You Just Thought I Had Gone Away – I'm Back!
Don's Blog 2018.05.21

I continue to see evidence that not all is well with the world's economy. The emerging markets, which have been doing quite well, are now suffering due to most of their debt being denominated in U.S. dollars. As you know, the dollar has been quite strong due to—among other things—rising U.S. interest rates. These emerging markets have seen their currencies decline sharply in value. All this makes their debt difficult to service; and on the other hand, creates inflation at home while blunting our exports to them. Please note charts 1 and 2 below.

Now take a peek at the following as it pertains to U.S. interest rates. Chart 3 depicts rising long-term rates and economic activity. They are doing just the opposite of what they should be doing: going in different directions. Also note charts 4 and 5 which give a longer-term perspective on the relative levels of longer-term government bonds. Longer rates have the most effect on business spending, while shorter rates rest heavily on consumers. In that respect, please pay attention to the auto industry's problems concerning their customers. We have mentioned this previously, but look where we are now (charts 6, 7, and 8).

There is another number I saw the other day, which causes concern. 51 million family's in this country have a difficult time paying for necessities. Again, Wall Street is doing well and the rest of us are sucking putty balls.

All, of course, is not lost in my opinion. It appears the "Deep State" is about to be dealt a serious blow. I always say: there is no government like no government.

