MARKETPLACE TRAVELS: POTENTIAL BUMPS IN THE ROAD

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The Federal Reserve Chairman (Jerome Powell) recently stated that the path to the Fed's two percent inflation target was "sometimes bumpy". (Remarks at the 3/29/24 "Macroeconomics and Monetary Policy Conference", San Francisco Fed; see Financial Times, 3/30/24, p1)

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STARTING POINTS

Since around end December 2023, global inflationary forces probably have become stronger (or at least more firmly entrenched). Note the increase in the United States Treasury 10 year note yield and prices for commodities "in general" since then. Recent consumer price index measures, despite having fallen from their peaks, remain fairly distant from the Federal Reserve Board's targets. The Fed therefore will find it difficult to reduce its Federal Funds policy rate nearly as much as many marketplace participants hope. The US dollar has remained strong, appreciating slightly since year end 2023; this suggests that American interest rate yields probably will remain rather high. America's substantial national debt problems remain unsolved (as does China's), with little prospect of progress anytime soon. Ongoing large federal government budget deficits and high and growing debt as a percentage of GDP tend to boost interest rate yields higher.

Many times over the past century, significantly increasing United States interest rate yields 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. Marketplace opinions regarding substantial growth in US corporate earnings prospects for calendar years 2024 and 2025 look very optimistic. Whereas the S+P 500's towering bull move carried into March 2024, US existing single-family home prices remain beneath their June 2023 peak.

The US national political scene in general and election season 2024 in particular add to financial marketplace risks.

Bitcoin and gold trends offer insight into patterns and prospects for other marketplaces, including the S+P 500.

US INFLATION AND INTEREST RATES: RISKY BUSINESS

In the classic American film, "All About Eve" (Joseph Mankiewicz, director), the actress Margo Channing (played by Bette Davis) declares: "Fasten your seat belts. It's going to be a bumpy night."

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The Wall Street securities investment communities and their political and media allies have applauded lower United States inflation rates. Widespread faith exists that the trusty Federal Reserve will achieve its two percent inflation target fairly soon. Stock owners have been especially enthusiastic as the S+P 500 has flown to new highs in the hopes of further drops in key inflation measures and notable cuts by the Federal Reserve in the Fed Funds rate.

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As part of its rhetoric relating to its goal defeating excessive inflation and establishing what it views as stable prices, the Federal Reserve repeatedly declares that it 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 five-year, five-year 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). Its subsequent peak remains 4/21/22's 2.67pc. The inflation expectation rate tumbled to 2.08pc (6/30 and 7/11/22). Though the high attained thereafter was 2.53 percent, reached on 8/7/23 and 10/18/23, it slid to 2.18pc on 12/27/23 (2.29pc on 4/1/24). Since this yardstick has remained fairly close to two percent since spring 2022, optimism that the Fed will ease its policy in the next few months has grown.

The Fed meets 4/30 to 5/1/24, 6/11-22/24, and 7/30-31/24.

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However, review key inflation measures, Federal Reserve statements, other economic variables such as GDP, and recent moves in the US Treasury 10 year note. These probably indicate that inflation probably will not decline much (if at all) from current levels anytime soon and that the Fed will not ease as much as the stock and interest rate bulls hope. Thus the UST 10 year note yield likely will not fall substantially in the near term. The UST 10 year yield recently has attacked and probably will sustain a break above key resistance around 4.35 percent (4/2/24 high 4.41pc). It also probably will challenge the prior yield peak around five percent eventually.

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The scoreboard underlines that although inflation has declined substantially from 2022's pinnacle, it nevertheless still surpasses the Fed's two percent target. The US consumer price index (CPI-U; all items) climbed 3.2 percent year-on-year in February 2024. Compare June 2022's year-on-year peak at 9.1 percent. However, the core CPI-U (less food and energy) advanced 3.8 percent year-on-year in February 2024 (Bureau of Labor Statistics; 3/12/24, next release 4/10/24).

The personal consumption expenditures price index has neared but remains above the Fed's two percent objective. In February 2024, it grew at an annual rate of 2.5 percent. The core PCE (less food and energy) increased at an annual rate of 2.8pc (Bureau of Economic Analysis; 3/29/24, next release 4/26/24).

The key CPI-U and PCE inflation measures thus have remained recalcitrant in recent months, not yet attaining the Fed's beloved objectives. Digging into the February 2024 CPI-U statistics warns they probably will remain so. First, the "services less energy services" category (about 61.0 percent of the overall CPI-U increased 5.2 percent year-on-year in February 2024, far above the Fed's two percent target for "inflation". The "shelter" subset of that services category (36.2pc of the total index) climbed 5.7pc year-on-year in February 2024. Underscore that inflation in the services less energy services category, though it has declined from February 2023's year-on-year increase high of 7.3 percent, has stayed consistently over five percent for many months. For example, note July 2023's year-on-year gain of 6.1 percent and December 2023's 5.3pc year-on-year increase.

Much of the significant plummeting in the overall CPI-U since June 2022 derived from plummeting energy prices. In February 2024, the "energy" sector (6.6 percent of the CPI-U

index) fell -1.9 percent year-on-year, with motor fuel (3.3pc of the index) down -4.2pc year-on-year. The inflation-fighting gains accrued from such falls in energy prices since June 2022 arguably will offer only modest help in lowering inflation signposts in upcoming months. For the "energy" sector component of the CPI-U, its index average for the first two months of calendar year 2024 is only about 3.5 percent less than the full calendar year 2023 average.

