



GORDON T LONG

Advanced Technical Analysis



Gordon T Long
Global Macro Research |
Macro-Technical Analysis



Technical Analysis
Market Road Maps | HPTZ
Methodology



SII
Global Macro Research |
Market Road Maps

NOTE

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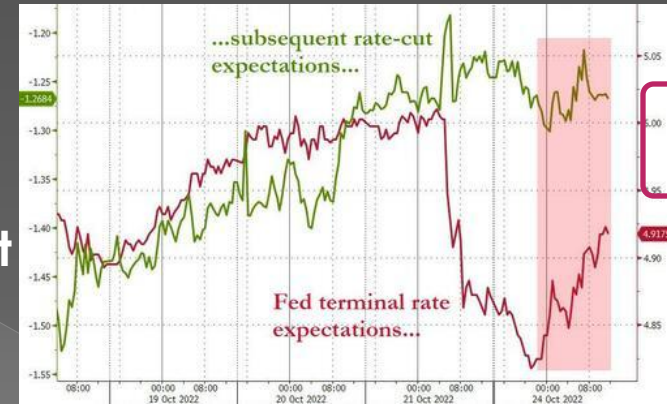
**CONTAINING
A VERY BAD
COCKTAIL
MIX!**



A VERY BAD COCKTAIL MIX!

1. Credit (*adjusted for inflation*) has contracted for the last three quarters,
2. Asset prices are plunging,
3. The Fed is being forced to increase interest rates even more aggressively than it had planned only a few months ago!
4. The Consensus Fed Terminal Rate at +5%

5% FED TERMINAL RATE



THE FED & US TREASURY KNOW THIS – SO WHAT IS THEIR PLAN?

AGENDA

CONTAINING A VERY BAD COCKTAIL MIX!

CAPITALISM v CREDITISM

- A Structural Death Blow

UNSUSTAINABLE CREDIT GROWTH

FIAT CURRENCIES & THE US\$

- Yen, Yuan, Euro Currency Problems,
- An Emerging Market Eurodollar Crisis

WHAT DOES THIS MEAN IN THE SHORT TERM

- Major Inflexion: Stability or Instability?

CONCLUSION

- The “Unholy Trinity”
- YCC, Capital Controls & Nationalism
- US Treasuries Off-Balance Sheet Contingent Liabilities
- The Dollar Will Be The Last To Fall



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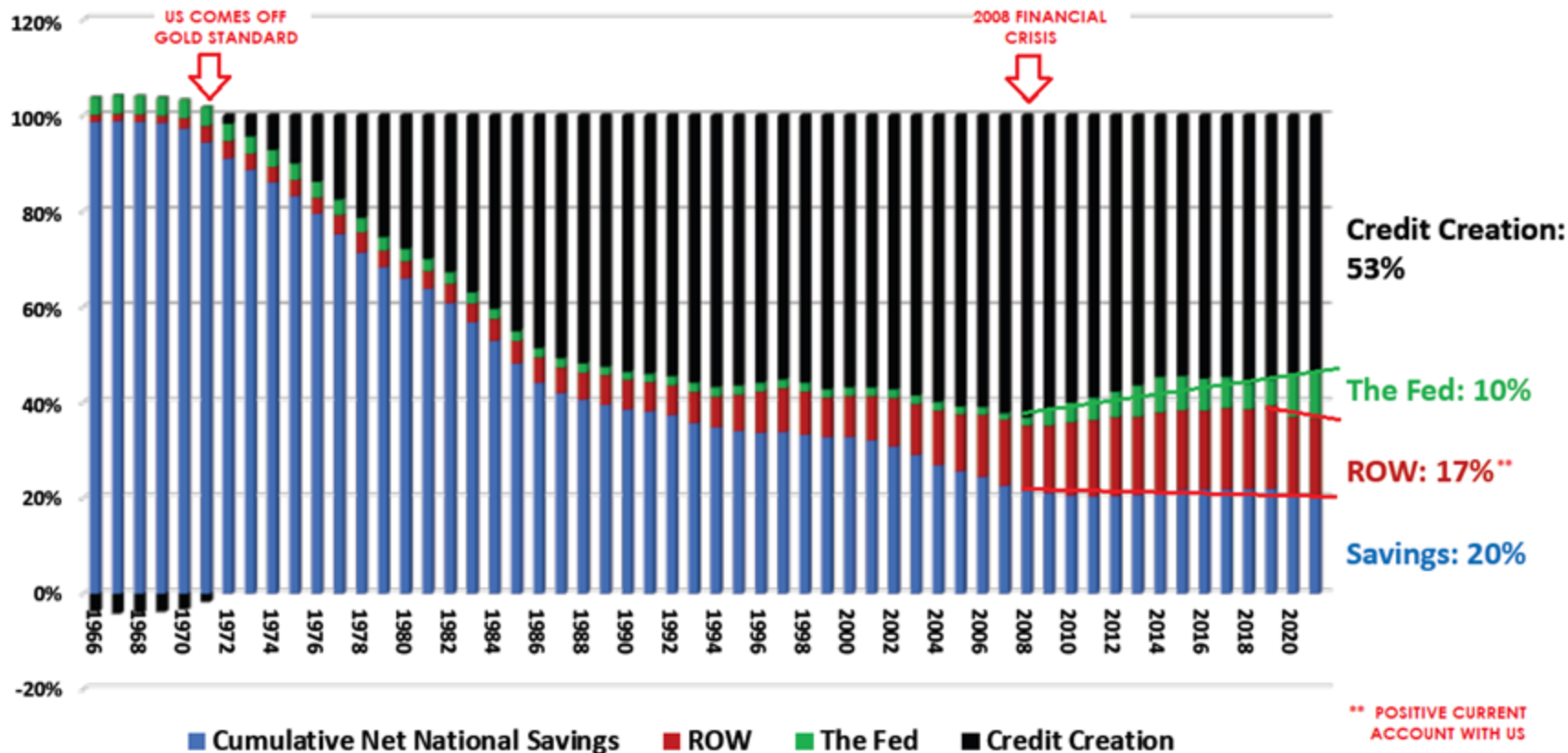
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Where Does The Money Come From To Fund The Debt?

Source Of Funding, % Breakdown from 1966 to 2021



Source: The Fed's Financial Accounts Of The United States; and the Bureau Of Economic Analysis

CAPITALISM v CREDITISM

CAPITALISM: **Savings Reinvested into Productive Assets**

Productive Assets Increase Labor Productivity
Higher Rate of Productivity Growth
Higher Standards of Living

