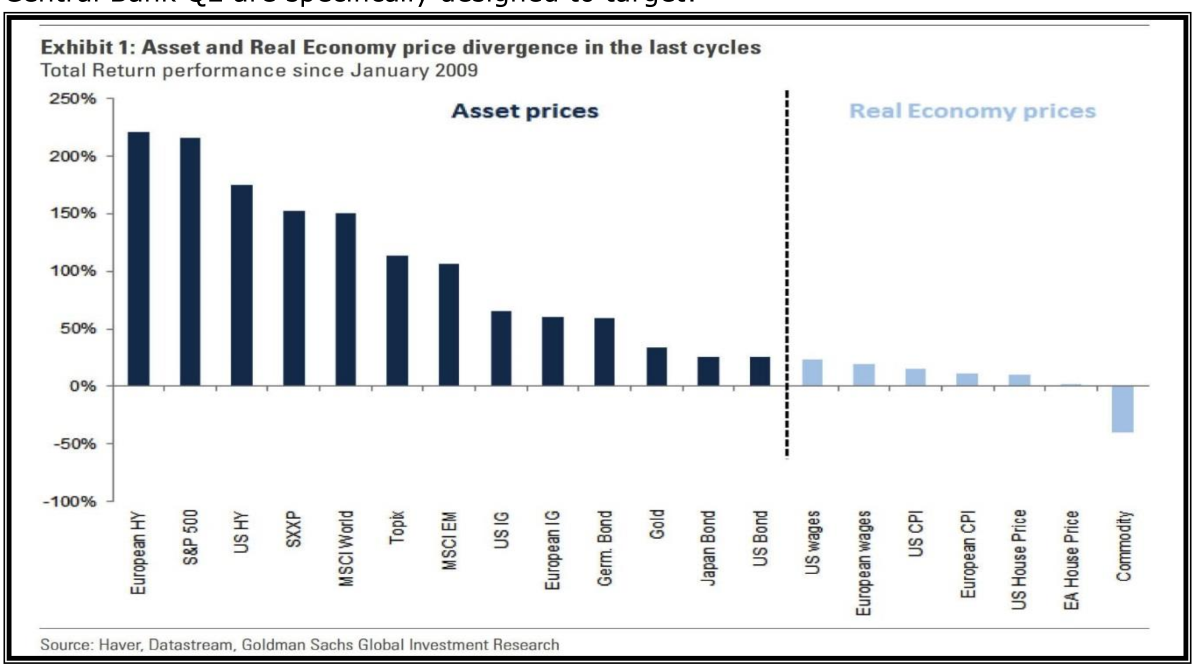
Every Which Way but Down, Right?

There's a lot to get to from politics as usual, the dollar losing its luster and finally the SP500 losing 1%. Anyway we thought we would lead things off with a basic economic term. One that seems to be on the minds of some people in the industry, but we aren't quite sold on it ourselves, at least not in the totality that many believe is the reason the FED has been forced to raise rates and that is the topic of inflation. Inflation? We say, which inflation?

This chart from Goldman which Zhedge posted Friday, pretty much sums up what TARP and Central Bank QE are specifically designed to target:



For us, this chart cements **the real reasons why the FED does what it does** and why it most likely can **never truly raise rates** over the inflation rate. The real rate as we discussed last week, must remain accommodative for these assets to continue to have positive alpha generation. This however is indeed a conundrum, hell we hate that word. We would rather call it for what it truly is, **REDISTRIBUTION,** from debtors to creditors!

The central bank policies guarantee that the wealthy continue to get even more wealthy (creditors) and at the same time enslave the commoner (debtors) with perpetual debt. With no chance to earn risk free interest and with wages sitting to the left of this chart, it's no wonder Wall Street laughs all the way to the bank. This is also the reason for the populist revolt that propelled Mr. Trump into office. The FED and all the global central banks know full well that their policies do little for the general populace and in fact simply solidifies the growing inequality between the rich and the poor. We may be blunt but when **0.7% of global individuals control 45% of the global wealth**, this certainly doesn't bode well for the general populace, no civil society for that matter.

Now don't get us wrong we are capitalists, but capitalism designed and executed through organic natural processes, such as innovation and savings is one thing. Artificial growth due to increases in debt, K Street rules and regulations lobbying and central banks offering zero percent loans to infinity to those closest to the spigot is anything but organic. We don't want to infer that we know what the catalyst will be for these insane policies to cease to exist, but one thing is for sure, they will one day stop. We tend to think they will collapse spectacularly under their own death defying weight. In fact considering the FED handed the baton long ago off to the ECB, BOJ, BOE and the PBOC and is now raising rates, perhaps sooner is closer rather than later.

