SOME LONG-TERM PROBLEMS ARE COMING TO A HEAD!

End of the 2nd quarter, end of the first half, and end of most U.S. state Fiscal Years. After our Puerto Rico territory bankruptcy went to court, it seems the next up, or down in this case is likely to be Illinois. Washington State came through with an eleventh hour budget compromise which removed them from this immediate list.

And of course, Chicago is at or near the same list for cities. When I was working for the Harris Trust Bank on Monroe Street in 1971, the Chicago area was one of the most active, even a ‘booming’ manufacturing center. It saddens me the extent to which real economic activity has departed our country.

One of the strong negatives of globalization is that everyone wants to move functional activity towards the places where labor is cheap, which too often means where workers lives are marginally superior to those under slavery or abject poverty.

We have noticed more lately that many ordinary Americans can be seen wearing very beautiful clothing. Unusual coloring and design features are fairly common on our streets. We actually delight in this, until our attention drifts to consider who made these things and under what conditions.

On the other hand, this expansion of active trade has raised the living standards of a great many formerly undeveloped nations. The reported numbers of people starving worldwide has declined dramatically over recent decades. One reason may be connected to the Great Recession of 2007-2009 whereby Central Banks hither & yon decided on the various QE (Quantitative Easing) programs consisting mostly of what we used to call “Money Printing,” whose main purpose was to prevent the ‘Great Recession’ from becoming another ‘Great Depression’ (as in the 1930’s worldwide.

Bringing this conversation up to date, reasons attributed to last week’s declining markets included Central Bankers pulling back from these times of ‘Greater Ease’ and instituting actions leading to tighter economic conditions. ‘Too much, too soon’ could lead to a Yield Curve Inversion, where short term rates are pressured to rise above somewhat longer term rates. This has typically signaled near term economic weakness, and often, unpleasant market volatilities.

We believe that many long term negatives are beginning to come to fruition, and economic dangers are hiding behind every door. As Warren Buffet has long said: “When the tide goes out, we find out who is swimming without a bathing suit.”

There may be some downside coming this next month or two, but we are looking for a likely higher high during the December – January time frame. We will re-enter the real dangerous period of the Mars-Uranus Crash Cycle on or about December 2, which will remain in effect for several months.

Although this cycle rarely produces a drop that could be termed a Crash, EVERY Crash has occurred during this 40% of the Mars-Uranus Synodic Cycle. It can also happen any time during that 40%, early or late or not at all. The probability is greater and that needs to be respected and precautions taken. We will call your attention again as we approach the danger.

VITAL SIGNS

SHORTED 100% DJIA or Equivalent
Close June 2 = 21,206.29
STOP of 3.5% @ 21,948.51 Close ONLY!

SHORT 100% SPX or Equivalent
Close June 2 = 2439.07
STOP 3.5% @ 2524.44 Close ONLY!

ALL OUR STOPS ARE CLOSE ONLY

GOD BLESS and PROTECT AMERICA,
“…that government of the people, by the people and for the people shall not perish from the earth.” – A. Lincoln
ANOTHER POTENTIAL PAUSE – IS IT REAL?! 

You can see from chart #3 that the NDX MACD momentum peaked out back near the middle of May with the blue line crossing below the red line, and then confirming with a second negative cross during the second week of June. It is the only one of the Major Indices which has closed below its 50-Day Moving Average (red line). The others charted here are right on theirs, but have not yet broken below. If the others break in the next few days, a more serious decline may well ensue. If they don’t, higher prices could become evident shortly. A number of technical considerations are hanging in the balance!

We mentioned here last month that we might expect a 4.5%-8.5% corrective phase now or a bit later, during the summer heat. And we placed the first level of short positions in both SPX and DJIA (on page one). We have noticed over many years that there is a strong tendency for a decline to begin in a new calendar quarter, averaging about the 18th-19th calendar day during the first month. It could be a short-term, intermediate or long-term top, but it is relatively consistent.

The Greatest Sky Event of this year is being labeled “The Great American Eclipse” which will occur this August 21. The Eclipse path is almost totally within the continental USA, stretching from Oregon in the Northwest to South Carolina on the East Coast. The Closest viewing near exact will be the Western tip of Kentucky, but that is very close to and between Carbondale, IL and Nashville TN.

On August 1, 2008, a Solar Eclipse was visible across all of Russia. When Mars opposed Uranus on August 7, they went to war with Georgia (the country – not the state). In the August 21, 2017 eclipse, there will be a harmonic event between Mars and Uranus within hours. It is not a commonly known or used aspect, but it is a harmonic. It is a square plus ¼ of a square or 90 degree square plus 22.5 degrees (half of a half square). We assume from this that hostile reactions will be immediate. Like it or not, historic events will ensue around this time, and most certainly involve the United States!

By the way, Princess Diana’s accident took place about 24 hours prior to a Solar Eclipse. Our projection for then: “SEP 1-2=VENUS-SATURN-PLUTO & NEW MOON PARTIAL SOLAR ECLIPSE. Tragic Love. Socially awkward.” She was killed in a car crash in a tunnel in Paris, along with her boyfriend and their driver. Some thought she was pregnant.

As for market action, we continue to expect a higher high after some further corrective action during this summer, perhaps around the December-January time frame.

The thirty-year bond (chart at bottom right of the above charts) has rallied into its 50-Week MA and pulled back from there. MACD is very close to giving a Sell Signal any day now. [Bonds down = Rates Up from here – or so it appears.]

“It seems probable to us that the down 10% circuit-breaker rule will come into effect in the next bear market.”

Michael Shaoul - The Weekly Speculator
THESE MONTHLY CHARTS SHOW PATTERNS NOT NECESSARILY VISIBLE IN THE SHORT TERMS!