CREDITISM: **Credit Used for Consumption**

Lower Rate of Productivity Growth
Lower Standards of Living

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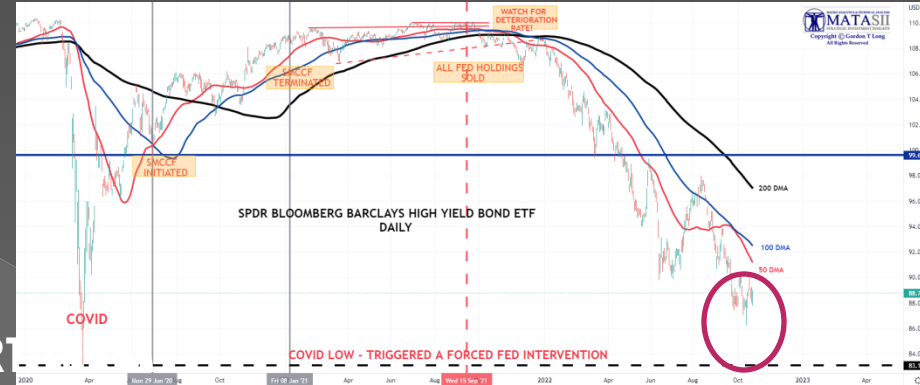
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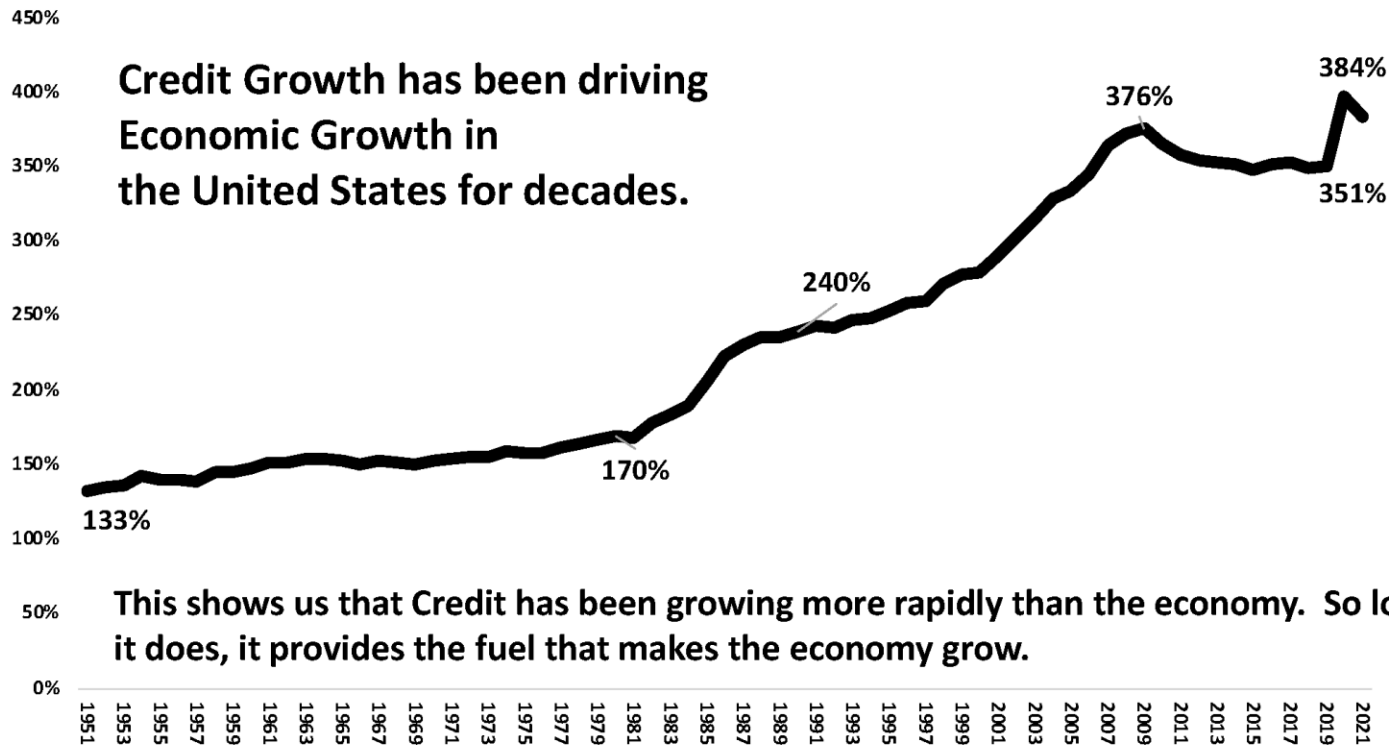


The Crisis Of Creditism

- Our economic system, Creditism, requires Credit Growth to stay out of crisis.
- As interest rates rise, Credit becomes less affordable.
- If further interest rates hikes cause Credit contraction to accelerate, the economy could spiral into a Depression – not just a recession.
- The current circumstances described in this video present a very grave challenge to Creditism.
- Investors should be prepared for something to break.

