EASING COMES, EASING GOES: US GOVERNMENT INTEREST RATES

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In "Uncle John's Band", the Grateful Dead sing: "'Cause when life looks like easy street, there is danger at your door".

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OVERVIEW

The extent to which important economic battlegrounds overlap and their alleged trends converge or diverge (lead or lag each other) are matters of opinion, as are perspectives on and reasons for such relationships and movements. Apparent convergence/divergence and lead/lag patterns between interest rate, currency, stock, and commodity marketplaces nevertheless offer guidance to warriors hunting to explain, predict, or profit from financial price movements. Marketplace history need not repeat itself, either entirely or even partly. Therefore these relationships can change, sometimes dramatically. Fundamental supply/demand factors and trends are not written in stone. And competing historians and soothsayers do not necessarily share the same perspectives or tell the same stories regarding either a given financial realm or its relationships to other territories.

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Many marketplace generals nowadays have faith that rising United States government interest rates reflects both sustained adequate American economic growth and the likely development of inflation sufficient to satisfy the Federal Reserve Board's two percent yardstick. In addition to GDP growth and rising inflation and inflation expectations, observers also should focus on other issues and their consequence for assorted marketplace trends and relationships.

Viewpoints of natural (equilibrium, fair or true value, normal, average, appropriate) prices and price overshooting or undershooting (expensive, cheap; too high, too low) reflect subjective opinions, not science. In any case, relatively few observers ask whether the Federal Reserve guardian will permit inflation benchmarks to exceed for a relatively long time (and somewhat decisively) its adored two percent signpost. Such overshooting by notable inflation variables will tend to propel government yields higher than many expect. The US Consumer Price Index (CPI-U) jumped 2.5 percent year-on-year in January 2017. Will personal consumption expenditure (PCE) inflation also overshoot the Fed's two percent target?

The Fed likely will tolerate inflation target overshooting for some time because it wants to be confident that the achievement of its inflation goal will be durable. Such an indulgent policy regarding overshooting still permits the Fed to engage in gradual increases in policy rates (Federal Funds), especially as asset prices (such as American stocks and real estate) have soared since their dismal global economic crisis lows and as the prospective US fiscal outlook appears rather expansionary (and even overly stimulative).

Also, trust in the ability of the Fed and its allies such as the European Central Bank to manage inflation is widespread. How many audiences worry whether the years of devoted yield repression have created a reservoir of pent-up inflation, which the Fed's gradual rollback of accommodation (permitting higher Federal Funds and government rates) will unveil and reflect?

America has a substantial public debt. Not much attention focuses on the likelihood and implications of growing American federal budget deficits, even without any legislative changes,

over the next decade and beyond. See the US Congressional Budget Office's "The Budget and Economic Outlook; 2017 to 2027" (1/24/17), as well as "Federal Debt and the Statutory Limit" (3/7/17). According to the NY Times (3/10/17, pA21), on 3/13/17 the CBO is expected to release its judgment on the proposed House Republican legislation, the American Health Care Act, aiming to repeal and replace the Affordable Care Act (Obamacare).

Moreover, the media, politicians, and Wall Street have spent much attention on President's Trump's potential tax "reform" and express hope regarding his misty infrastructure plans. But not many pundits stress that Trump's tax scheme (even without reference to Obamacare), if enacted, likely will cause massive rises in budget deficits. The Fed may elect to raise rates more quickly (aggressively) than some predict if Congress adopts much or all of the fiscal scheme of Trump and his comrades. In any case, most people do not ask how enthusiastic foreigners (who own a huge slice of Treasury debt) will be to keep financing growing budget shortfalls. The Fed sheriff, unlike the European Central Bank and Bank of Japan, is no longer wedded to quantitative easing (securities purchasing tied into money printing), so it will not rush to add many UST obligations to its balance sheet.

