his Destruction, as it hath been of many others." "Gulliver's Travels", by Jonathan Swift (Part IV, "A Voyage to the Country of the Houyhnhnms", Chapter 1)

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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 Battlegrounds: an Age of Anxiety (Continued)" (11/1/23); "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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