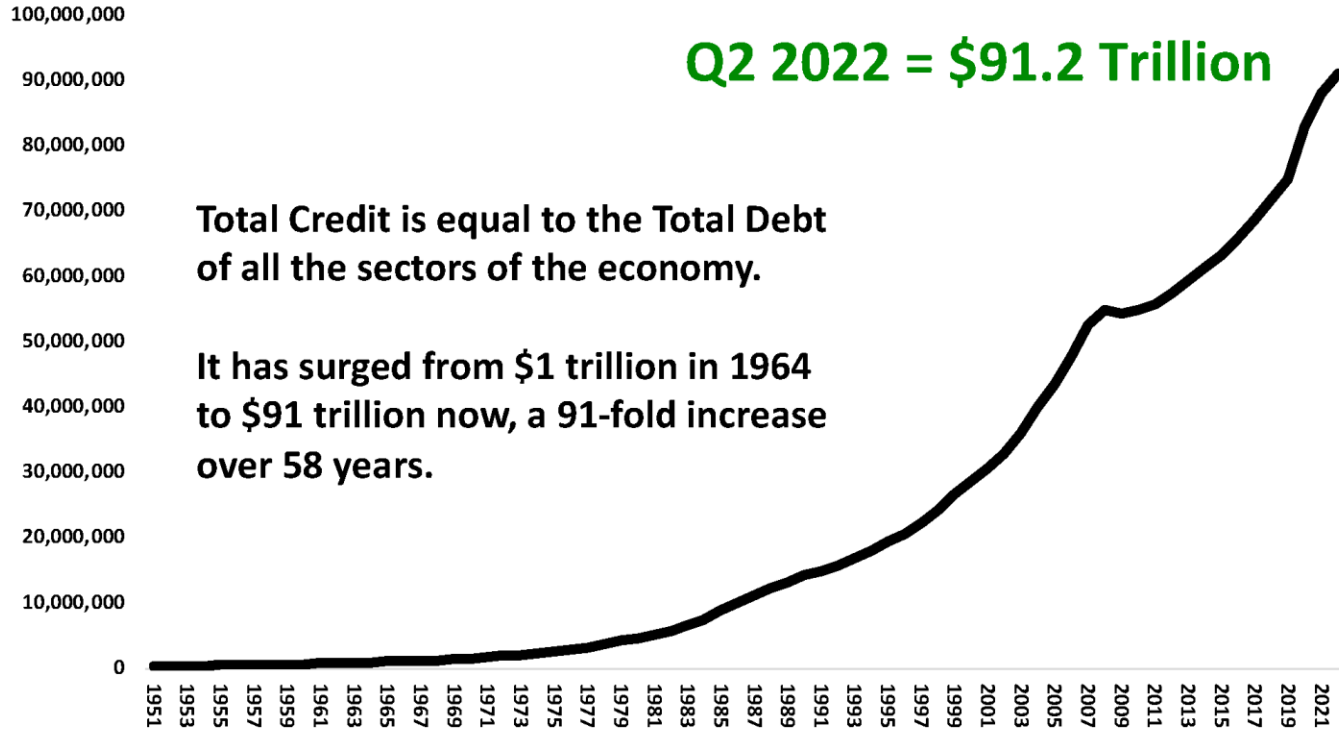
Total Credit to GDP

%, 1951 to 2021



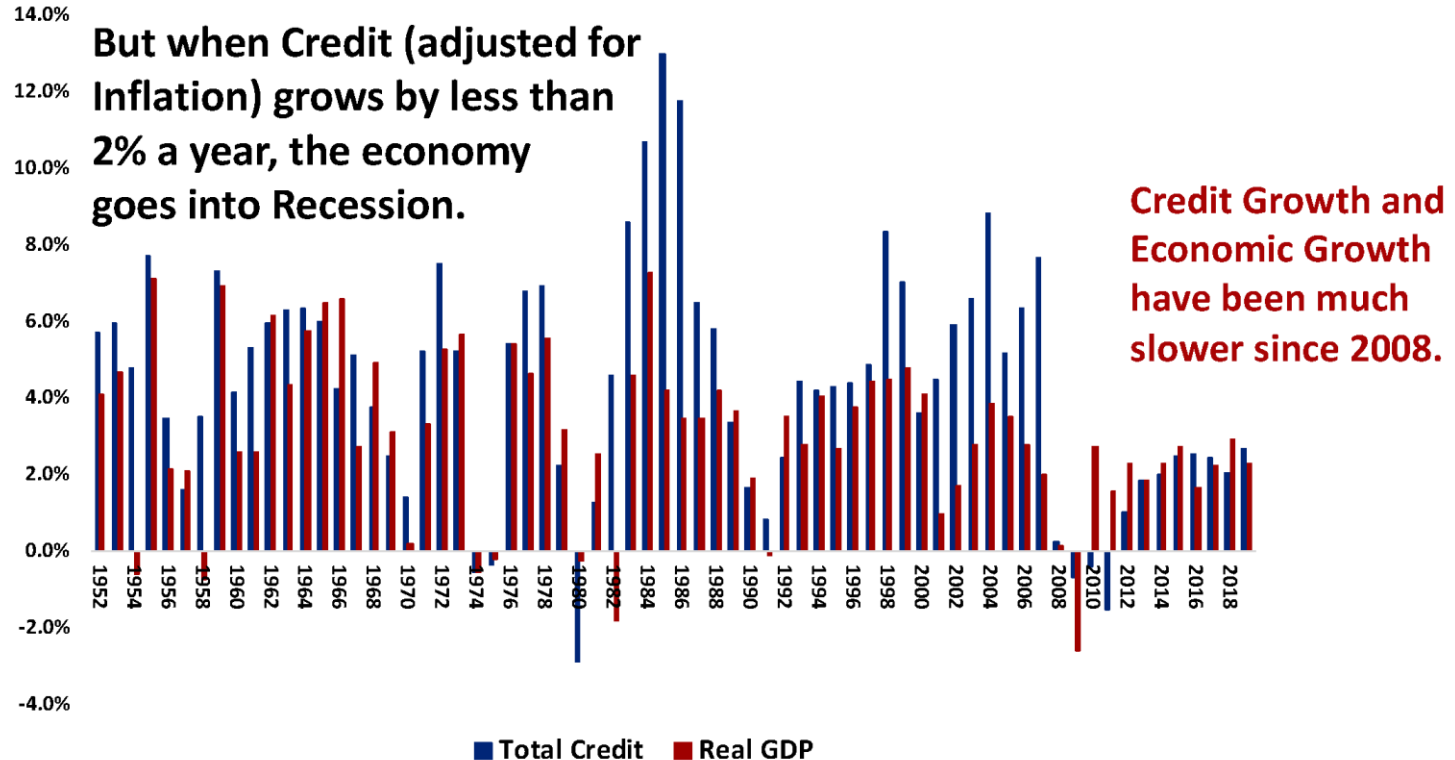
Total Credit = Total Debt

US\$ Millions, 1951 to Q2 2022



Credit Growth vs. GDP Growth

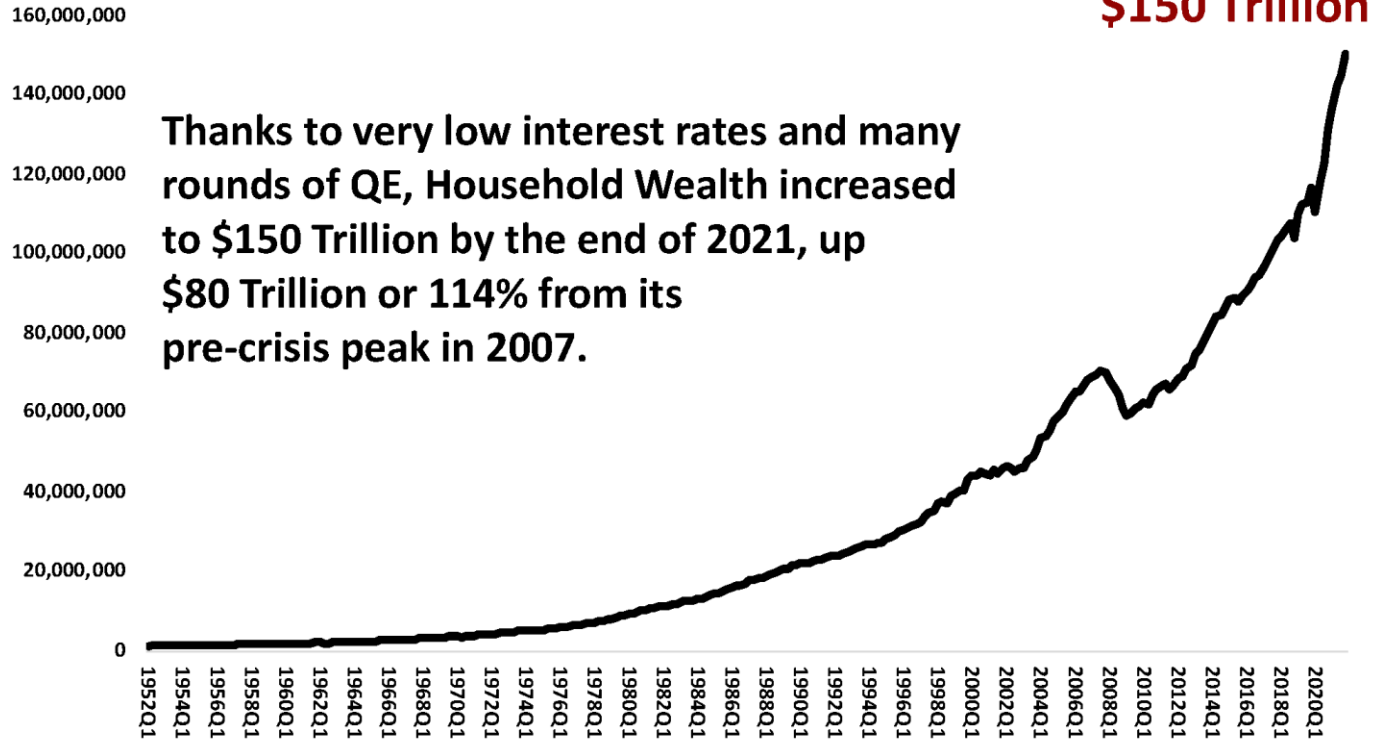
Adjusted For Inflation, Annual % Change, 1952 to 2019



Asset Price Inflation Supplemented Credit

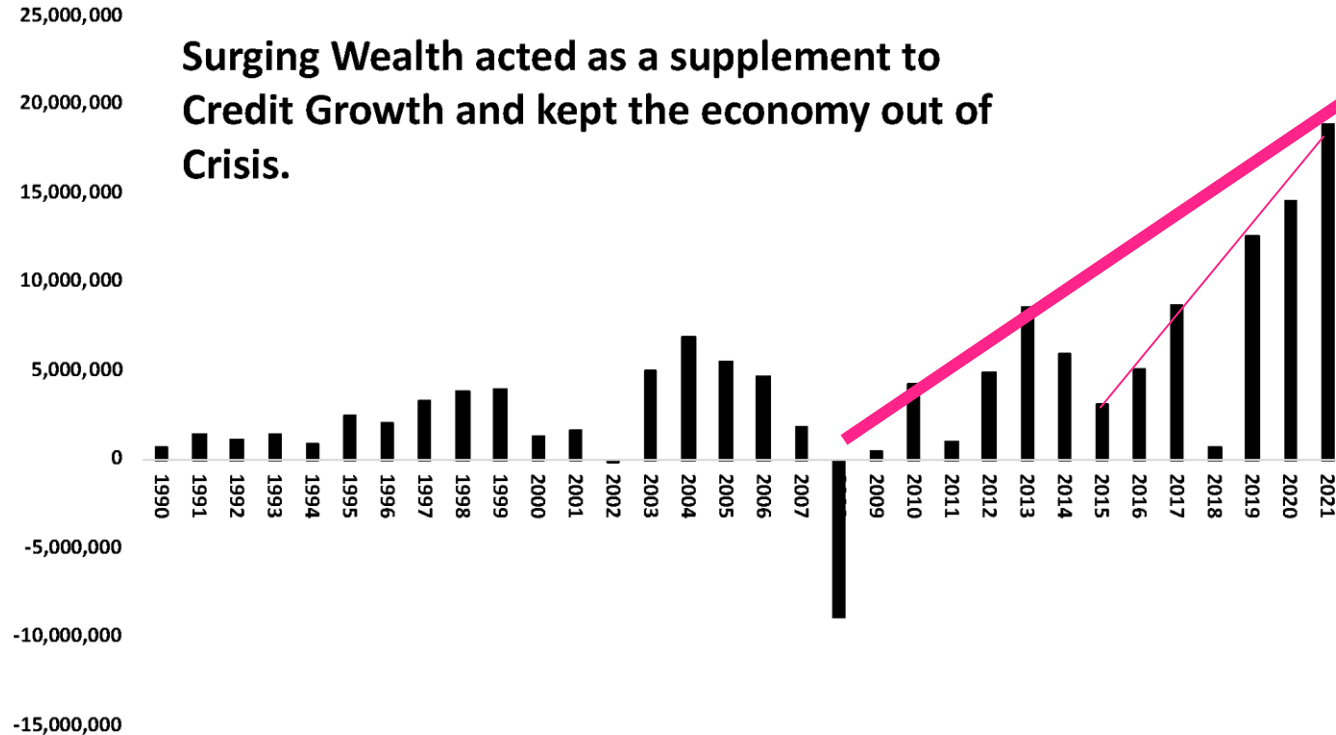
- When Credit Growth stalled following the Crisis of 2008, the Fed used Quantitative Easing to push asset price higher.
- Rising asset prices created a Wealth Effect that supplemented Credit Growth by boosting Consumption.
- In that way, the Fed ensured that the economy continued to grow.