Also, all else equal, substantial questions regarding national leadership quality can undermine both political and economic confidence in that nation. This situation can encourage higher interest rates, a weaker currency, or both. Donald Trump lacks government insider experience. Domestic and international faith in his political leadership ability (and in the US Congress as a whole) is not high. In the film "Easy Rider" (director Dennis Hopper) a character underlines that "it's real hard to be free when you are bought and sold in the marketplace."

Fierce, widespread, and substantial ongoing partisan political (economic) divisions likewise risk weakening America's currency and promoting increased government interest rates. Trump's victory did not unite an already significantly divided America. In America, there are liberals (progressives) and conservatives (traditionalists). Populists (both left and right wing) confront the establishment (elites). Globalists contend with nationalists.

Trump's "Make America Great Again!" and "America First" slogans and many of his policy pronouncements obviously appeal to large numbers of Americans. However, they do not attract or inspire many (and arguably a majority of) citizens. Though both the House and Senate are Republican-controlled, not all Republicans warmly support Trump and his policies. Although Trump triumphed in the Electoral College, he decisively lost the popular vote tally. The popular vote outcome obviously reflects America's sharp political divisions. Also, the Russian President "directed a vast cyberattack aimed at denying Hillary Clinton the presidency and installing Donald J. Trump in the Oval Office, the nation's top intelligence agencies said in an extraordinary report" (NYTimes, 1/7/17, ppA1, 11). Trump's popular vote defeat and the report on Russian political interference undermine Trump's political "legitimacy" (faith in it) and thus his ability to lead effectively.

America has other substantial splits and fractures. It has rich versus poor, haves versus have-nots. Look at the nation's substantial economic inequality. Consider divisions relating to race (ethnicity), gender, religion, age, geographic region, and urban/rural. Fiery quarrels rage over tax and spending policies and priorities, health care (Obamacare), trade policies, the appropriate degree of economic regulation, abortion rights, gun ownership, and environmental issues such as climate change.

With such ongoing, wide-ranging, and seemingly intractable American divisions and related passionate debates and accusations, worries increase regarding "how anything (good; productive;

necessary) can get done". Escalating doubts relating to leadership and concerns regarding the consequences of persistent divisiveness can encourage growing fears at home and abroad regarding the nation's current and potential political and economic outlook. This horizon consequently may not necessarily encourage a "flight to quality" by buyers into the government debt securities of that country. Instead, particularly when inflation also is increasing and budget deficits likely will rise, low (deteriorating) confidence can spur interest rate rises.

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The Federal Reserve meets 3/14-15/17, 5/2-3/17, and 6/13-14/17. See the Chairman's speech, "From Adding Accommodation to Scaling It Back" (3/3/17). The Fed probably will continue to gradually raise the Federal Funds level pursuant to its quest to fulfill its legislative mandate. Its employment targets are being achieved. The probable consequences of growing fiscal stimulus will further encourage Fed rate tightening actions. In addition, United States stock and real estate asset price levels and trends are other measures of "inflation". Since US stocks and real estate prices have soared from lows achieved several years ago as a result of 2007-09's international economic disaster, the Fed likely will tolerate (not worry a great deal about) a modest decline in their levels.

Significant US wage inflation has not appeared. Yet recent gains in CPI inflation, a tighter labor marketplace, and some regional boosts in minimum wage levels may help to ignite noteworthy overall wage inflation. Substantially increased deportation or growing voluntary departures of illegal (undocumented) immigrants, or decreased numbers of new immigrants, may help boost American compensation levels.

Looking forward, as more time passes and assuming the Fed keeps pushing up the Fed Funds level, keep an eye out for Fed comments related to an eventual shrinkage of its bloated balance sheet (probably by not reinvesting proceeds in debt securities as older instruments mature).

The European Central Bank's highly accommodative policy, including its money printing regime, likely will remain intact for many months. However, its 3/9/17 meeting hinted that a somewhat less accommodative policy eventually will emerge. Euro area annual inflation reached 2.0 percent in February 2017.