The **TNX 10-YEAR BOND RATE** (chart above left) shows that, despite that the FED did raise rates another .25%, that these market rates have been drifting lower and seem lucky to be consolidating just above the 200-Day Moving Average and also above the long-term downtrend channel line. Previous attempts to turn rates higher in 2006 and 2007 failed abjectly in the face of the mortgage debt market collapse which preceded the stock market debacle.

The FED is trying again now, and we think the chance of their being successful is slim. A rate rise back above 3% would change our tune, especially if it can hold through a portion of 2018, which we doubt. It appears that the deflationary forces, as those we have witnessed in Japan, may be taking hold in other parts of the world – making it difficult for the FED to reach their goal of 2% growth here in the U.S. The long-term problem we are facing in every arena is Overwhelming DEBT!

The color-coded simulated US map on page one gives us an idea of the magnitude of state budget shortfalls, which are plentiful and in many cases, large. Our Puerto Rico territory is now in Bankruptcy court and Illinois appears to be next. Their bonds are likely to be rated as ‘JUNK’ status this week by one or more rating agencies, as they have no way to meet current expenses! The city of Chicago is comparable and is likely to soon follow.

**DOLLAR INDEX HAS BROKEN ITS 200-DAY MA and COMPLETED its DEATH CROSS in late MAY!**

The **DOLLAR INDEX (DX)** rose to an old resistance level (line) which stopped the advance for nearly two years. Then it broke up through that to another old resistance level around 104, which stopped it cold, and perhaps permanently (at least for a period of years). It seems to be headed down to a point of fairly strong support around 92 which is being bolstered by the rising 50-Week MA. That should at least give it a good possibility for a bounce, even if it continues lower later.

Last month we discussed that the price level broke below a trendline and moving average that seemed important, and now seems to be returning to the 92-94 strong support that we mentioned then. Again, that should arrest the weakness for a while.

“Last week was a game changer. Federal Reserve Chair Janet Yellen fretted about the high level of asset prices, The Bank of England’s Mark Carney hinted at a rate hike, and Mario Draghi suggested the European Central Bank could be nearing the end of its bond buying. Together, it shows that the world is ever so slowly moving away from the easy money that helped propel this eight-year bull market. ‘Peak quantitative easing is behind us,’ says Marc Chandler, global head of currency strategy at Brown Brothers Harriman.”

Ben Levisohn in today’s BARRON’s
GOLD (weekly chart at right) has not been able to break above its long-term downtrend line from the 2011 top above 1900. Neither has it broken its late 2015 low around 1050 either. It has stabilized in a narrowing triangular formation. This pattern is currently about two years long.

You can see that there was a small breakout above the long, strong upper downtrend channel line, which immediately failed. Late last year the weekly Gold 50-Week MA made the ‘golden cross’ to above the 200-Week MA, most often a positive sign. And now we see a MACD momentum Sell Signal (short term). Nothing like a ‘Mixed’ picture to annoy an anxious trader.

Solution: Don’t be an anxious trader! Wait for situations which offer favorable probability conditions.

It would help to close above 1280 and then 1300. It would hinder by dropping below 1215 and then 1180. Those are your Bull/Bear parameters.

The world has not yet decided whether we should indulge in a hyper-inflation or, as Japan, suffer a decade or so of debilitating deflation. As things look right now, it appears the Deflation scenario is more potent on the near term.

The CRB Index broke down below long term support at 180. Then recovered and stabilized above the forbidding cliffside, but then it dropped steadily for the next four weeks, ending below 170. Last week it did recover some lost ground, and closed at 174.78.

SILVER rose two weeks and then dropped for two weeks, but not as low as in May. Closed out the week at 16.625. COPPER has recovered to the area of the March highs, a good sign for the economy at large. COFFEE made a new low the previous week and rallied last – may be a temporary low in place. EURO is highest in a long while as European Union folk have pulled back from their precipice. GRAINS sharply higher on lower than expected Canadian plantings.

ASTRONOMIC ACTIVITY – (Give all these a time period of +/- 2-3 Days)

FEB 26 = Solar Eclipse at 8Pisces12, Mars conjoins Uranus opposing Jupiter = This one could get very ugly if one is not circumspect. +/-6 Months

APR 5 = Saturn goes Retrograde until August 25 = This period clearly signifies fewer border crossings around the world! Releases some limitations.

JUN 29 = Mercury opposes Pluto = Has a good record for down markets. Biggest down day since May 17.

JUN 30 = Many states have their fiscal year ending = Problems with budgets. Especially Illinois and Washington.


JUL 5 = Mercury enters Leo & contra-parallel Saturn=Serious thought. Sun sq Jupiter=Stuck long in a weak market. Too expensive!

JUL 7 = Venus 135 to Pluto; Mercury contra-parallel Pluto; Moon in Capricorn = Look for a solid down day in stocks.

JUL 8-9 = Full Moon conjoins Pluto = “Top dog power struggles” according to Dell.

JUL 14 = “Weighty responsibilities, sacrifice required, dictatorial boss.” Says Dell. Likely another down Friday.

JUL 17-18 = Violence flares once more. Not so unusual these days, but this is more than normal Warlike!

JUL 23 = New Moon at zero Leo, conjoints Mars and square Uranus = Hasty, violent action across borders. Maybe a hot war somewhere?!

JUL 26-28 = More and more hostility and war – More than posturing!

AUG 3-4 = Uranus Retrograde Station; Jupiter square Pluto = An unusual shot of volatility – unusual news. Bankruptcies?!


AUG 21 = TOTAL SOLAR ECLIPSE CROSSES the U.S. = Biggest deal in the sky this Year!

ATTENTION: The CP newsletters are most often emailed on 1st Mondays of months. Next CP will be available on Monday, July 31.