Chart 1

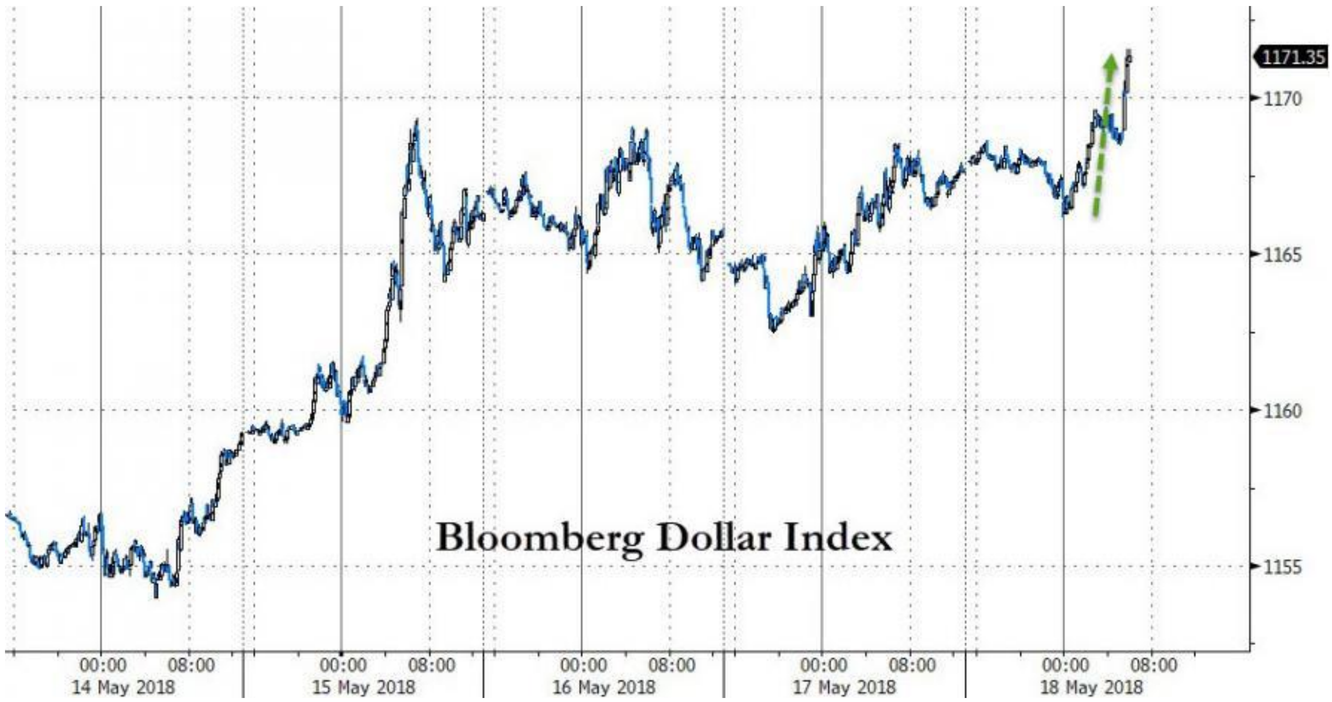

Chart 2

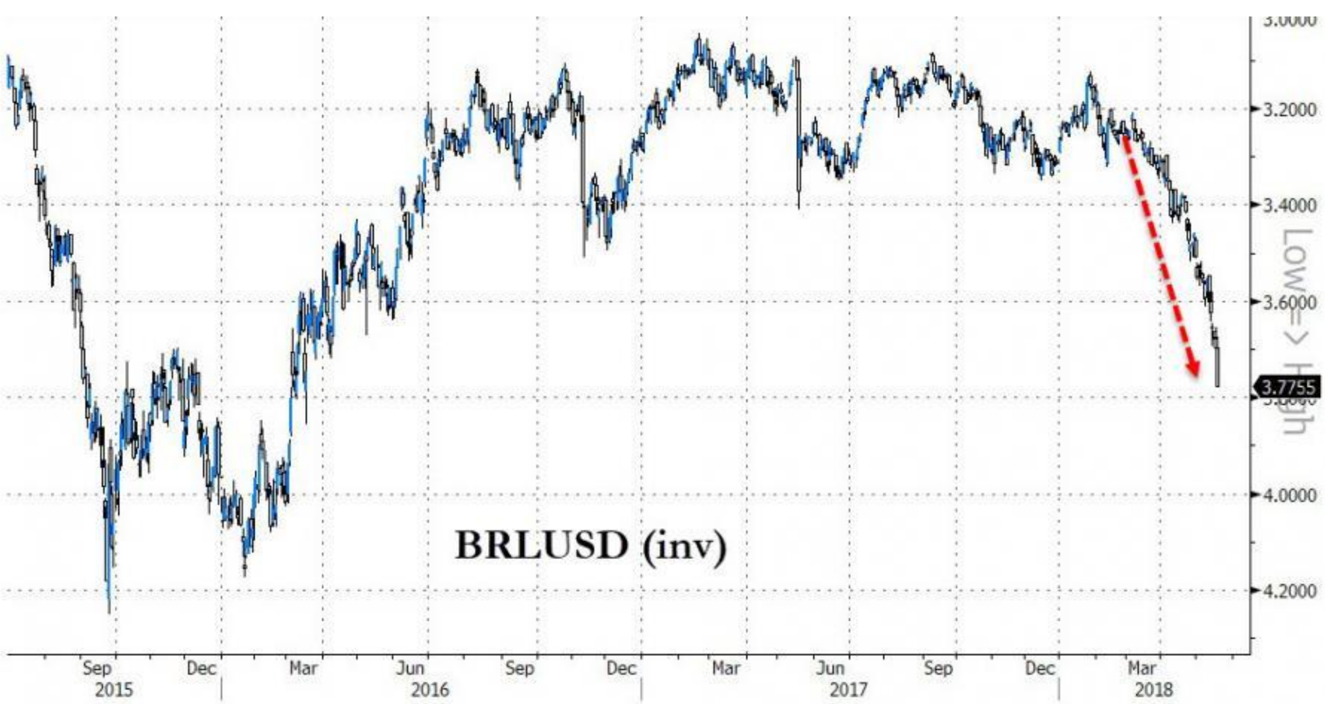