Household Sector Net Worth US\$ Millions, 1952 to Q4 2021



Source: The Fed

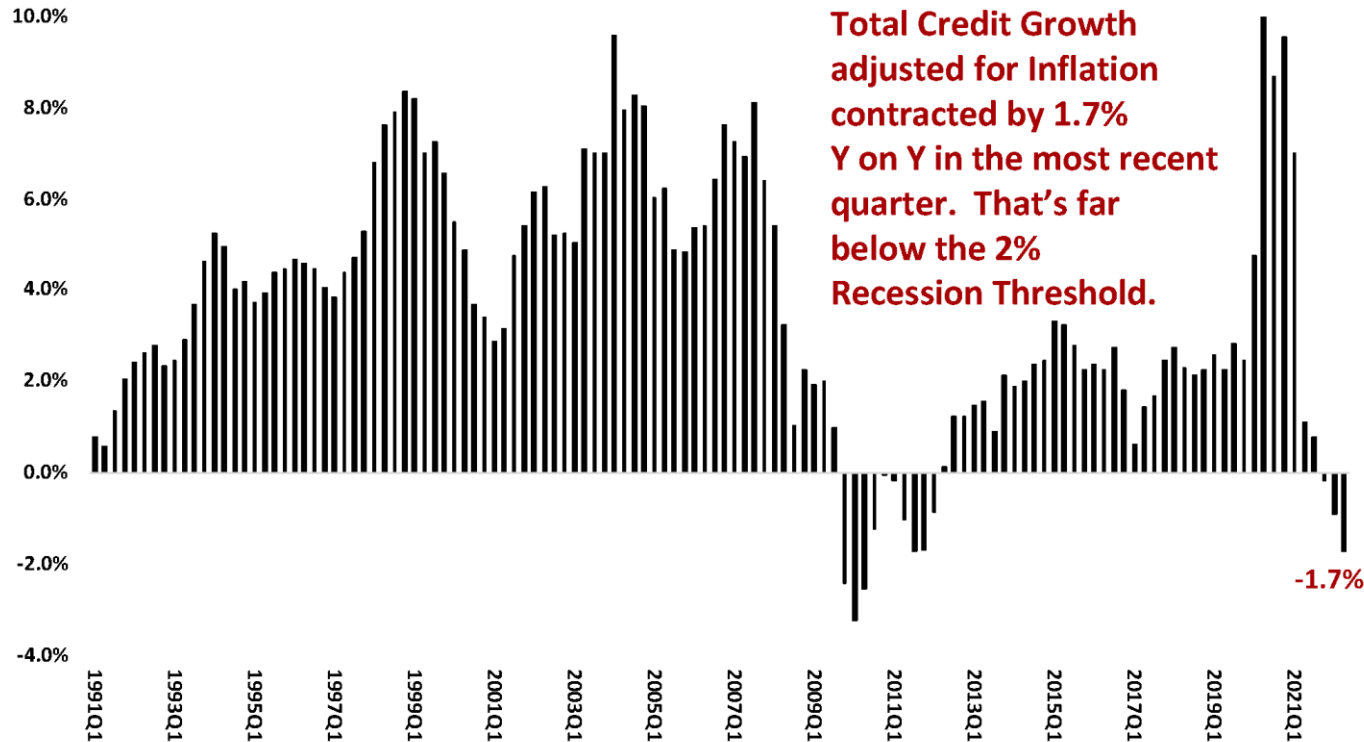
Household Net Worth, Annual Dollar Change US\$ Millions, 1990 to 2021



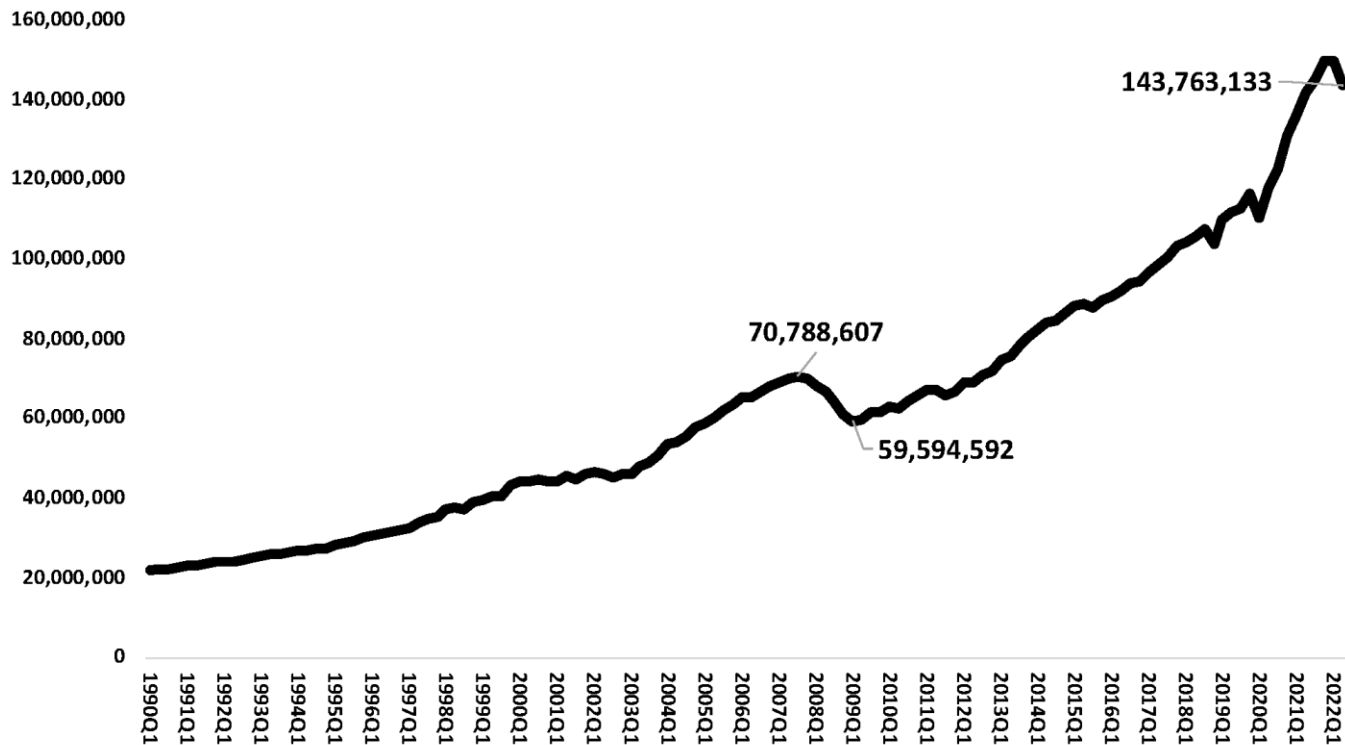
But Now...

- But now Credit Growth (adjusted for inflation) is contracting at the same time that plunging asset prices are wiping out trillions of dollars of Wealth.

Total Credit, Annual % Change Adjusted for Inflation, Quarterly, 1991 to Q2 2022



Household Sector Net Worth US\$ Millions, 1990 to Q2 2022



At the same time, Wealth contracted by \$6 trillion during the first half of this year.