CONCLUSION, PART ONE

Take the United States Treasury 10 year note as a benchmark for government yield trends. Half the 6/13/07 major yield peak at 5.32 percent is 2.66 percent. Twice the 7/6/16 major bottom is 2.64pc. Compare 12/15/16's 2.64pc high. Recall the 2014 drop-off points at 2.69pc (7/3/14)/2.65pc (9/19/14) following 1/2/14's 3.05pc peak. Thus key resistance for the 10 year note is around 2.65 percent. This obstacle probably will be broken decisively in the near term.

The first quarter 2014 top at 3.05 percent likely will be pierced within the next few months (resistance carries up to around 3.30pc). If the Fed's target inflation rate is two percent, shouldn't the nominal rate tend to offer a real return of one percent or more?

A formidable barrier in the UST 10 year note from 3.75 to 4.25 percent that was created several years ago looms above this. Recall the 3.77pc high on 2/9/11, 4/5/10's pinnacle at 4.01pc, and 6/11/09's 4.00pc elevation (three times the 7/6/16 low is 3.96pc). Preceding noteworthy drop-off high points include 10/5/08's 4.10 percent and 6/13/08's 4.27pc, which followed 6/13/07's 5.32 percent major peak near the end of the Goldilocks Era and the advent of the worldwide economic

disaster. An eventual attack on this 3.75pc/4.25pc wall in the 10 year UST may take a couple of years or more from now to develop, but this event is fairly likely and should not be surprising. The Fed's mid-December 2016 "Economic Projections" of FOMC participants indicate that the "longer run" level of the Federal Funds rate should be about 2.75 to 3.00 pc (12/14/16, Figure 2; the Fed pundits of course may revise that opinion in its upcoming meetings), and suppose the government yield curve pointed upward (was positively sloped) relative to a 2.75/3.00pc Fed Funds level. Moreover, once upon a time, weren't prospects for widespread negative government interest rate yields in advanced nations, if considered at all, viewed as extremely unlikely? Yet look at the experience of Germany and Japan in recent times. In addition, suppose the broad real trade-weighted dollar depreciates alongside rising US government yields. This foreign exchange development, especially if accompanied by rising inflation and budget indiscipline, could accelerate US government yield ascents.

MARKETPLACE DOMAINS: OPPORTUNITY KNOCKS? DANGER KNOCKS?

The Alan Rankin Jones song "Easy Street" proclaims:
"When opportunity comes knockin',
You just keep on with your rockin',
'Cause you know your fortune's made!"

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The following table includes the United States Treasury 10 year note, the broad real trade-weighted US dollar ("TWD"; Federal Reserve Board, H.10; monthly average, March 1973=100), the S+P 500, emerging marketplace stocks (MSCI Emerging Stock Markets Index, from Morgan Stanley; "MXEF"), and commodities in general (broad S&P Goldman Sachs Commodity Index; "GSCI").

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Interest rate travels can lead, lag, or confirm adventures in other marketplace sectors.

Recall that various intertwined financial marketplaces reached important turning points in first quarter 2016.

First Quarter 2016 Turning Points

UST 10 Year Note	S+P 500	Emerging Market Stocks (MXEF)	Broad Real US Dollar ("TWD")	Broad GSCI
1.53pc (2/11/16)	1812 (1/20/16)	687 (1/21/16)	High 100.9 (January 2016)	268 (1/20/16)
[But fell to 1.32pc 7/6/16]	1810 (2/11/16)	708 (2/12/16)		

January 2016's broad real TWD 100.9 top (monthly average) significantly surpassed the peak reached during the global economic crisis, March 2009's 96.7. The TWD appreciation from July 2011's major bottom at 80.3 to January 2016's summit was 25.7 percent, far surpassing the 15.1 percent appreciation (April 2008's 84.0 to March 2009's 96.7) during the dreadful global financial crisis. The nominal broad TWD has daily data; its high occurred 1/20/16 at 126.0.

The London Metal Exchange base metals index ("LMEX") established its trough on 1/12/16 at 2049. NYMEX crude oil (nearest futures continuation) bottomed at $26.19 (1/20/16)/$26.05 (2/11/16).