Whether oil prices increase in future months of course matters a great deal in this inflation category. ICE Brent/North Sea crude oil (nearest futures continuation) established a critical bottom about a year ago, on 3/20/23 at 7012. Following 12/13/23's trough at 7229 neighboring this, Brent crude oil has rallied about 23.6 percent to its recent high, 4/2/24's 8932. NYMEX RBOB/gasoline (nearest futures continuation) jumped about 41.1 percent from its 12/13/23 trough at 1.967 to 3/28/24's 2.775. Also, what if American natural gas and electricity prices finally begin to rally on a sustained basis?

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Although in its 12/13/23 meeting the Federal Reserve hinted that the rate-raising process probably was at or near an end ("we believe that our policy rate is likely at or near its peak for this tightening cycle"), it has not clearly indicated when it probably will reduce rates. In its 3/20/24 meeting, the Fed kept the Federal Funds rate range at 5.25 to 5.50 percent. In its Press Release, this guardian added: "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent." Moreover, its March 2024 Economic Projections raised its estimate for year-end 2024 of the Federal Funds rate to 4.85 percent from December 2023's forecast of 4.65pc (midpoint of the "central tendency'). In addition, the Fed announced it will continue to reduce the size of its bloated balance sheet.

On 3/29/24, the Fed Chairman said: "Is progress on inflation going to slow for more than two months? Our position is we don't know." And: with the US economy being strong (and stronger than much of the rest of the world), "that means we don't need to be in a hurry to cut." (Remarks at the "Macroeconomics and Monetary Policy", San Francisco Fed; see Financial Times, 3/30/24 and Reuters, 3/29/24).

The American economy has not weakened substantially. Real GDP actually increased at an annual rate of 4.9 percent in 3Q23and 3.4pc in 4Q23 (Bureau of Economic Analysis; 3/29/24). Calendar year 2023 GDP rose at a 2.5pc annual rate.

Unemployment figures remain low, further suggesting the likelihood that the Fed's game plan will remain moderately restrictive for a while longer. Unemployment rested at 3.9 percent in February 2024. After January 2022, it has been under 4.0 percent, with April 2023's 3.4pc the lowest (Bureau of Labor Statistics; 3/8/24, next release 4/5/24). US nominal wage increases, though they have declined, remain above those of real CPI-U (and PCE) price indices. According to the Atlanta Fed's wage tracker, the three month moving average for nominal median wage growth (hourly; unweighted) was 5.0 percent in February 2024 (down from July 2022's 6.7pc).

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The following table displays the long run trend of rising US Treasury 10 year note yields since March 2020.

The UST 10 year note currently is around 10/21/22's important high at 4.34 percent (recall the S+P 500's major bottom on 10/13/22 at 3492 following the rising interest rate pattern). The UST climbed up from 3.78 percent on 12/27/23 (3.81pc 2/1/24) to 4.35pc (2/23/24 and 3/18/24); it

reached 4.41pc on 4/2/24. This rate rise since late December 2023 warns that widely watched inflation yardsticks will continue for quite a while to find it difficult to decline much further, if at all, toward the Fed's beloved two percent target. Many observers, particularly stock owners, pray that 10/23/23's 5.02 percent yield will not be approached or exceeded.

	1Q20 Yield Bottom	**1Q21 Yield High**	**Aug 2021 Yield Low**	**Following Yield Highs**	**Next Yield Lows**	**Autumn 2023 Yield High**
UST 10	.31pc	1.77pc	1.13pc	3.50pc	3.32pc	5.02pc
Year	(3/9/20)	(3/30/21)	(8/4/21)	(6/14/22)	(1/19/23)	(10/23/23)
Note				4.01	3.33	
			Aug 2022	(9/28/22)	(2/2/23)	**Dec 2023**
	Mid-2020		**Yield Low**	4.34	3.28	**Yield Low**
	Yield Lows		2.51	(10/21/22)	(3/24/23)	3.78pc
	.54pc		(8/2/22)	4.09	3.25	(12/27/23)
	(4/21/20)			(3/2/23)	(4/6/23)	
	.50				3.29	
	(8/6/20)				(5/4/23)	

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Suppose the Federal Funds rate over the next couple of years moves in the path the Fed's 3/20/24 "Economic Projections" indicate. For year-end 2024, the midpoint of the "central tendency" is 4.85 percent (up from the 12/13/23 estimate of 4.65pc) , with that for end 2025 3.75 percent (rising from 12/13/23's 3.50pc forecast). The cloudy "Longer run" midpoint for the Fed Funds rate is 2.80pc. Thus based on these estimates, the Fed Funds rate gradually will decline from current levels; therefore the yields of short term US Treasury securities likewise would fall. However, the implicit basis point decline in the Fed Funds rate for calendar 2024 (about 50 basis points; the midpoint of the current 5.25/5.50pc range minus 4.85pc) appears less than what many securities bulls forecast.

However, if one assumes (wagers on) the Fed viewpoint regarding its policy rates (and all else equal), marketplace players should ask whether over the next few years the US Treasury 10 year note will slump much below 12/27/23's 3.78 depth for any very significant length of time. Suppose the Fed Funds rate equals the inflation rate (CPI-U, PCE, or however else defined) and that marketplace pilgrims generally can receive a real return of 50 basis points over the Fed Funds rate via the long term UST instruments they own. Thus, for the "Longer run" rate of 2.80 percent, that points to a UST 10 year note yield of 3.30 percent. Marketplace history reveals support in the 3.00 to 3.50 percent range for the UST 10 year note yield. Recall 6/14/22's 3.50 percent yield high; scan the five yield lows between 3.25 and 3.33 percent during first half 2023. Compare the prior yield highs on 10/9/18 (and 11/7/18) at 3.25 percent as well as the top 10 years ago on 1/2/14 at 3.06pc.