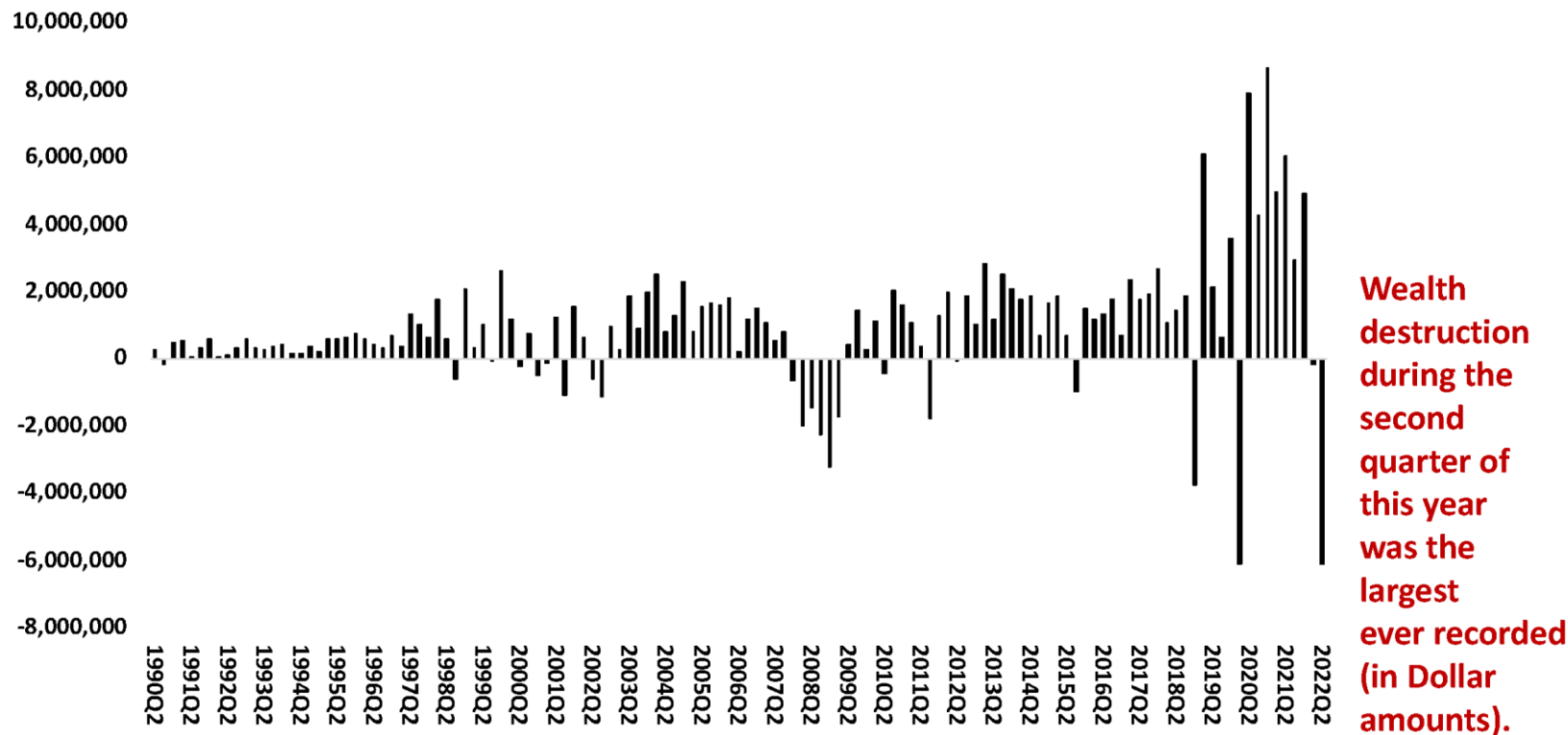
Drawdown in total market capitalization of US equity & fixed income



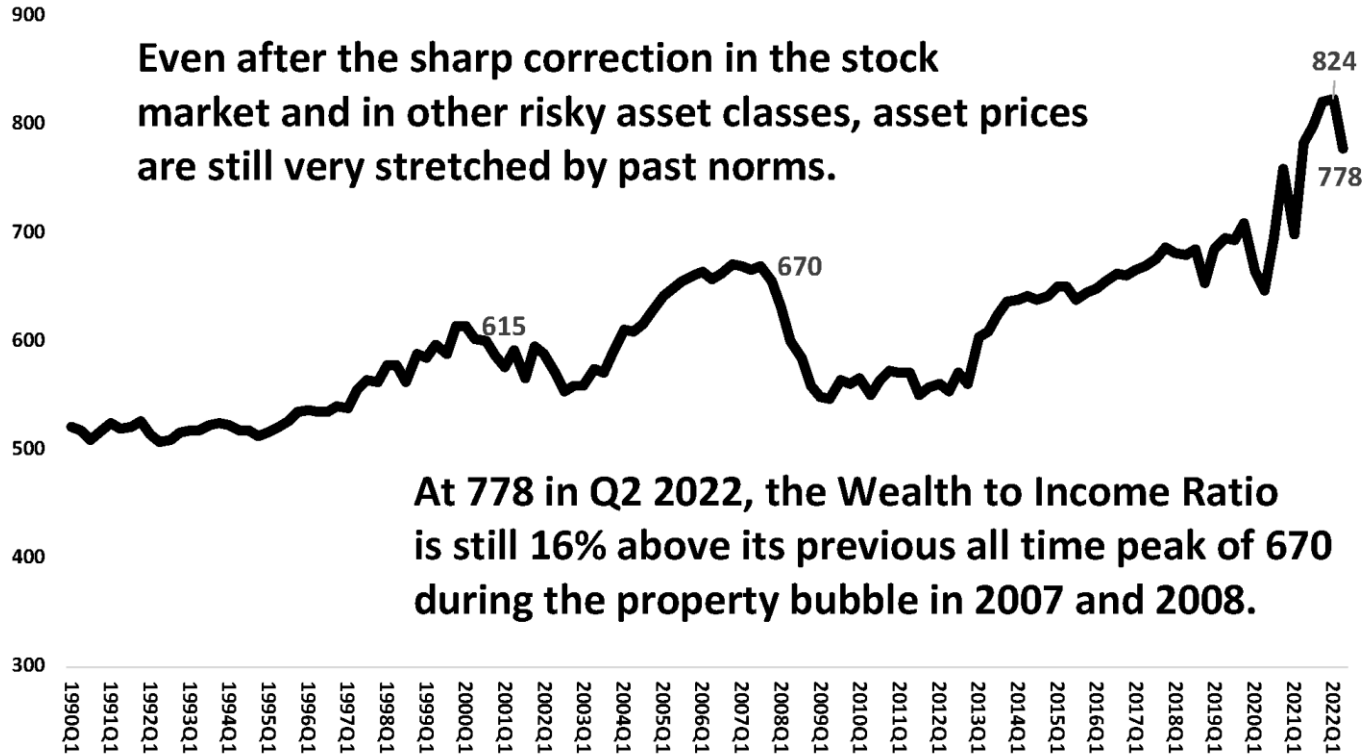
Drawdown in total market capitalization of US equity (based on Bloomberg data) & corporate, government & mortgage fixed income (based on BofAML data)

Bloomberg, Gavekal Research/Macrobond

Household Sector Net Worth, Quarterly Dollar Change US\$ Millions, 1990 to Q2 2022