The US 10 year government note yield nevertheless declined further after its 1Q16 low, attaining a major bottom on 7/6/16 (about identical in calendar time and level with 7/25/12's 1.38 percent major low. Since its July 2016 bottom, the UST 10 year yield has ascended. Significantly, right after Trump's victory, the UST 10 year note yield jumped higher. Its 11/8/16 high was around 1.87 percent; it closed on 11/9/16 at 2.06pc, thus breaking above 3/16/16's 2.00pc minor top. Many high priests see this yield climb, whether from 7/6/16 or early November 2016, as a sign of ongoing current and likely future US (and even global) prosperity, especially as thus far the S+P 500 has remained robust.

The nominal broad TWD rallied after early May 2016, including in the aftermath of America's election. It stood at 122.8 on Election Day. After Trump's victory, it accelerated up to 11/23/16's 127.9, thus piercing 1/20/16's 126.0 resistance. Some gurus promote the continued strength in the US dollar in the US post-November 2016 election period as a signal of such strong GDP growth ("Make America Great Again!"). The Conference Board reports that US consumer confidence, in its determined climb from February 2009's 25.3 abyss during the horrifying global economic crisis, attained a new high in January 2017 at 114.8 (1985=100). Has the Goldilocks Era been resurrected? This lofty confidence height, though it is not an all-time record, surpasses the wonderful Goldilocks Era peak, July 2007's 111.9!

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Calendar 2016 Update

Around the time when the UST established its major bottom in mid-summer 2016, stock marketplaces and the broad GSCI made interim highs. The broad real TWD's upward march from August 2016 did not stop the S+P 500's eventual rally to new highs in calendar 2017. However, the MXEF and GSCI have not surpassed their 2016 highs by much.

UST 10 Year Note	S+P 500	Emerging Market Stocks (MXEF)	Broad Real US Dollar ("TWD")	Broad GSCI
1.32pc (7/6/16)	2194 (8/15/16)	930 (9/7/16)	96.1 (April 2016 interim low) [Climb from August 2016's 97.2]	392 (6/9/16)

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Calendar 2017: Turning Points in Place (Or Not Long from Now)?

UST 10 Year Note	S+P 500	Emerging Market Stocks (MXEF)	Broad Real US Dollar ("TWD")	Broad GSCI
1.32pc (7/6/16)	2401 (3/1/17)	957 (2/23/17)	102.8 (Dec 2016and Jan 2017)	409 (2/13/17)

[The nominal TWD highs in its bull move to date are 129.1 on 12/28/16 and nearly 129.0 on 1/3/17.

The MXEF's September 2016 and February 2017 tops stand well under its important 4/27/15 high at 1069, 9/4/14's 1104 plateau, and the preceding major peaks at 1212 on 4/27/11 and 1345 on 11/1/07.

The broad GSCI's initial high was 404 on 1/3/17. A fifty percent move from its 1/20/16 bottom equals 402. The GSCI, like the MXEF emerging stock marketplace realm, remains beneath its 2014 and 2015 tops (6/23/14's 673; 5/6/15's 459).]

The 7/6/16 major bottom in the UST 10 year note, given its noteworthy further climb from that July 2016 bottom in the US post-November election period, belongs in the Calendar 2017: Turning Points table alongside stock and other marketplaces. The steady ascent of the UST 10 year's yield following 7/6/16's trough toward the key level around 2.65 percent should inspire questions regarding the future relationships between UST yields and other marketplace domains. Though the UST dipped to 2.30pc on 1/17/17 (2.31pc on 2/14/17), it currently borders December 2016's 2.64pc high. Suppose the UST's yield marches over 2.65pc and assaults the important 3.05pc resistance.