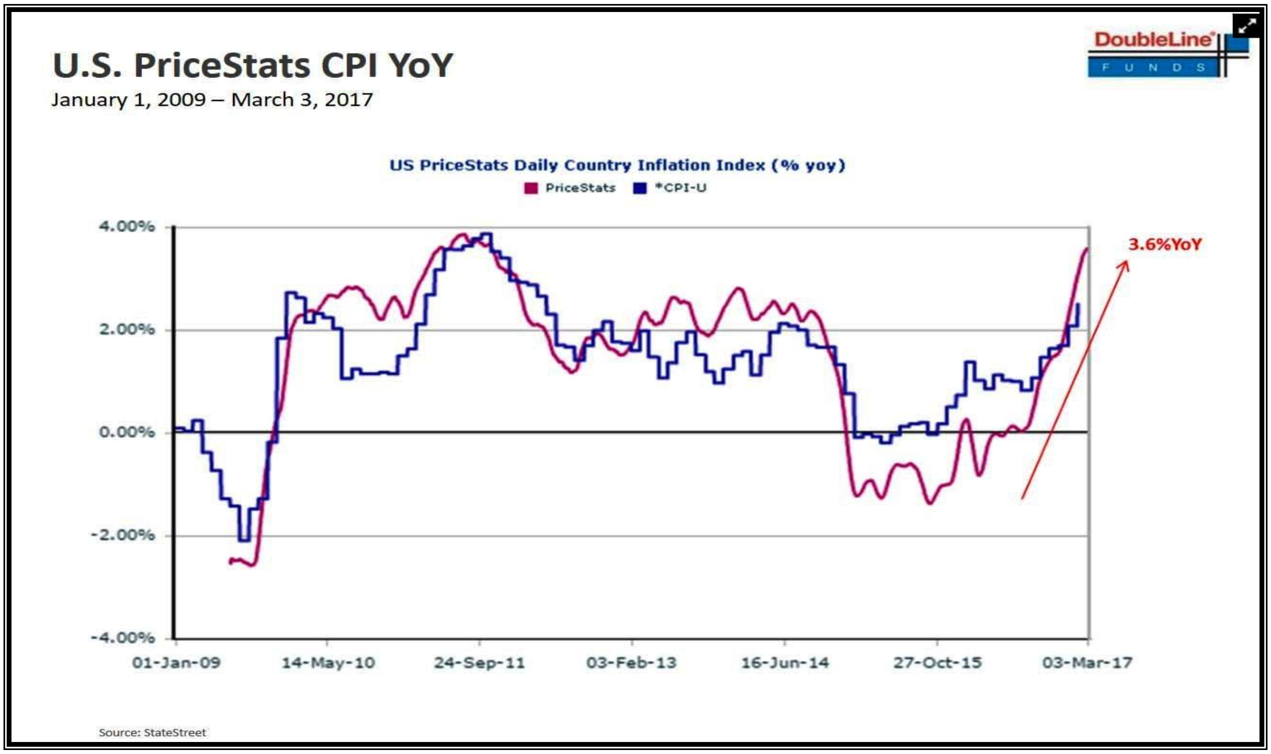
We believe things like the debt ceiling will cause some serious disruptions, but we know that that's nothing more than a political ruse, theatrics designed to enthrall the public into believing either political side are doing their job. We know in fact it's all BS and that without increasing debt, the system in its truest forms cannot survive, it would all come tumbling down. Then again, considering the Republicans and Democrats near zero possibility for bipartisanship, the debt ceiling may not pass and we may witness some interesting unexpected volatility. (well we expect it) We understand that the US left fiscal responsibility in the dust bins of history long ago, or in August of 1971 to be exact when Nixon abandoned the gold standard. So the FED and the central banks plan all along after 2008 has been very plain and simple, capitalize on the chaos and dupe the public into thinking more regulations, larger balance sheets and even more concentration of wealth is better for them. If you haven't realized by now the true intentions, then you deserve to just sit back and go along for the ride, good or bad, merely take it, but don't think for a minute you can complain, because you can't. Only those informed, who try to make a difference have that right and we hope you join the brigades of shedding light on this and all the other foolish sentiments that exist in our political and economic world, dare I mention the media?

We would also like to mention the fact the China has been secretly raising its own rates and has recently decided to ban individuals from purchasing commercial property, all of this to stem the hot money flow from gambling addicted Chinese risk takers. Reuters had an article out on that and it can be found Here. Gee we wonder if the PBOC ever thought that everyone would chase asset prices higher and higher if given all the free credit and money they wanted. Could they really be that senseless or has the threat of American hegemony proven too much for them to take anymore? This truly makes us think that times are changing and when regime changes occur, when things don't go as expected, like with Trump or in Britain with its exit and now rates rising in certain economies while accommodative or negative in others, just seems so paradoxical, yet so convincing that this time is truly different. It sort of seems that the "globalist agenda, the New World Order" is slowly unraveling, which Senator McCain, just recently suggested himself.