The year-end 2024 Fed Funds midpoint of 4.85pc, even without adding a 50 basis point yield premium, exceeds 12/27/23's UST 10 year yield. The year-end 2025 Fed Funds midpoint of 3.75 percent sits just below the late December 2023 UST 10 year note level; 3.75pc plus a 50 basis point real return gives 4.25pc.

In addition, underscore the US Congressional Budget Office's anticipation for the yearly average yield in the UST 10 year note ("The Budget and Economic Outlook: 2024 to 2034"; 2/7/24. "The Long-Term Budget Outlook: 2024 to 2054"; 3/20/24.). According to the CBO, the UST 10 year yield probably will average 4.60 percent in calendar 2024, above the current height. It predicts the average will remain at that level in calendar 2025.

US FEDERAL DEFICITS, DEBT COMPLACENCY, AND INTEREST RATES

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

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According to the Congressional Budget Office, the fiscal year 2023 budget deficit totaled a massive amount, about $1.7 trillion, equaling 6.2 percent of Gross Domestic Product. The average deficit from 1974 through 2023 was 3.7pc of GDP. Federal debt rose to 97.3 percent of GDP in fiscal 2023. The CBO predicts the federal budget deficit will grow from around $1.6 trillion in 2024 (5.6 percent of GDP) to $2.6tr in 2034 (6.1pc of GDP).

Debt held by the public will be around 99.0 percent in fiscal 2024. 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 reaches a monumental 116 percent of GDP by 2034, ascending to a colossal 166 percent of GDP by 2055. Debt held by the public balloons from $26.2 trillion in 2023 to $48.3 trillion in 2034. The CBO's analysis reflects current law. But what if the individual income tax cuts scheduled to expire at the end of calendar year 2025 are extended? All else equal, that will exacerbate the deficit problem. (See "The Budget and Economic Outlook: 2024 to 2034"; 2/7/24. See also "The Long-Term Budget Outlook: 2024 to 2054"; 3/20/24.)

Such ongoing substantial budget deficits (and the lack of political will to reduce them significantly) risk higher interest rates. Will credit agencies lower America's credit rating? Though a fiscal crisis may not emerge in the near term, the odds of an eventual one probably will increase.

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America's substantial ongoing federal fiscal deficits and large and growing federal debt as a percentage of GDP occasionally make headlines. Congressional leaders and Presidential candidates for quite some time have underestimated the severity and risks of the problems.

Partisan warfare, including internecine party conflict (particularly within the Republican camp) and election year 2024 politics have generated occasional fears and moderate excitement, but national leaders escape near term problems by repeatedly kicking the can down the road. The bipartisan budget deals reached in November 2023 as well as the more recent ones accomplished little of substance. Although America avoided a federal government shutdown, breaking through the appropriations logjam merely evaded the enactment of substantive solutions regarding deficit reduction. Theatrical legislative performances related to fiscal 2025 appropriations process probably will surface around (or not long after) the 2024 national election, even if only one party captures the Presidency, the Senate, and House of Representatives.

Politicians, Main Street, and Wall Street marketplace participants generally have confidence in the ability of US national leaders to postpone the short term fiscal problems indefinitely. As for the terrifying long run fiscal threats, and judging the politicians by their actions, most people nowadays do not worry about such dangers much. Maybe things will work out for the best somehow. Maybe everyone's grandchildren will manage to solve the menacing long run troubles.

In any event, the majority of American political leaders have not acted to significantly reduce, or even address, the major long term budget and deficit issues.

Yet despite this complacency, all else equal, ravenous demand for credit and related substantial federal debt risks (and potential fiscal crises) tend to boost US interest rate yields. In addition, ongoing imprudent federal fiscal management tends to undermine confidence in the nation's ability to run itself well and thus over the long run makes its currency (all else equal) and its assets (including US Treasury securities such as the 10 year note) relatively (marginally) less attractive to hold.

US DOLLAR: TRAFFIC SIGNALS FOR US TREASURY YIELDS

Richard Petty, a greatly accomplished US race car driver (nicknamed "The King"), underscores: "No one wants to quit when he's losing and no one wants to quit when he's winning."

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"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." "US Dollar Voyages: Adventures in Wonderland" (12/3/23) concluded "This remains the case", adding that "The US dollar also probably made an important interim top during October 2023." "Financial Playgrounds: the Money Games" (1/2/24) again analyzed the foreign exchange marketplace and reaffirmed these viewpoints.

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After US and international consumer price inflation leaped in 2022, the Federal Reserve has been a leader in the quest to reduce that excessive inflation to tolerable levels. Its monetary policy tightening strategy (including rapid boosts to the Federal Funds rate, cutting the size of its enormous balance sheet, and hawkish rhetoric) played a key role in creating dollar appreciation and maintaining a very strong US dollar.

Thus to the extent the Fed policeman changes its program to a less restrictive stance (or hints that it probably will do so in the relatively near future), its leadership role probably will tend to depreciate the dollar. If increasing US interest rates helped the US dollar to rally (and remain strong), yield declines probably will weaken the dollar.

Similarly, to the extent the Fed maintains a restrictive monetary scheme (and warns that it will continue to do so until it ascertains substantial reasons to shift from that agenda), the dollar will tend to appreciate. Although Fed commentary has been less hawkish in recent months than earlier, it has resolutely retained a restrictive policy.

Recall the ascent in the UST 10 year note from 3.78 percent on 12/27/23 (3.81pc 2/1/24) to its initial highs around 4.35 percent on 2/23/24 and 3/18/24. The UST 10 year note broke above these with 4/2/24's level around 4.41pc. The rally in the US dollar since late December 2023 has paralleled (confirmed) the interest rate yield increases and the Fed's ongoing tight policy.