Rising rates at some point (thus "leading the way') eventually can link with US (and emerging marketplace) stock marketplace tops. In this context, players should monitor whether declines in the S+P 500 and MXEF connect with (confirm) slumps in the broad GSCI. Trends in emerging stock marketplaces in recent years have paralleled those in commodities "in general" (particularly petroleum and base metals). At some point, if the broad real trade-weighted dollar is "too strong", as it arguably is nowadays since it broke above January 2016's 100.9 interim top (December 2016 and January 2017 at 102.8; February 2017 average 101.3), declines in the TWD eventually may accompany UST rate increases.

Given the steady advance of the UST 10 year yield in the context of Fed tightening, US budget challenges (troubles), and ongoing American political (and other) conflicts (divisions), one should ask what the future arguably holds for relationships between key marketplace realms. In this context, note the approximately similar timing of highs to date in the preceding Calendar 2017: Turning Points table for the S+P 500, MXEF, the broad real TWD, and the broad GSCI.

American corporate profitability levels and prospects and share buyback trends, along with numerous other considerations influence US equity trends. Yet some gurus suspect stock valuations by some measures are on the "high side". Higher interest rates, all else equal, tend to reduce corporate profitability. And higher debt yields will compete better with returns via stock dividends. The broad real TWD's 102.8 in December 2016 leaps 28.1 percent relative to July 2011's major bottom. Will a "too strong" US dollar injure foreign debtors burdened with US dollar-denominated obligations? At what point will dollar appreciation darken the reported earnings picture for US corporations with substantial overseas sales?

In the wonderful Goldilocks Era, a sustained climb in US government interest rate yields helped lead to (occurred before) the pinnacle in the S+P 500. The UST 10 year yield peaked at 5.32 percent on 6/13/07, the S+P 500 on 10/11/07 at 1576.

The 2017 highs thus far in the S+P 500, MXEF, and GSCI are one year diagonal bull rallies from their first quarter 2016 lows. The S+P 500's March 2017 elevation is about an eight year diagonal time move from 3/6/09's major bottom at. 667. Recall also that calendar 2000's major summit in the S+P 500 was 3/24/00 (at 1553).

For the relevance of "around" first quarter calendar timing for broad GSCI trend shifts in the current marketplace context, recall that the 2007-09 global economic crisis. The GSCI attained its major low during winter, with 12/24/08's initial low at 308 and a final trough in 1Q09 at 306 on 2/19/09 (close in time to the S+P 500's March 2009 major bottom).

The S+P 500's record high to date, 3/1/17's 2401, stands about 9.4 percent over mid-summer 2016's interim top at 2194. What about the MXEF? With 2/23/17's 957 high, this emerging marketplace stock banner has edged merely 2.9 percent above 9/7/16's 930 plateau. Thus the MXEF has underperformed (and arguably has started to diverge from) by much the S+P 500. Suppose the MXEF does not exceed its February 2017 high by much if at all. If so, then in the context of rising US government rates, signs of an important broad real TWD top in late December 2016/January 2017, and the erosion since mid-February 2017 in GSCI prices, the S+P 500 looks vulnerable to at least a modest decline.

Several critical marketplace peaks in the broad real trade-weighted US dollar have occurred during the first quarter of a calendar year. In addition to the important January 2016 interim top, recall the TWD's March 2009 major summit in at 96.7. Other major TWD pinnacles include March 1985's exalted and record 128.4, February 2002's towering 112.8, and January 1973's monumental 107.6.

Observers thus should look for the emergence of a bearish trend in the TWD to emerge "around" first quarter 2017. Coincidentally, Inauguration Day 1/20/17 was the one year anniversary of the high in the nominal broad trade-weighted US dollar. The December 2016/January 2017 TWD highs look like a double top in relation to the January 2016 TWD high.

The broad GSCI is heavily petroleum-weighted. Note the timing NYMEX crude oil recent tops: 1/3/17 ($55.24), second high 2/23/17 at $54.94. The LMEX base metals index high occurred 2/13/17 at 2926.

In the petroleum arena, OPEC agreed to reduce its output (11/30/16); several non-OPEC nations such as Russia very recently (12/10/16) said they would do so too. Many believe OPEC and its comrades have achieved some success in reining in production. However, industry inventories (at least in the OECD) are high.