All of this has got us thinking, should we be looking at things from the 1% viewpoint or the 99%? Everything is a matter of perspective right? The only thing we can say is are we any better off or are we worse off? The powers that be will have you believe they saved the world, but whose world did they save? Are we foolish to think that anything matters below the 1%? It's far easier to bury your head in the sand, live your life and complain about things than it is to truly change the course and stand up for what is right. A simple question is would we rather be paying less for groceries, less for insurance, less for our shelter, or do we want to always pay more? It is an argument that should shed light on how we have been coerced into thinking all these years, that things always go up in price. It doesn't seem to be the case, it only seems to be some sort of Keynesian nightmare that we are all trapped in. It somehow seems to be that only the things we truly need to live go up in price everything else is in a deflationary spiral, wages included, some sort of Keynesian nightmare we suppose.

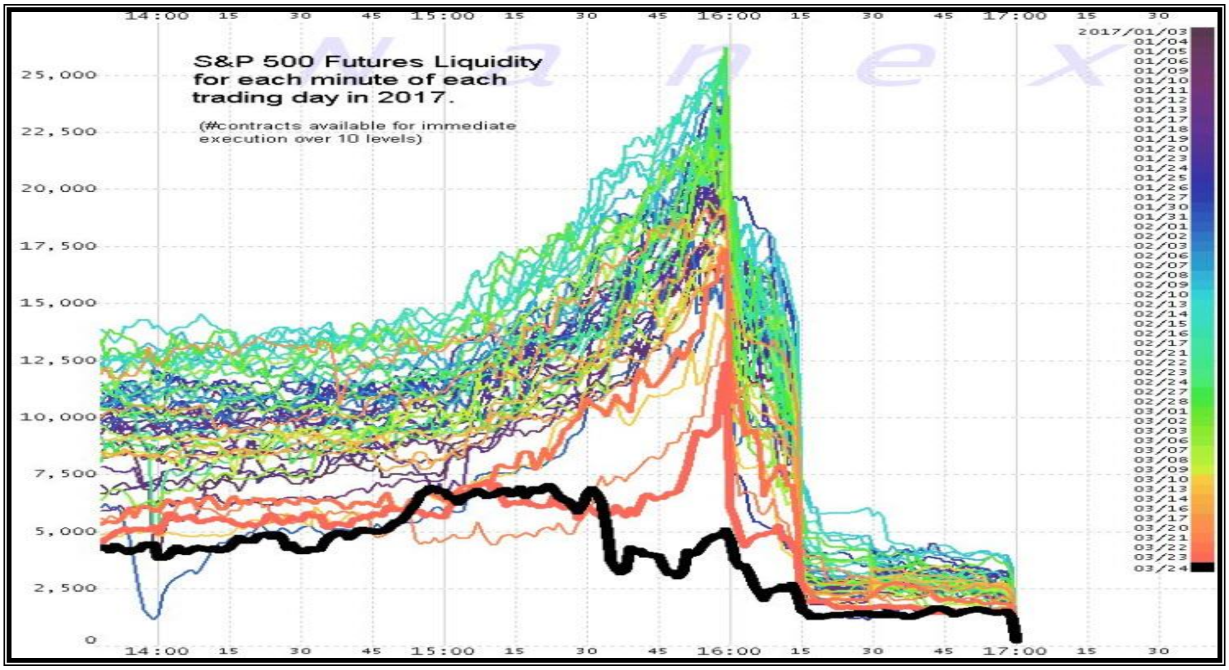
Now they will have us believe that AI is the next wage killer, really? what about the benefits and costs associated in building the AI, all the R&D, then into servicing the AI. We would rather think positively in terms of all the new innovations that may come, perhaps giving humanity more time to think and become more involved in their own personal reflections, which may lead to new and innovative thought process and then innovations. Not to go off on a tangent, but **just because we have the technology, does it mean we should use it**? Even Oppenheimer after creating the atomic bomb said "using it was a tragic mistake."

Just because we have the technology, does it mean by utilizing it we are truly any better off? Better off is a relative term, isn't it? We are not convinced, but that's a story for a different type of letter. Anyway that's just food for thought, let's get back to the markets and speaking of inflation Double line in their monthly webinar had this inflation chart, which zhedge also posted, but one that probably reflects the FED's concern, considering inflation does eat into the creditors profits and is ultimately the reason why the FED would have to raise rates:



We always enjoy Mr. Gundlach's monthly webinar, as we envy his prowess and candid rationality, we also like that he calls out his peers, that takes guts, which we believe is quite lacking in this industry of herd mentality and followers.