Chart 3

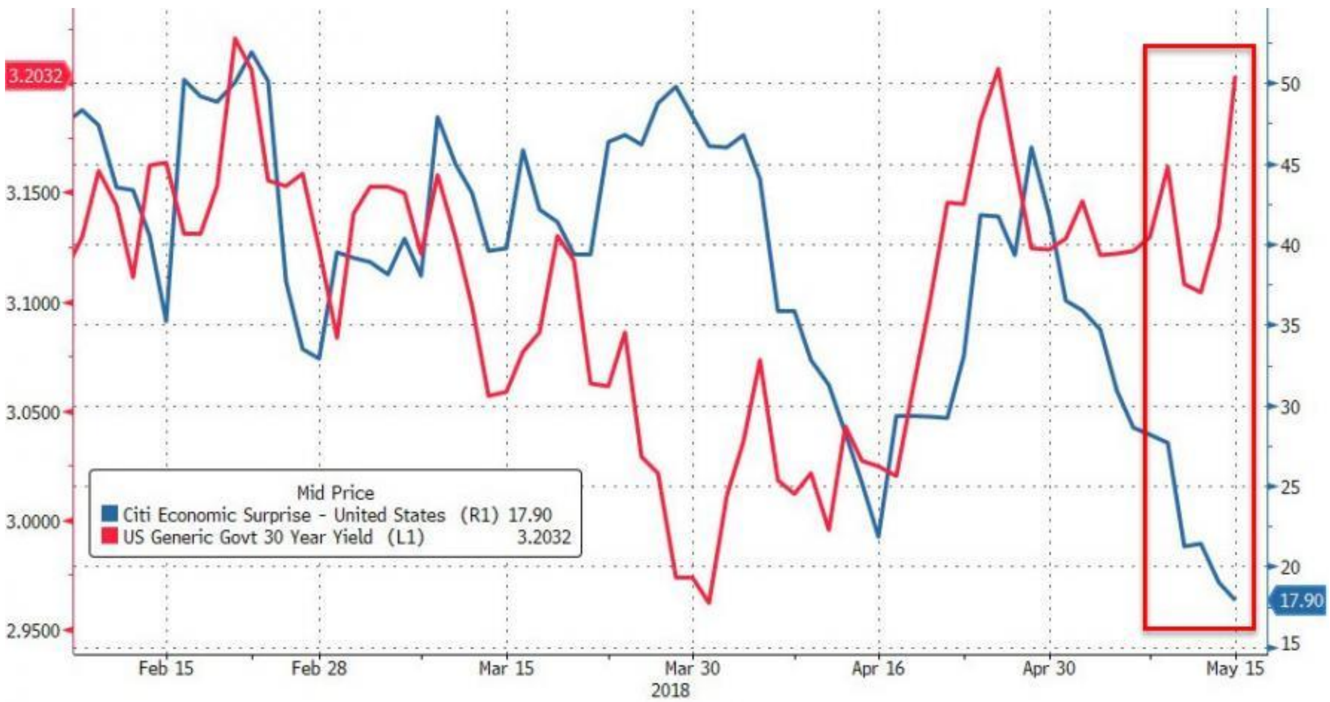

Chart 4

Chart 5

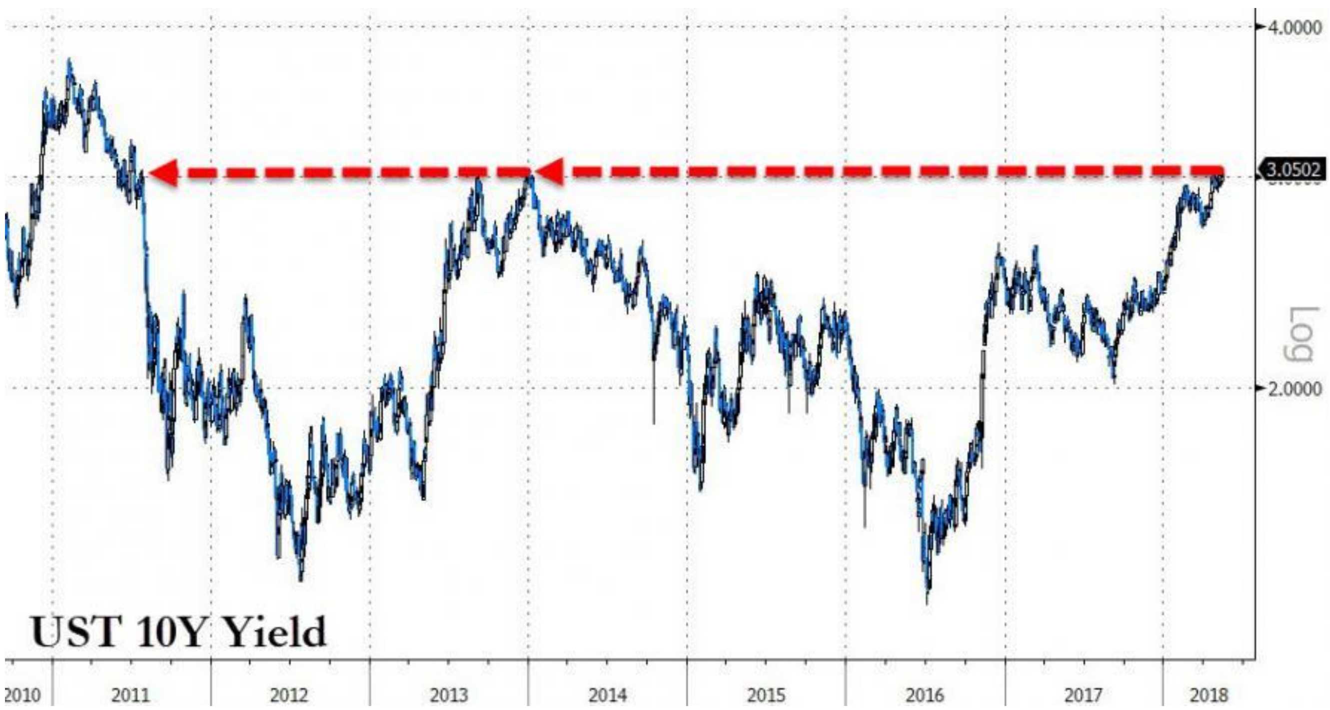