In addition, based on the CFTC's Commitments of Traders, the current net noncommercial long position (futures and options combined; options in futures equivalent terms) in the NYMEX petroleum complex (crude oil, heating oil (diesel), and gasoline (RBOB)) plus that of ICE Brent crude oil is massive in both total and percentage of total open interest terms. On 1/3/17, the net noncommercial long position was about 941,000 contracts, or almost 14.8 percent of total open interest. NYMEX crude oil's recent top was 1/3/17's $55.24. On 2/21/17, around the time of a second high in NYMEX crude oil (2/23/17's $54.94), the net noncommercial length was 1.03 million contracts, or 15.9 percent of total open interest. Such a lofty net NCL position is "vulnerable" to liquidation, which (all else equal) would tend to weaken oil prices.

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Gold's important low on 12/3/15 at $1046 preceded crucial bottoms during first quarter 2016 in stocks and the broad GSCI. That 12/3/15 low rested just above its worldwide financial crisis high, 3/17/08's $1034 (also recall 2/5/10's $1045 low). The 12/15/16 gold low at $1124 was about a one year anniversary of its 12/3/15 bottom.

What did December 2016's gold low signal for other marketplaces? As in December 2015, it probably warned of a subsequent notable top in the broad real TWD. However, in contrast to gold's pattern for December 2015 and several subsequent months, December 2016's gold low probably precedes crucial peaks during or not long after first quarter 2017 in the S+P 500 and emerging marketplace stocks, as well as in the broad GSCI. The ongoing rising rate trend for the US 10 year government note since 7/6/16, and especially since after the November 2016 US election, is very important for this assessment regarding the implications of the December 2016 gold low.

Admittedly, gold has not rallied massively since its December 2016 trough. This hints that gold has performed a bit more as a commodity and a bit less (relatively speaking) as a currency/store of value, in recent weeks. Recall gold peaked on 7/6/16 at $1378, not long after the broad GSCI's June 2016 interim high. And the 1Q17 high in the broad GSCI did not exceed its June 2016 elevation by much. And at some point, even if the US dollar began to weaken, rising dollar interest rates (especially relative to inflation levels) still can to some extent diminish gold's allure. Gold's 7/6/16 summertime plateau coincided with the UST 10 year's major low in yield.

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The strength of the broad real trade-weighted US dollar in recent years partly derived from the American economy's being more robust than that of many other advanced nations. Picture the Euro Area and Japan. Also, many advanced and developing nations engaged in competitive depreciation to boost their exports and economic growth. Perhaps the American economic theater will remain in somewhat better shape than that of other developed and important emerging marketplace nations. But this is not inevitable.

Recall Trump's fervent 2016 campaign and Presidential threats regarding raising tariffs, renegotiating (or tearing up) trade agreements, changing the country's import/export tax laws, and building a wall between America and Mexico.

Since around mid-year 2016 (recall the April 2016 TWD low and its ascent from August 2016's level), and particularly during the weeks following the 11/8/16 election, some of the broad real TWD appreciation probably occurred in response to Trump's trade policy pronouncements. Thus during the several months prior to and the first few weeks following Trump's inauguration, significant appreciation "has been built into the dollar". The post-election rally in the S+P 500 also likely occurred in part due to this inflammatory trade language, as well as related exciting "America First" wordplay regarding tax cuts and infrastructure spending.

In addition, many countries probably do not want their feeble or weakening currency to "equal" (be a sign) that their nation and its leadership are weak or losing control. Thus in the global world of power politics (and power economics), countries such as China, Japan, and Mexico may push back on the economic (trade, currency) front against Trump and his allies. Also, vocal supporters of "free trade/free markets" around the world (this group includes many US citizens) will battle against Trump's trade policies.

The Mexican peso versus US dollar cross rate low occurred recently, at 22.04 on 1/11/17 and 1/19/17. What about the Euro FX cross rate low against the US dollar? Despite concerns about populist advances in upcoming European elections and Euro Area breakup, the recent low in the Euro FX against the dollar, 1/3/17's 1.034, has held. This support level stands near that of other notable relatively recent Euro FX bottoms, 3/13/15's 1.046 and 12/3/15's 1.052.