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 4/1/24 is the latest) as well as a nominal Broad Dollar Index (daily data; 4/1/24 release; 3/29/24 most recent datapoint) covering both goods and services. The following table displays nominal Broad Dollar Index trends since March 2020.

.	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	126.1	110.9	12.4pc	124.1	16.2pc
Broad Dollar	(3/23/20)	(1/6/21)		(7/14/22)	
Index		110.5		123.6	**Oct23 Nominal**
		(6/1/21)		(8/22/22)	**BDI Highs**
				128.4	124.2
				(9/27/22)	(10/5/23)
				128.4	124.3
				(10/19/22)	(10/26/23)

The real Broad Dollar Index ("BDI") peaked in October 2022 at 121.1. Although it endured a moderate decline from that "too strong" elevation, the dollar generally remained strong. October 2023's 117.4 level (the recent high) stands only about 3.1 percent from October 2022's resistance. Since nowadays the Fed probably does not want a too-robust US dollar, not raising the Federal Funds rate from current levels (and of course lowering it) probably will tend to stop a huge further dollar rally.

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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 traveled a long distance, 44.3 percent, to reach October 2022's 121.1 peak. In its critical last stage of 21 months from January 2021's 103.3 interim low, the real BDI jumped a substantial 17.2 percent to its summit. October 2023's 117.4 height is rather close to October 2022's elevation.

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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 declined since October 2022, it did not decisively break beneath critical support, April 2020's 113.4 summit.

The real Broad Dollar Index established a crucial initial top in April 2020 at 113.4. It dropped 8.9 percent 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 October 2022 pinnacle. From August 2022's lofty 116.6, it appreciated to 119.5 in September 2022 and 121.1 in October 2022, smashing 6.8 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 above it to reach 9/27/22's and 10/19/22's 128.4 zenith.

Following late September/October 2022's highs, the US dollar in general depreciated moderately. The real Broad Dollar Index staggered downhill to 114.0 in January 2023. However, the real BDI has held around April 2020's 113.4 top. It motored up slightly to 114.9 in March 2023. Though the real BDI slipped to 112.4 in July 2023 (a 7.2 percent decline from autumn 2022's high), it steadied at 114.0 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 115.7 in September 2023 and 117.4 in October 2023. The US dollar therefore remained powerful. Though the US dollar in October 2023 was modestly beneath 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 December 2023's 113.8 (UST 10 year note low 12/27/23 at 3.78 percent). However, it bounced up to 115.1 in February 2024. For March 2024, the real Broad Dollar Index at 114.8 remains above the important support of April 2020's 113.4 summit. Significantly, the real BDI in recent months thus rallied some since December 2023 and thus has continued to manifest a "strong" dollar.

The nominal BDI likewise declined from its October 2023 summit; it closed at 118.8 on 12/28/23. The fall from 10/26/23's 124.3 to 118.8 is 4.4 percent. Like the real BDI, the nominal BDI has climbed a bit from its December 2023 trough. The high thereafter is 2/13/24's 121.9 (121.4 close on 3/29/24; not far from the October 2023 interim highs).

Highlight also the timing of the nominal BDI's low following its September/October 2022 highs around 128.4, 7/14/23's 117.4, an 8.6 percent slide. Compare the timing of July 2023's interim top 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 124.3; the S+P 500's low since its July 2023 peak is 10/27/23's 4104. The nominal BDI was 124.2 on 10/5/23, the eve of Hamas' attack on Israel.

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Investors as well as other traders and observers know that marketplace history does not necessarily repeat itself, either entirely or even partly. Trends and relationships can change, sometimes dramatically. Recent history nevertheless indicates that at least for the near term, renewed US dollar appreciation portrayed via the Broad Dollar Indices probably has intersected with rising UST 10 year yields. Longer run history indicates that this warns of eventual noteworthy falls in the S+P 500 and emerging marketplace equities.

A PROBABLE ROADBLOCK FOR STOCKS: RISING UST NOTE YIELDS

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

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Let's focus on the history of and relationship between 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. See "Long Run Historical Entanglement: US Interest Rate and Stock Trends" (7/6/23).

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 1.13 percent 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. Facing this rising yield period, the S+P 500 suffered a dreadful 27.5 percent decline from January 2022's glorious summit, 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 dismal 10/13/22 bottom at 3492. What about emerging marketplace stock and debt battlefields? The price rally in the EEM and EMB ETFs 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 interim 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's interim low in July 2023 at 112.4 (slightly 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 top. 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 experts and their followers 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. For example, the vicious three month fall from July 2023's 4607 interim high to 10/27/23's 4104 bottom ran 10.9 percent.

The S+P 500's high since 10/27/23's low at 4104 is 3/28/24's 5265, a sharp 28.3 percent upward march, substantially exceeding 7/27/23's interim top and flying 9.3 percent beyond 1/4/22's major high at 4819. The glorious 50.8 percent rally in the S+P 500 from 10/13/22's 3492 to 3/28/24's elevation undoubtedly has pleased the US stock investment (ownership) communities and their enthusiastic Wall Street and media allies.

The UST 10 year's rapid yield drop from 10/23/23's 5.02 percent down to 12/27/23's 3.78pc carried 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, underline that a brief US dollar decline commenced during October 2023 (October 2023 real BDI 117.7, December 2023 low 113.8).

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Many marketplace captains watch other interest rate trends alongside those in the UST marketplace. For example, the German Bund's recent yield highs occurred close in time to that of the UST 10 year note. The Bund's yield top occurred 10/4/23 at 3.02 percent, with its second lower high at 2.97pc on 10/23/23 (the day of the UST peak). The Bund yield dived to 1.89

percent on 12/28/23 (which remains the low), adjacent to 6/16/22's summit at 1.89. Recent yield highs have been around 2.50 percent.