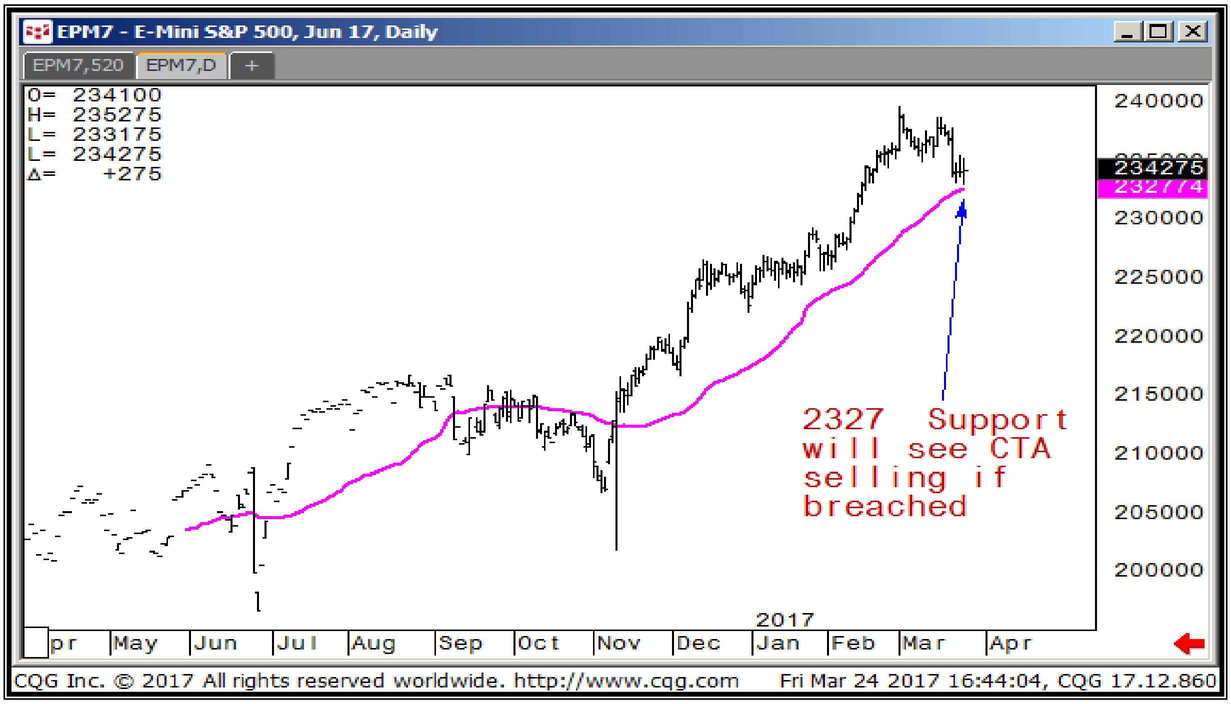
We also thought it a bit funny that we were getting questions about the lack of 1% moves in the SP500 and that a lot more attention was building on this data. Literally a day or two later the market lost 1%, when things start to garner attention and you hear it from sources you might not normally get it from, best to pay attention. When things started going south and all the talk of how HFT provides that so very necessary liquidity, well as Nanex always points out, we know where liquidity goes when things start to get dicey, out the window as denoted via the black line in their chart below:



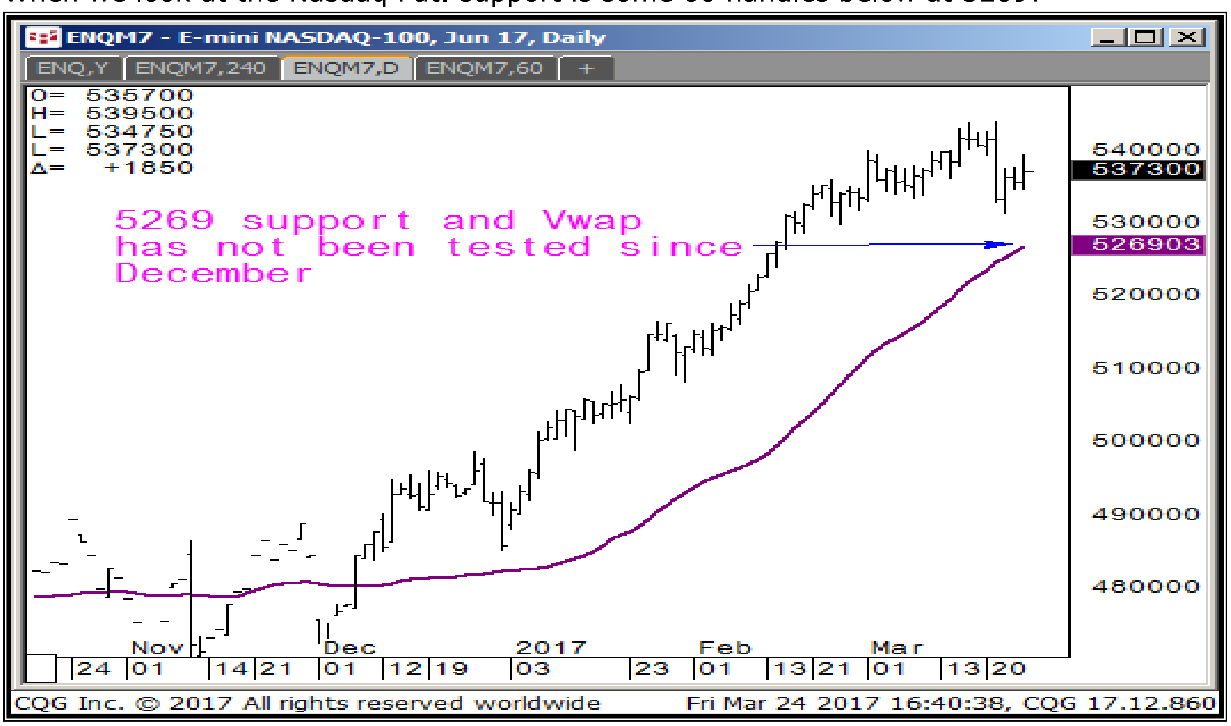
Ok without further adieu lets hit up the charts, beginning with our favorite combined US Bond and SP500 Future:

As we pointed out a few weeks ago with our text and blue arrow (Do you want to buy equities and bonds here), we have had a decent pullback but we haven't even reached any decent support yet. With all the political hacking going on and China slowdown lurking, we think risk is very susceptible here.

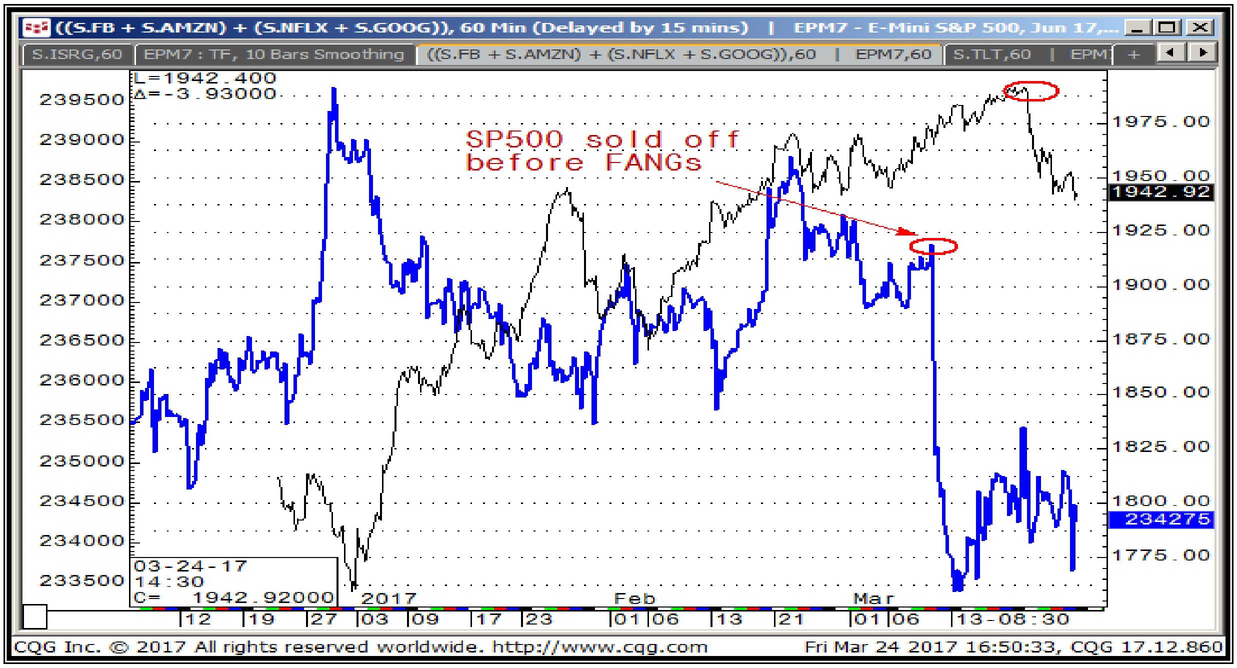
Just looking at the SP500 Fut. shows that the 2327 level is initial support but we suspect all those CTAs hired to shed risk for hedged purposes will be quick to dump upon any significant breech of this level :



When we look at the Nasdaq Fut. support is some 60 handles below at 5269:

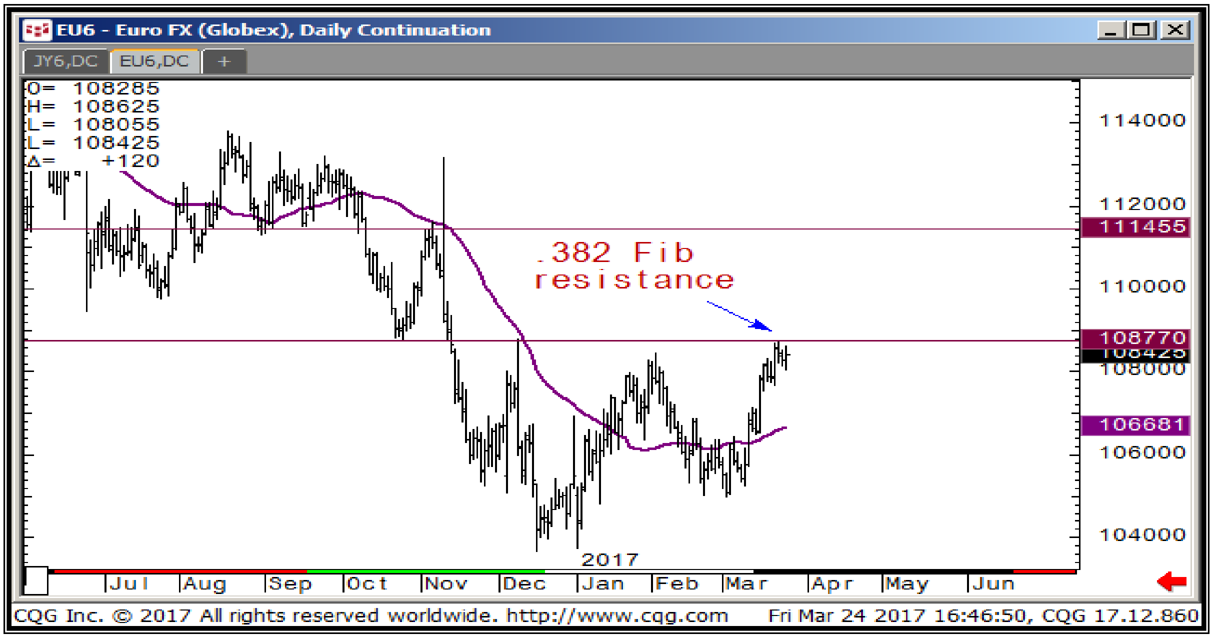


We can see from the SP500 and FANGs analog chart that the SP500 seems to be leading the turns and considering it moved south first we should suspect that any rebound would coincide with the FANGs firming up after.