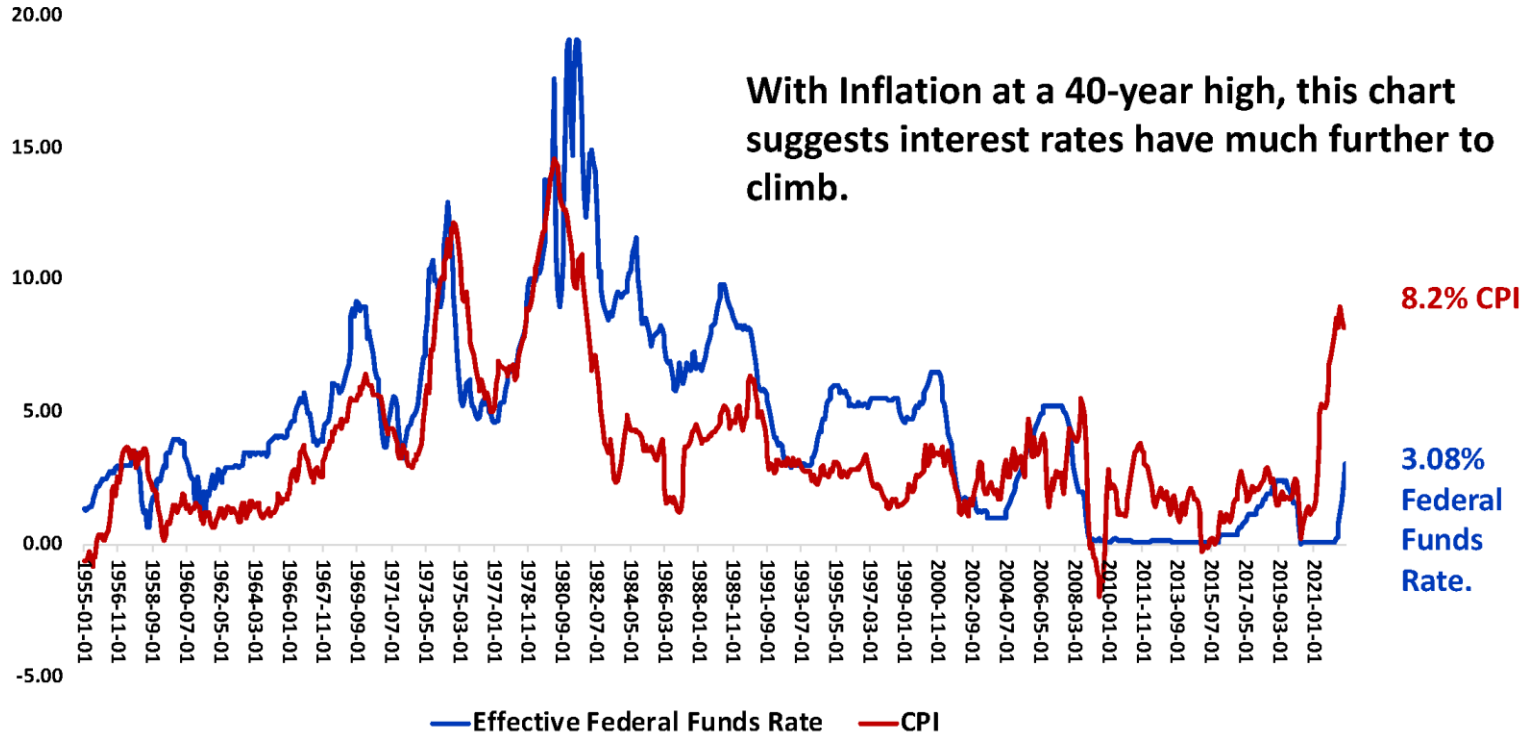


Net Worth as a Percentage of Disposable Personal Income %, 1990 to Q2 2022



This means that asset prices are still very expensive and at risk of further steep falls as interest rates rise.

Inflation vs. The Effective Federal Funds Rate %, 1955 to Present



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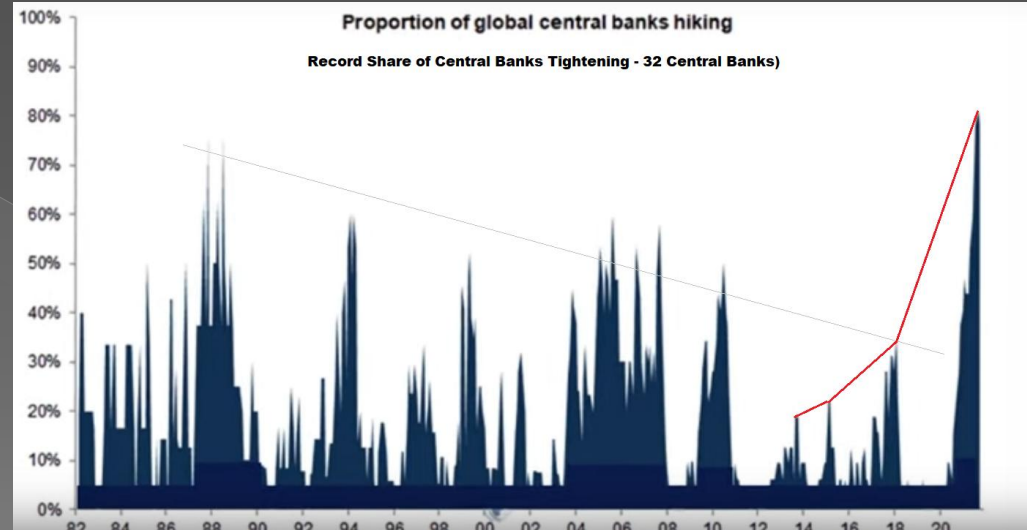
CONTAINING A VERY BAD COCKTAIL MIX!



FRAGILE GLOBAL ECONOMIC STATE

- Covid Lock-downs,
- A Fiscal Stimulus Surge,
- Supply Chain Bottlenecks,
- An Energy Crisis,
- A Ukraine War & Sanctions,
- Food Shortages.

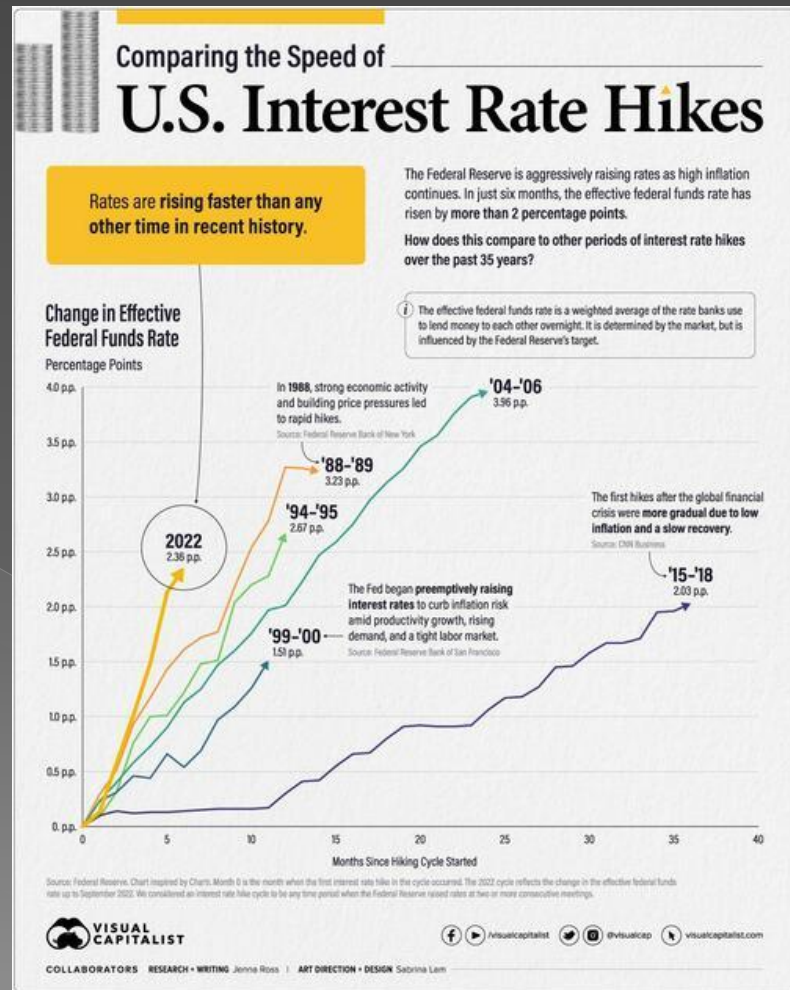
**A SERIOUS, UNPRECEDENTED
JOLT TO GLOBAL SYSTEM**



DESTABILIZING 2ND SHOCK

- Rate of Increase of US Fed Funds Rate,
- Rate of Increase of Real US Rate,
- Rate of Increase of US Dollar,
- Diminishing Level of Liquidity,