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

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 change direction from optimistic to gloomy. Alternatively, stock and other marketplace gamblers know the dollar can appreciate alongside a rally in the S+P 500.

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In any case, the long run pattern of rising UST 10 year note yields probably has resumed, thus leading to eventual notable S+P 500 declines. Even if the UST 10 year note yield does not exceed its 10/23/23 pinnacle at 5.02 percent in the near term, suppose its yield climbs toward that height.

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, or climb fairly close to 10/23/23's yield top. Would a renewed slump in UST 10 year yields toward or beneath 12/27/23's 3.78pc level portend not only future Fed easing, but also a recession (rather than a soft landing)? Monitor commodity price weakness in that regard. Therefore, from this perspective, the rise in the UST 10 year yield up to 5.02 percent on 10/23/23 has been leading to a later high in the S+P 500 than the July 2023 one.

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What if the inflation rate does not keep falling toward the Fed's two percent target? The Fed probably will keep its policy rates lofty for many more months.

The formidable 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 (near 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.

A ten percent venture in the S+P 500 over 1/4/22's 4819 peak equals 5301, close to 3/28/24's 5265 high. Eight times 3/6/09's major bottom at 667 during the global financial disaster equals 5336. A five percent move over 3/28/24's 5265 equals 5528.

A five percent fall from 3/28/24's 5265 high is 5002. A ten percent correction equals 4739. A bear move of twenty percent gives 4212, with a 25pc retreat 3945. A 33 percent crash equals 3506.

History shows that the Fed probably will not intervene with policy measures to support the economy (the S+P 500) if the S+P 500 fell only around 10 percent. It might try to halt a decline in the S+P 500 of around 20 percent, especially if it became concerned about economic growth or

financial stability. A 33 percent crash in the S+P 500 probably will motivate the Fed to ease policy substantially; recall its rescue actions during first quarter 2020, when the S+P 500 collapsed 35.4 percent.

"Financial Playgrounds: The Money Games" (1/2/24) stated: "Looking forward over the horizon, arguably "around" end-year 2023/during first quarter 2024 is a time when a key top in the S+P 500 will appear."

The "Financial Playgrounds" essay noted: "History shows that 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? Recall the major low of first quarter 2020, 3/23/20's 2192. The 12/26/18 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 calendar first quarter window, remember the aftermath of the Goldilocks Era; the worldwide economic disaster bottom for the S+P 500 was 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)."

The S+P 500's high to date is 3/28/24's 5265. The Dow Jones Industrial Average's record high is 3/21/24's 39889, about 8.0 percent over 1/5/22's 36953 pinnacle. The Nasdaq Composite Index's high is 3/21/24's 16539.

EMERGING MARKETPLACE ADVENTURES

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

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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.

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"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 26.5 percent portion of the EEM (BlackRock's iShares website, 12/31/24). China's Shanghai

Composite Index's price and time picture generally resembles that of the EEM. The S+P 500's trends often have converged with those of the EEM, but sometimes they have diverged for extended periods.

The "EMB" ETF, from iShares (BlackRock)/J.P. Morgan, gives investors and other enterprising gameplayers an opportunity to deal in United States dollar-denominated government bonds issued by emerging market countries. The EMB includes over 30 countries and has a weighted average maturity of about 12.1 years (12/31/24). 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 124.2 on 10/5/23 and 10/26/23 at 124.3; compare timing of US dollar's cross rate highs relative to key trading partners). These emerging marketplace securities lows thus tended 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 4/1/24 high at 41.46 neighbors 7/31/23's and 1/26/23's resistance level (42.00/42.53). The EMB rallied from 10/19/23 depth to 90.08 on 3/27/24, edging above its 7/31/23 elevation.

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China's Shanghai Composite Index's pinnacle during the coronavirus pandemic following its 3/19/20 low at 2647 occurred 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 summit 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.

Many marketplace veterans associate a bullish copper marketplace with a strong (or recovering) Chinese economy, with sustained copper bearishness connected to (reflecting) Chinese economic weakness. The Shanghai Composite cut under 8/25/23's 3053 low, reaching 2924 on 10/23/23 (bordering from the time parameter the S+P 500's key 10/27/23 low at 4104). Compare the timing of COMEX copper's interim low (nearest futures continuation) on 10/23/23 at 3.530 (close to 5/24/23's 3.540).

Though the Shanghai Composite voyaged up to 3090 on 11/21/23, it thereafter cratered, reaching 2635 on 2/5/24. Chinese government support measures sparked a rally, with 3/21/24's 3090 high matching 11/21/23's. Copper zoomed up to 4.146 on 3/18/24.

Attacks by the Shanghai Composite on 10/31/22's 2885 (4/27/22's 2864), and especially on 3/19/20's coronavirus pandemic era bottom at 2647, probably will agitate global marketplaces.

America is not the only land 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 301 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 "2023 Article IV Consultation" (February 2024; Table 5: "Nonfinancial Sector Debt"). The substantial indebtedness and related financial carnage in China's property sector probably continues to undermine that nation's growth.

S+P 500 VALUATION AND CORPORATE EARNINGS

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

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According to FactSet, the forward 12 month Price/Earnings ratio for the S+P 500 is 20.9. This P/E ratio stands above the 19.1 five year average, and it is also above the 17.7 ten year average ("Earnings Insight"; 3/28/24). Refinitiv estimates the S+P 500's forward four quarter P/E ratio at 21.6 ("S&P 500 Earnings Scorecard"; LSEG I/B/E/S; 3/28/24). Views on "overvaluation" ("expensive"), "undervaluation" ("cheap"), and "fair (or reasonable; average) value" and similar notions reflect opinion. Yet the overall S+P 500 arguably looks somewhat "high" relative to this measure.