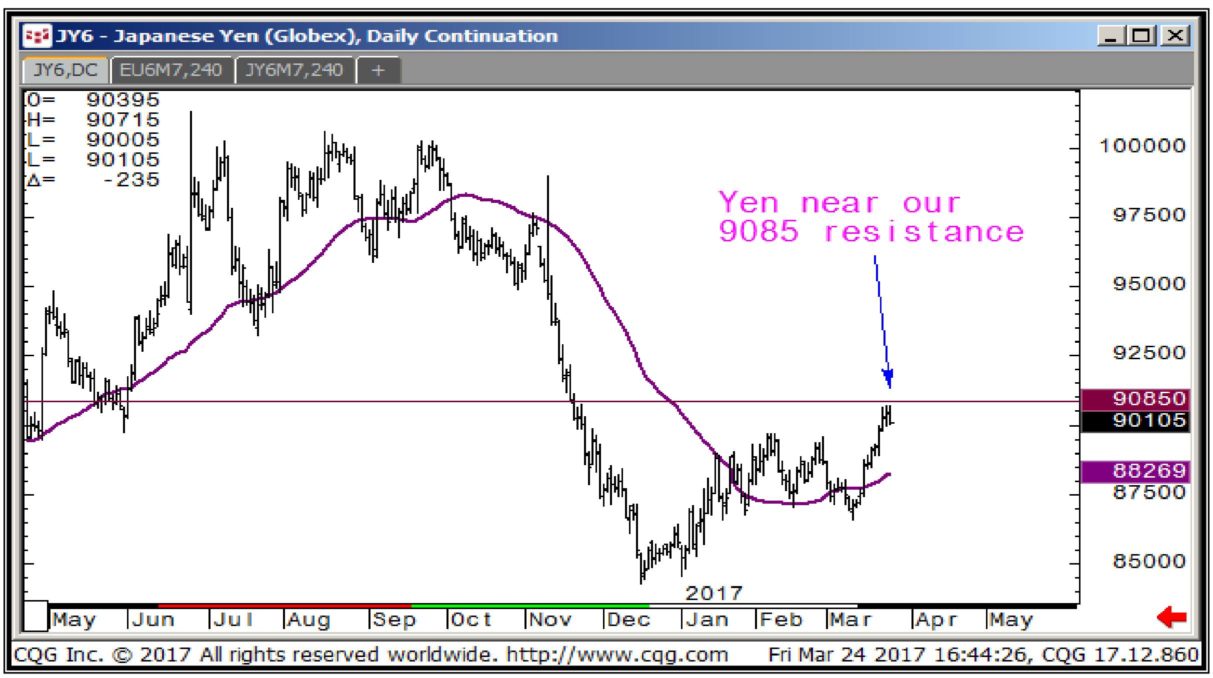


Keeping with the equity theme, we can't help but notice Google didn't have a very good week:

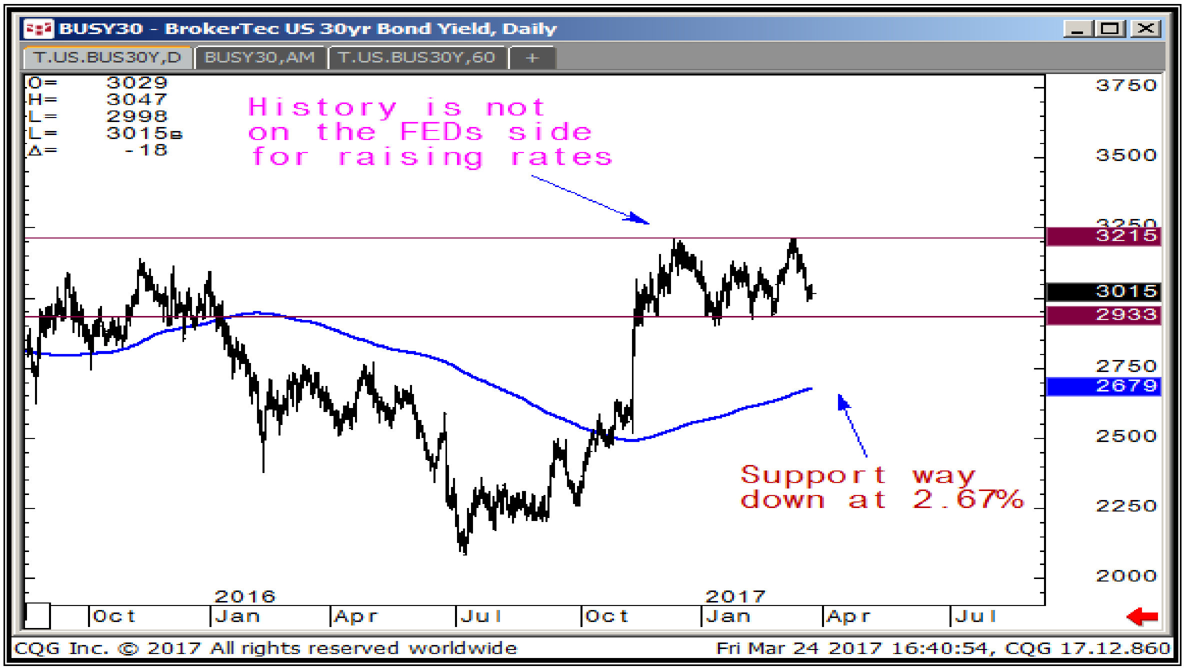
As we also touched upon last week when we saw the Euro and Yen rally, that the FED decision wasn't going to help the dollar's case despite rates going higher. The Euro and the Yen Futures have both continued to gain some ground and technically look bullish but have formidable resistance near as for the Euro, above 108-77 should see some follow through:



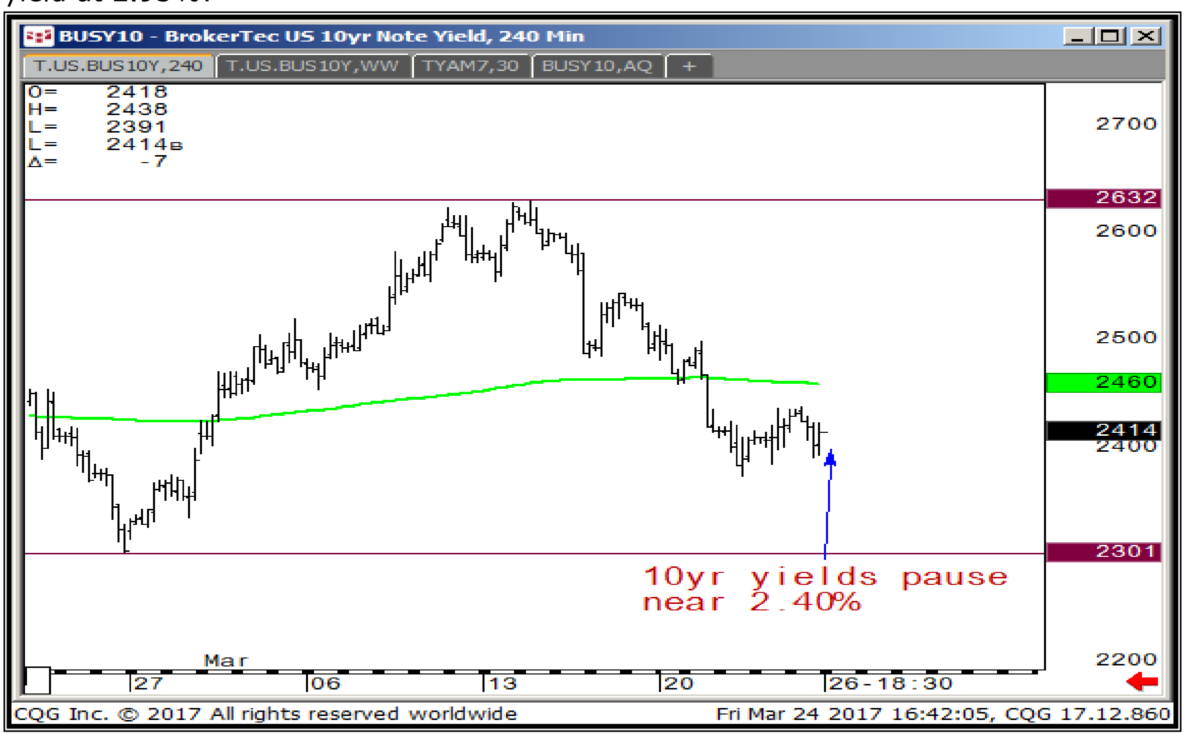
As for the Yen 9085 has and continues to be our target resistance and we would expect chatter out of the BOJ when this is breached"



Continuing on with the other crowded trades, which has garnered a lot of attention lately are the record net speculative shorts in the US bond market, well we knew they were toast after the FED meeting and bonds continue to perform relatively well. If bond yields continue to fall, expect further liquidation from weak hands and CTA trend followers. First up is the US 30yr Bond in yield, 2.93% seems logical if and when equities do continue to slide, plus word on the street is Asia is a seasonal supporter here:



This next chart is the US 10yr Note in yield which will extend toward 2.3% with the bond yield at 2.93%:



The next chart is the US 2s10 yield curve, which has risen since September of last year but has since the beginning of this year started to reverse down. This is consistent with the FED hiking rates and we would expect this chart to compress further as 10yr rates outpace 2yr rates in a bullish flattening.

Ok that's it for this week, we hope you had a good week and may good fortune continue to shine upon you. We thank you for the continued interest and we hope you are learning as we are each and every week. We will leave you with the weekly settles below. Bitcoin has been battered a bit due to some speculation in a hard fork or a separate unlimited Bitcoin. We aren't sure it will really matter, we do believe that Bitcoin is still the standard, however Ethereum has peaked some interest, as always do some research on these crypto's you may find them interesting. Oil continues to slide and the metals are holding their own.

24-Mar		**Weekly**	**Weekly**	**YTD**
Instrument	**Price/Yield**	**Net Change**	**% Change**	**% Change**
US 30yr Govt	3.00%	11 bp	3.5%	1.7%
US 10yr Govt	2.40%	10 bp	4.0%	1.4%
US 5yr Govt	1.93%	9 bp	4.5%	-0.1%
JUN Bond	151-03	2'21	1.8%	1.7%
JUN Ten Yr	124-17	0'26	0.7%	0.7%
JUN Five Yr	117-212	0'167	0.4%	0.3%
JUN SP500	2344.75	(30.50)	-1.3%	5.0%
JUN DOW	20575	(288.00)	-1.4%	4.6%
JUN Nasdaq	5378.75	(29.75)	-0.6%	10.5%
JUN Nikkei	19155	(205.00)	-1.1%	0.8%
JUN Dax	12094	(12.50)	-0.1%	5.2%
Shanghai Comp	3269.44	31.99	1.0%	5.3%
MAY WTI Crude	$47.97	(1.34)	-2.7%	-12.8%
APR Gold	$1,248.50	18.30	1.5%	8.1%
MAY Silver	$17.75	0.34	2.0%	10.5%
JUN Dollar Index	$99.44	(0.67)	-0.7%	-2.8%
JUN EURO	108.51	0.61	0.6%	2.6%
JUN YEN	90.580	1.47	1.7%	5.4%
Bitcoin (BTC)	961.10	(120.90)	-11.2%	0.8%

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