GLOBAL COST (and NEED) OF HEDGINGS

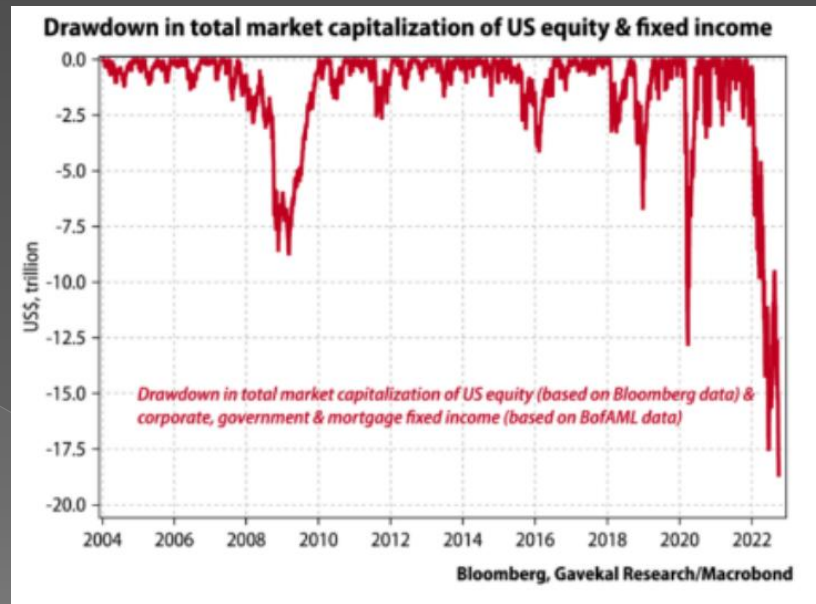


FRACTURING GLOBAL SWAPS

- \$40T in Lost Capital,
- Bond Volatility (VaR),
- Collateral Shortage Squeeze,
- Spiking FRA-OIS Rates

OVER-LEVERAGED GLOBAL LENDERS

- UK: LDI Pension Implosion,
- SNB: 11B In US Dollar Swaps (Credit Suisse),



\$18T in US
\$40T Globally

FRACTURING GLOBAL SWAPS

WREAKING HAVOC IN \$600T GLOBAL SWAPS MARKET

- Interest Rate Swaps
- Currency Swaps

NOTE: *Unprecedented Global Movements in Currencies & Rates Yet Zero OTC Public Visibility*

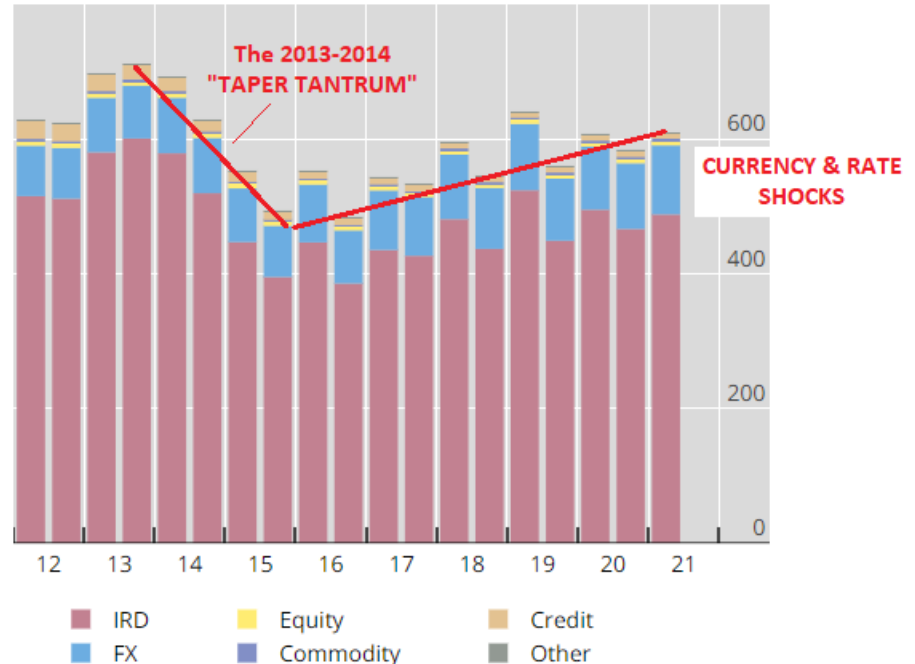
BIS REPORTING: **CRICKETS!**



Outstanding OTC derivatives In trillions of US dollars

CURRENCY & INTEREST RATE SWAPS

Notional amounts outstanding



Source: BIS OTC derivatives statistics (Tables [D5.1](#) and [D5.2](#)).

Put/Call Premium

— SPX — Put/Call Premium (Last = 3.08)