Rallies in the "technology" stock sector, encouraged partly by hopefulness regarding the financial benefits and profits from artificial intelligence innovation, have played an important role in the S+P 500's price rise in recent months. Will this enthusiasm persist? In any case, FactSet gives the forward 12 month P/E ratio for the "information technology" sector at 28.5 ("Earnings Insight"; 3/28/24). This stands far above its 23.8 five year average and soars over the 20.2 ten year average.

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

FactSet indicates calendar 2024 year-on year earnings will leap 11.0 percent (calendar year 2023 only rose one percent year-on-year). It prophesizes calendar 2025's earnings will soar a further 13.4pc. LSEG predicts a 9.9 percent year-on-year spike in calendar 2024 corporate earnings. Calendar 2025 earnings fly up as well, rising an average of 14.3pc year-on-year over the first three quarters of the year. ("S&P 500 Earnings Scorecard"; LSEG I/B/E/S; Exhibits 5 and 21; 3/28/24)

Will actual United States calendar 2024 and 2025 corporate earnings match these optimistic expectations? To what extent are these bullish earnings viewpoints "built into" the current S+P

500 price? Or, will viewpoints regarding these future earnings darken, thereby disappointing many stock investment bulls? The ongoing fairly strict Federal Reserve policy (relatively high Federal Funds rate), if not eased much (if at all) later this year, not only will worry stock marketplace bulls, but also probably will weigh on corporate profitability. Suppose American or global growth falls short of expectations.

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As the battle by the all-star Federal Reserve (and many of its central banking teammates) to defeat 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. However, hope persists that the American and worldwide economy will achieve a "soft landing", not a "hard" one. The stratospheric flight in the S+P 500 in recent months perhaps persuaded many stock owners that there will be no landing at all.

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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.

HOME ON THE RANGE

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

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American house price trends of course do not always dance in precise step with the S+P 500. However, they currently flash warning signals for the S+P 500's magnificent bull move, especially as mortgage interest rates have remained elevated.

Whereas the S+P 500 has climbed sharply since 10/27/23's 4104 depth (and substantially exceeded 7/27/23's 4607 interim top, the sales price of existing single-family homes has stumbled downhill. The median sales price of existing single-family homes prices peaked with June 2023's $415,700. January 2024's $382,900 falls 7.9 percent from there, with February 2024's $388,700 rising only modestly from there. Since these are nominal prices, given the persistence of modest inflation in recent months, the price drop in real terms of course has been greater. For calendar 2023, the year-on-year sales price for existing single-family homes increased less than one percent ($394,100/$392,800). Sales have tumbled in recent years, from 5.41 million in 2021, 4.48mm in 2022, to 3.66mm in 2023. See National Association of Realtors (3/21/24).

COMMODITIES "IN GENERAL", INFLATION, AND THE S+P 500

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

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

All else equal, a weaker US 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 depreciating or feeble 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.

Many marketplace gurus promote commodities as an "alternative investment (or asset)" class, a worthy arena in which "investors" can diversify their portfolios. In recent decades, commodities, like emerging marketplace securities, often have represented vehicles whereby those seeking wealth and financial security can "search for yield".

American stocks and commodities in general (and individual commodities) obviously have different supply/demand situations. But history indicates that over the long run, the S+P 500 playground 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 of recent decades, prices of commodities "in general" tend to converge with the S+P 500.

Enlist the broad S+P GSCI as a yardstick for the overall commodities domain. The thrilling petroleum complex constitutes the largest share weight of the broad S&P GSCI, roughly 55 percent for calendar 2024 (almost 57 percent in 2023).

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However, price and time trends for the overall commodities field 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 made a floor 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, making an interim low in end May 2023. Some convergence arguably 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 between the S+P 500 and the commodities complex soon reappeared, lasting until around year end 2023. Whereas the S+P 500 rallied substantially after 10/27/23's 4104 depth, the GSCI and Brent/North Sea crude oil rallies did not begin until mid-December 2023.

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Persistently higher commodity prices may propel overall inflation measures higher and injure business and consumer confidence. The commodity price climb not only might push interest rate yields upward, but also might eliminate existing hopes for acceptable future economic expansion or at least for a soft landing.

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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 crashed, breaking down a bloody 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 interim trough level bordered important prior lows at 522.3 (12/20/21; pre-Ukraine invasion) and 509.2 (12/2/21). ICE 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 domain advanced a noteworthy 19.6 percent from May 2023’s trough 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 3/20/23 low 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 six months, and despite the nominal and real Broad Dollar Indices having made highs in calendar October 2023, both the GSCI and Brent/North Sea crude oil remain beneath their September 2023 interim tops.

The GSCI high following 10/7/23 is 10/20/23’s 607.7, but it fell to 516.4 on 12/13/23 (around prior troughs; a 39.5 percent dive from 3/8/22’s summit). Although Brent/North Sea crude motored up to 10/20/23’s 9379, it tumbled substantially to 12/13/23’s 7229, close to 3/20/23’s and 6/28/23’s depths.

OPEC+’s crude oil production cuts, beginning with its 10/5/22 production cut agreement and continuing with 11/30/23’s OPEC+ program, of course (finally) have helped to support petroleum prices and encourage a rally. Monitor the extent of inventory drawdowns and declines in days coverage.