Chart 6

Adapted from zerohedge.com

Chart 7

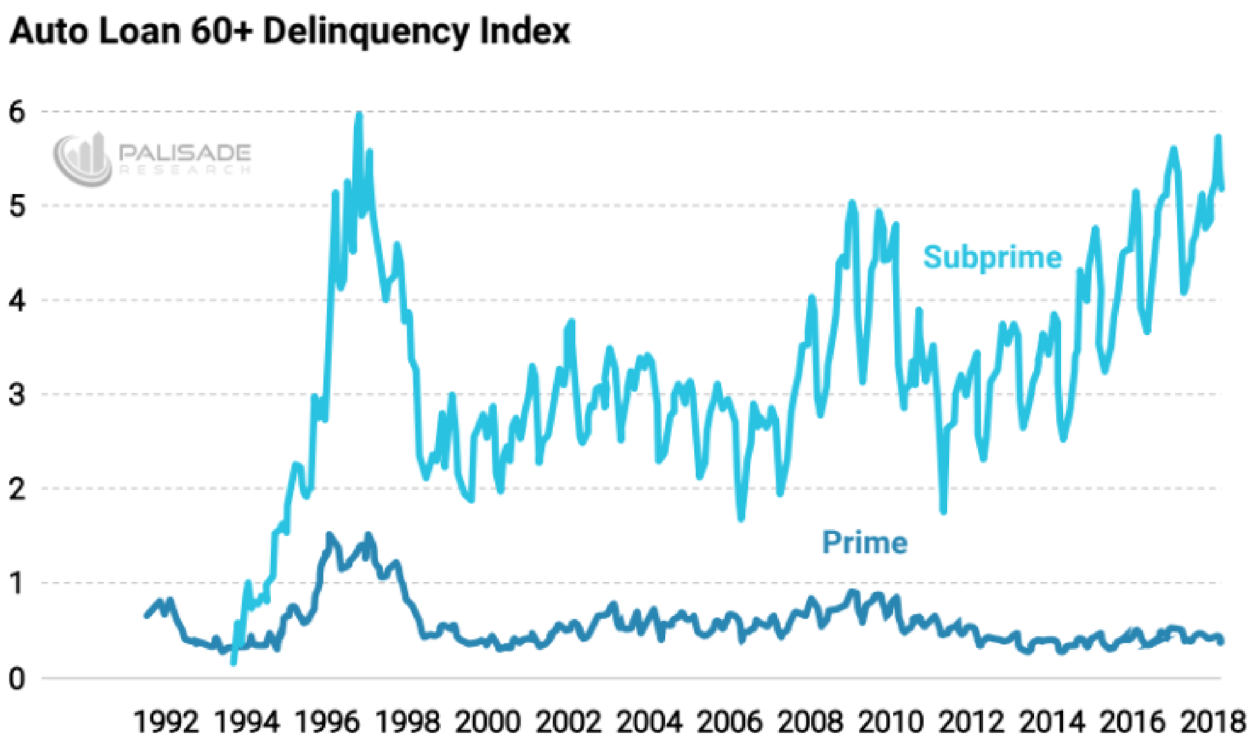

Chart 8