Although marketplace history obviously need not repeat itself, it is particularly significant that TWD breakouts in 2014 and 2015 above critical resistance barriers eventually accompanied S+P 500 weakness. Thus at some point the advance of the TWD above its January 2016 plateau probably will interrelate with an important interim (and perhaps a major) S+P 500 high.

FURTHER CONCLUSIONS

The adage "easy come, easy go" suggests that something good (whether money, a possession, a relationship, or a situation) acquired with little or no effort may be abandoned or lost casually and with minimal or no regret. However, everyone knows that Wall Street traders (and investors and speculators) hate losing money. Many asset holders may regret the departure of the Fed's long-running glorious easing regime.

In "I Shot the Sheriff", Bob Marley & the Wailers sing:
"Reflexes had the better of me
And what is to be must be.
Every day, the bucket, I go out well;
One day the bottom of it drop out
One day the bottom of it drop out".

Will the bottom ever again drop out of the S+P 500? Will the mighty broad real trade-weighted United States dollar ever again tumble substantially?

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What's the bottom line? As the United States 10 year government note yield moves higher, it thus seems probable that the S+P 500, MXEF, and broad GSCI probably will decline "together" (around the same time). This overall pattern likely will connect with depreciation in the broad real TWD. The highs for the S+P 500, MXEF, TWD, and broad GSCI reached thus far in calendar 2017 probably will not be broken by much, if at all.

If more than modest weakness in stocks, commodities, and the US dollar develops, it will be interesting to see if UST yields temporarily retreat significantly, or instead keep on climbing.

"Around" first quarter 2017 likely will be an important time period for a "turning point" in the UST 10 year. Recall not only its initial yield low at 1.53pc on 2/11/16. Keep in mind other first quarter anniversaries, 1/2/14's 3.05pc peak and 2/9/11's 3.77pc plateau.

For US 10 year government note yields, a turning point occurring around first quarter 2017 may involve a temporary pause in the longer run trend of rising yields that commenced in July 2016. However, a marketplace turning point can have a different appearance than this scenario. So alternatively, a turning point for the 10 year UST note in or around first quarter 2017 instead may involve an acceleration of the rising yield pattern that began in July 2016, with the interest rate moving above the 2.65 percent resistance and close to (and perhaps significantly above) 1/2/14's 3.05pc ceiling. That alternative rising yield "breakout" scenario for the UST (whether it occurs around first quarter 2017 or thereafter) probably would have substantial consequences for other marketplaces. Recall the relevance of the broad real trade-weighted dollar breakouts (acceleration of an existing TWD trend) after September 2014 and October 2015.

For the near term in this context, watch to see if the MXEF sustains a move under 9/7/16's 930 high, whether the broad GSCI slips more beneath 6/9/16's 392 top (on 3/10/17 it stood at 380;

10/19/16 minor top 381), and whether the broad TWD decisively falls under January 2016's 100.9 height. Also note if the nominal TWD tumbles significantly under 1/20/16's 126.0 elevation. The nominal TWD's fall from its end December 2016/January 2017 high is testing its January 2016 top. It fell to 125.2 on 2/23/17 (2/3/17 was 125.3); its latest (3/3/17) level is 126.3 (most Fed data reported 3/6/17).

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For further marketplace analysis, see essays such as "Rhetoric and Global Currency Trends" (2/13/16); "Gold and Goldilocks: 2017 Marketplaces" (1/10/17); "Back to the Future: the Marketplace Time Machine" (12/13/16); "The New World?! US Election Aftermath" (11/15/16); "US Election 2016: Rolling and Tumbling" (11/6/16); "Running for Cover: Foreign Official Holdings of US Treasury Securities" (10/13/16); "Great Expectations: the Federal Reserve, Inflation, and Politics" (3/20/16).

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