Recall that the S+P 500 made a crucial interim low on 10/27/13, prior to the 12/13/23 troughs in the broad GSCI and Brent/North Sea crude oil. However, the S+P 500 blasted even higher, accelerating rapidly following its decisive breakout on 12/13/23 (4643 the low that day, above 7/27/23’s 4607), right alongside the 12/13/23 GSCI and crude oil lows. From 12/13/23’s 7229, Brent leaped up 23.6 percent to 8932 on 4/2/24. NYMEX RBOB/gasoline soared 41.1 percent from 12/13/23’s 1.967 to 3/28/24’s 2.775.

The overall strong dollar currency consideration probably played a key role in the GSCI and petroleum arena weakness from September 2023 to around mid-December 2023. However, the petroleum complex has rallied sharply from its December 2023 lows alongside a fairly strong (even appreciating) US dollar (Broad Dollar Index). Note also the timing of the decline in key cross rates versus the dollar such as the EuroFX, which has slumped since 12/28/23’s interim top at 1.114.

Does the recent rally in commodities prices indicate that international economic weakness will be avoided? Or does the commodities climb instead warn of entrenched (and impending higher) inflation and loftier interest rate yields (note the dollar’s rally in recent months as the UST 10 year yield has risen), with eventual economic feebleness and falls in stock prices to follow?

Will the Brent/North Sea crude oil price venture near 9/28/23’s 9769 high 9769 or even exceed $100 per barrel again? The Israel/Hamas war, which began 10/7/23, might help to accomplish this. Will that conflict spread around the Middle East, or even further? Will many petroleum 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 per barrel, or even to around $150/barrel ("Commodity Markets Outlook"; October 2023).

The broad GSCI has rallied about 14.6 percent from 12/13/23's 516.4 to 4/2/24's 592.0 level. It is within 5.3 percent of the 9/15/23 high at 623.6.

GOLD AND BITCOIN TRIPS, POLITICAL TURMOIL

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

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In recent months, the US "technology stock sector", Bitcoin, and gold all have raced significantly higher, achieving levels which the great majority of experienced observers probably would have designated as astonishing if asked six months ago.

Obviously, stocks (and other securities), cryptocurrencies, and precious metals represent different classes of financial instruments. These marketplaces of course have significant differences in their supply/demand profiles.

The technology industry is very substantial and directly ties into wide sectors of global economic life. Many of its corporations earn notable revenues and make profits. Some of the larger firms within it arguably belong to one or more oligopolies, and thus command significant marketplace power. Thus bull (and bear) trends in the technology sector probably often parallel (or even lead or propel) trends in key "overall" stock marketplace benchmarks such as the S+P 500. Not only tech stocks participated in the S+P 500's magnificent advance over recent months. However, enthusiasm over the artificial intelligence story and related or similar narratives in the technology universe probably inspired particularly enthusiastic net buying in the tech stock arena.

To some extent, each marketplace's rapid and substantial bull move encouraged further buying enthusiasm within it. Greed and "fear of missing out" (on a "good buying opportunity" undoubtedly existed in regard to many technology stocks, Bitcoin, and gold. Moreover, that the "free supply" (readily available inventory) in these three fields probably is relatively low (and even lower when prices leap and stay high) probably exacerbates bull moves. Position covering by injured short sellers probably also encouraged dramatic price increases. Like other marketplaces, the technology stock territory, Bitcoin, and gold attract and tend to keep buyers because they often receive the honored "investment" label by many marketplace guides and participants. Bull moves in all three benefit from the instruments being deemed suitable "assets" by means of which prudent "investors" can diversify their portfolios.

Participation in Bitcoin became more accessible due to regulatory approval of ETFs. This invited and accelerated heated buying. Gold has long been seen as representing a "store of value". Numerous central banks own gold as a reserve asset, and marketplace reporting indicates that many have increased their gold holdings. Both Bitcoin and gold attract interest from those seeking to avoid tax obligations payable to, or the monitoring of their money movements by, regulatory authorities.

Over the past few months, the substantial rallies in Bitcoin and gold have occurred despite some strengthening of the US dollar. So what other factors might have encouraged these leaps in Bitcoin and gold prices? Potential for an expansion of the war between Israel/Hamas, or the Ukraine/Russia conflict, or a violent outbreak somewhere else probably is one consideration.

Perhaps many nations, institutions, and individuals have become increasingly fearful that another nation (or group of countries) might seize (and perhaps keep or sell) their financial assets (currencies or securities) has motivated such buying. As a recent example, keep in mind the seizure of Russian assets by Western nations in response to its Ukraine invasion.

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Gold can be and is priced (quoted) in dollars (and other currencies). The same is true of Bitcoin. Some view gold as a worthy long run alternative to the US dollar. Gold has long been viewed as a store of value against currency depreciation and political turmoil, as well as a worthy "search for yield" financial asset. Bitcoin in recent years has also attracted buying interest for these reasons.

Thus despite the US dollar's being rather strong from the historical perspective, and despite the dollar's rally since around late December 2023, there may have been substantial buying by countries, institutions, and individuals of gold and Bitcoin due to concerns about long run dollar depreciation or political upheaval.

America's taking an increasingly smaller share of global GDP encourages some long run movement away from the dollar, despite its importance as the key global reserve currency. Plus some important countries may be actively seeking to undermine the dollar's commanding position as a reserve currency and in world trade.

Moreover, concerns about America's current and long run federal debt level and trend, as well as the quality of government leadership in dealing with those issues, probably encourages some diversification away from the dollar (movement out of dollar-denominated assets) by marketplace participants with long run horizons.

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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.

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.

These violent cultural conflicts thereby at times can 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 nation is displeased with the direction of the country. According to polling summarized in RealClearPolitics, only 25.4 percent believe America is moving in the right direction, with 64.5pc claiming the nation is moving on the wrong track (net wrong track 39.1pc; date range for polls 2/21-3/28/24).

If substantial percentages of Americans believe the country is heading the wrong way, why should foreigners feel differently from them about the US?

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"Keep your eyes on the road, your hands upon the wheel…
The future's uncertain and the end is always near". The Doors, "Roadhouse Blues"

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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 debt securities (and even other dollar-denominated assets such as stocks and real estate) appear increasingly risky to many marketplace participants. 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. Is owning long term US Treasury notes and bonds around their late December 2023 yield levels (UST 10 year note yield low 3.78 percent on 12/27/23) a reasonable ("good") wager for the long run?

Since November 2024's national election is only about seven months 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 win 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. Political pros currently predict a close electoral vote count, with victory depending on the outcomes in a handful of swing states. Also, the existence of third party Presidential candidates makes the 2024 electoral vote outcome even more unclear.

Will Trump and a large section of his devoted fans admit defeat if he loses the Electoral College vote, or will they claim the game was rigged and the election stolen? What would they do? What consequences would potential or actual significant turmoil probably have for the US dollar, US Treasury yields, and the S+P 500?

Legal (even Constitutional) fights also might generate turmoil in interest rate, stock, foreign exchange, and commodities fields (particularly if this warfare also involves notable civil unrest). The Supreme Court ruled that states cannot keep Trump off the ballot based on an interpretation of the Constitution's 14th Amendment. However, suppose Trump captures the Republican Presidential nomination and is victorious in the overall Electoral College vote, but also that a court convicts him of one or more of the crimes for which he has been indicted. Will US laws block 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 New York and Georgia). 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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And America is not the only important nation with debt or internal political problems. The recent very substantial rallies in gold and Bitcoin probably reflect not only US dollar depreciation concerns 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 satisfactorily.

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Let's survey price and time trends for Bitcoin, the S+P 500, and gold in recent years.

Marketplace patterns (trends; convergence/divergence; lead/lag) of course do not necessarily repeat themselves and can change or transform. However, 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 established an initial all-time pinnacle 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.

Bitcoin crashed 77.5 percent from its November 2021 crown. Its 11/10/22 bottom at 15518 (a one year anniversary from 11/10/21's top) occurred not long after the peak in the nominal Broad Dollar Index (128.4 on 9/27/22 and 10/19/22). The S+P 500 attained its major bottom on 10/13/22 at 3492, close in time to the UST 10 year note's 10/21/22 4.34 percent yield high.

Bitcoin achieved an interim high at 31791 on 7/13/23. The S+P 500 made an interim top on 7/27/23 at 4607. Bitcoin dropped to 24925 on 9/11/23. However, it thereafter accelerated upward from the lows on 10/16/23 at 26781 and 10/24/23 at 31642 (recall the S+P 500's important trough on 10/27/23 at 4104) to 1/11/24's 49000. Though it dived precipitously to 1/23/24's 38518, it exploded up 91.4 percent in less than two months to 73734 on 3/14/24. The bull segment from 10/16/23's key low at 26781 to 3/14/24's celestial height is 175.3pc. The recent high is 18.8 times 3/13/20's 3926 bottom. The S+P 500's high to date is 3/28/24's 5265.

In regard to Bitcoin's ascent from 1/23/24's trough at 38518, note the time of the S+P 500's interim lows on 1/5/24 at 4682 and 1/31/24 at 4845. Recall the S+P 500's prior major high at 4819 of 1/4/22; the S+P 500 broke decisively above this following 1/31/24. The S+P 500 spiked higher from a minor low 4946 on 2/21/24, which was the day of Nvidia Corporation's (a major firm in the technology sector and for artificial intelligence-related products) bullish earnings release. Bitcoin soared from 2/26/24's 50524 interim low.

Bitcoin's colossal bull ride from its 3/13/20 major bottom to its 3/14/24 high lasted four years. The S+P 500's bull move from 3/23/20's major low to 3/28/24's summit likewise traveled four years. Will a sustained decline in Bitcoin lead to (confirm) a substantial fall in the S+P 500?

Compare the timing of Bitcoin's noteworthy bottom on 11/10/22 at 15518 with COMEX gold's 11/3/22 bottom at 1615 (nearest futures continuation; 9/28/22 low at 1620). Also note the timing of the US Broad Dollar Index high: October 2023. Gold (nearest futures continuation) 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. Players remember prior exuberant highs at 2072 on 3/8/22 and 8/6/20 at 2063. Following May 2023's crest, gold made a second and lower top with 7/18/23's 1978; Bitcoin established an interim top on 7/13/23 at 31791. The July 2023 tops occurred close in time to 7/14/23's interim low in the nominal Broad Dollar Index (July 2023 trough in the real BDI); compare as well late July 2023's timing for interim 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. Recall the S+P 500's key 10/27/23 trough at 4104, as well as Bitcoin's troughs on 9/11/23 (at 2492) and 10/16/23 (at 26781). Also, on the timing pattern front, compare the 10/6/23 gold low with the nominal Broad Dollar Index high on 10/5/23 at 124.2 (just prior to the 10/7/23 attack by Hamas on Israel) and 10/26/23's 124.3. The recent sharp upward move in gold to new highs, like that in Bitcoin,

probably partly reflects the persistence of inflationary forces. Gold skyrocketed from 2/14/24's minor low at 1985, with its high to date 4/2/24's 2279, about 10.0 percent above the prior peak at 2072. The bull move from 10/6/23's 1809 to the recent high equals 26.0 percent.

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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 Playgrounds: the Money Games" (1/2/24); "US Dollar Voyages: Adventures in Wonderland" (12/3/23); "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).

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