Zoom 3m 6m YTD 1y 3y 5y 10y 15y 20y All

From Jan 7, 2000 To Oct 14, 2022

NEARING INSTITUTIONAL PANIC



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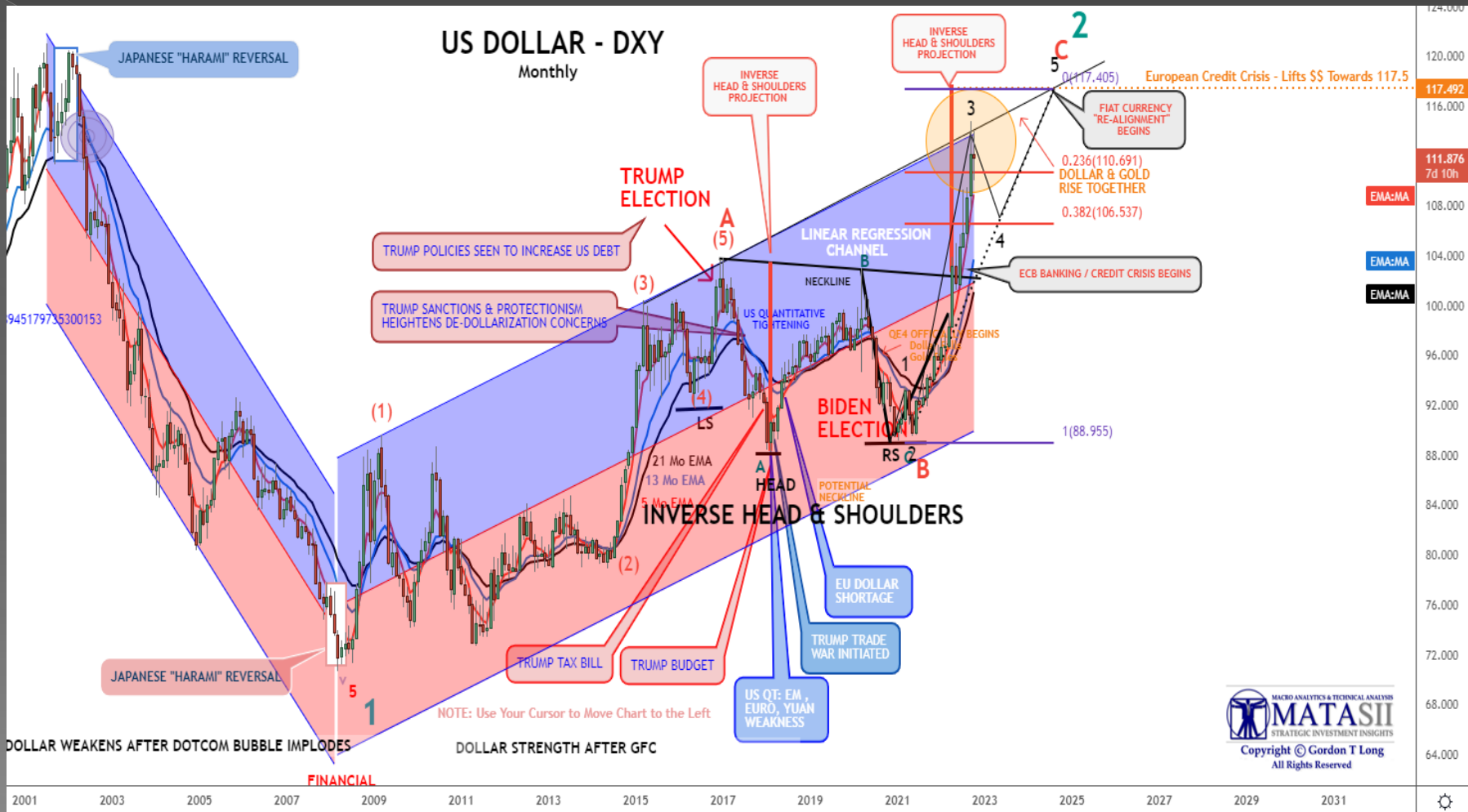
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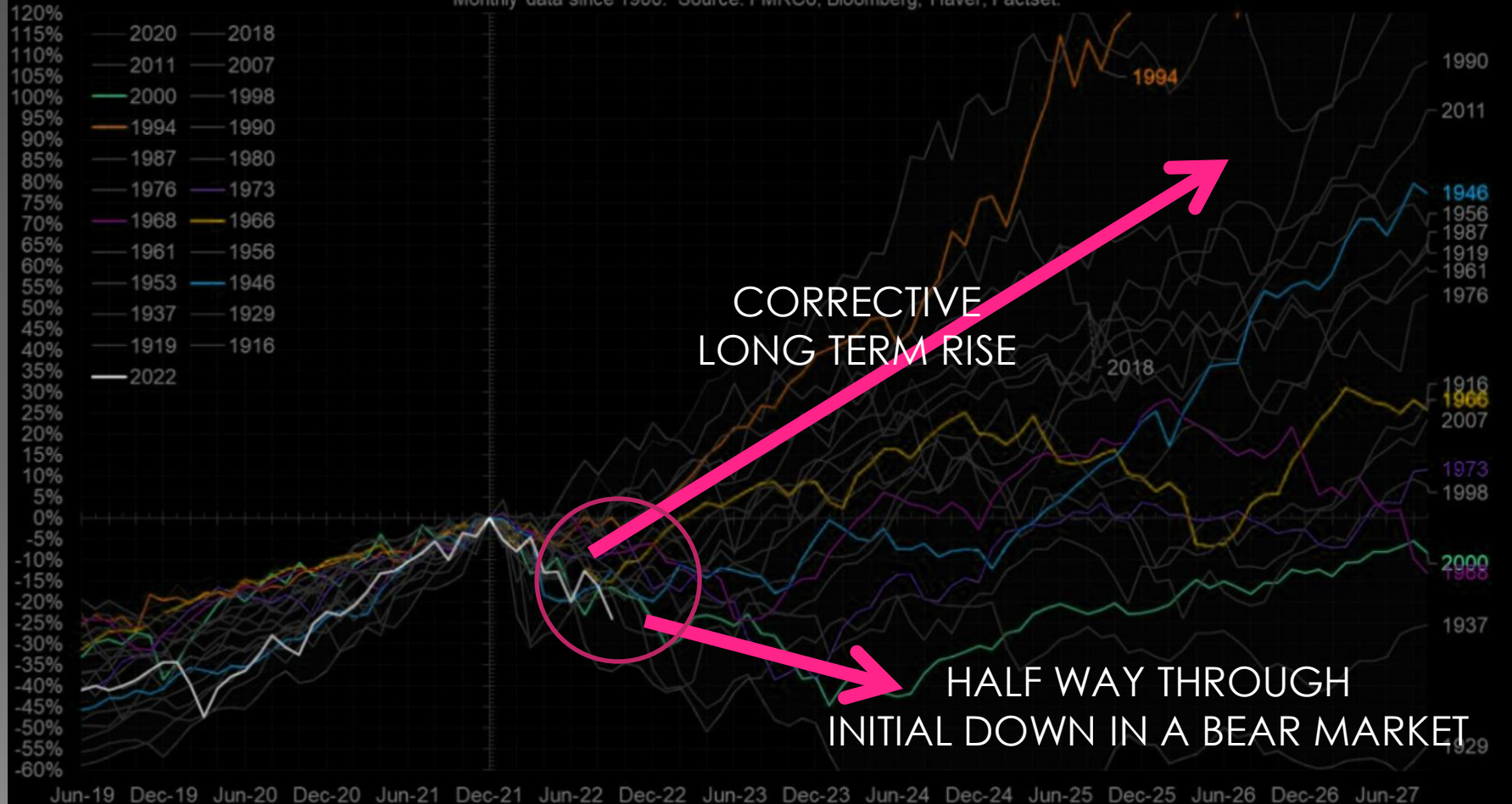
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Bear Markets (Total Return)

Monthly data since 1900. Source: FMRCo, Bloomberg, Haver, Factset.





3-Phases Of Bear Markets



Earnings Breadth

%pos of 3m change in GIC2 industry group EPS
Weekly data. Source: FMRco, Bloomberg



Path of S&P 500: Soft vs. Hard landing scenarios

S&P 500 falls to 3600 in soft landing, but 3150 if investors price hard landing



Source: Goldman Sachs Global Investment Research

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POLICY	CENTRAL BANKS	ECONOMY
SOUND MONEY - Non-FIAT Currencies, - Policies	INDEPENDENT "SUPERVISOR" <i>"Take the Punch Bowl Away!"</i>	MONEY AS A "STORE OF VALUE" SOUGHT AS A RESERVE CURRENCY
VELOCITY OF MONEY		
CONSUMPTION & CREDIT versus INVESTMENT & SAVINGS CREDITISM versus CAPITALISM	"PUSHERS" OF LIQUIDITY, FLOWS & CREDIT	FINANCIAL REPRESSION <i>"MacroPrudential Policies"</i>
NATIONALIZATION		
"DEMOCRATIC SOCIALISM" - Finance Entitlements - Fiscal Irresponsibility	GOVERNMENT POLICIES - Finance Government, - Financial Stabilization	MONETIZATION OF DEBT - Currency Debasement

CURRENT:

9 Month Decline
- 26% Change

BEAR MARKETS WITH RECESSION

16 Months Decline
- 42% Change

S&P 500 Bear Markets (defined by 20% Peak to Trough Decline): 1929 - Present						
Bear Market Period	Length of Bear Market (Months)	NBER Recession	Length of Recession (Months)	S&P Start	S&P End	% Change
Jan 2022 to Sep 2022	8	?		4819	3584	-26%
Feb 2020 to Mar 2020	1	Feb 2020 to Apr 2020	2	3394	2192	-35%
Sep 2018 to Dec 2018	3			2941	2347	-20%
May 2011 to Oct 2011	5			1371	1075	-22%
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	18	1576	667	-58%
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	8	1553	769	-51%
Jul 1998 to Oct 1998	3			1191	923	-22%
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991	8	370	295	-20%
Aug 1987 to Oct 1987	2			338	216	-36%
Nov 1980 to Aug 1982	22	Jul 1981 to Nov 1982	16	142	102	-28%
Sep 1976 to Mar 1978	18			109	86	-20%
Jan 1973 to Oct 1974	21	Nov 1973 to Mar 1975	16	122	61	-50%
Dec 1968 to May 1970	17	Dec 1969 to Nov 1970	11	109	69	-37%
Feb 1966 to Oct 1966	8			95	72	-24%
Dec 1961 to Jun 1962	6			73	51	-29%
Aug 1956 to Oct 1957	14	Aug 1957 to Apr 1958	8	50	39	-21%
Jun 1948 to Jun 1949	12	Nov 1948 to Oct 1949	11	17	14	-21%
May 1946 to May 1947	12			19	14	-28%
Nov 1938 to Apr 1942	36			14	7	-46%
Mar 1937 to Mar 1938	12	May 1937 to Jun 1938	13	19	9	-54%
Jul 1933 to Mar 1935	20			12	8	-34%
Sep 1932 to Feb 1933	5	Aug 1929 to Mar 1933	43	9	6	-41%
Sep 1929 to Jun 1932	33	Aug 1929 to Mar 1933	43	32	4	-86%
Average With No Recession	12					-29%
Average With Recession	16					-42%
Average All	14					-36%
Median With No Recession	7					-26%
Median With Recession	16					-39%
Median All	12					-29%

“THE UNHOLY TRINITY”

	PEGGED EXCHANGE RATE	INDEPENDENT MONETARY POLICY	FREE CAPITAL FLOWS
US	X	X	X
JAPAN	X	X	X
UK	X	X	X
EURO	X	X	X
CHINA	X	X	X

US TREASURY

- Active PPT – Blatantly Evident in FCI Index,
- \$21B of US SDR's to IMF,
- Yellen Soliciting Money Center Banks,
- Contingent Liability Guarantees

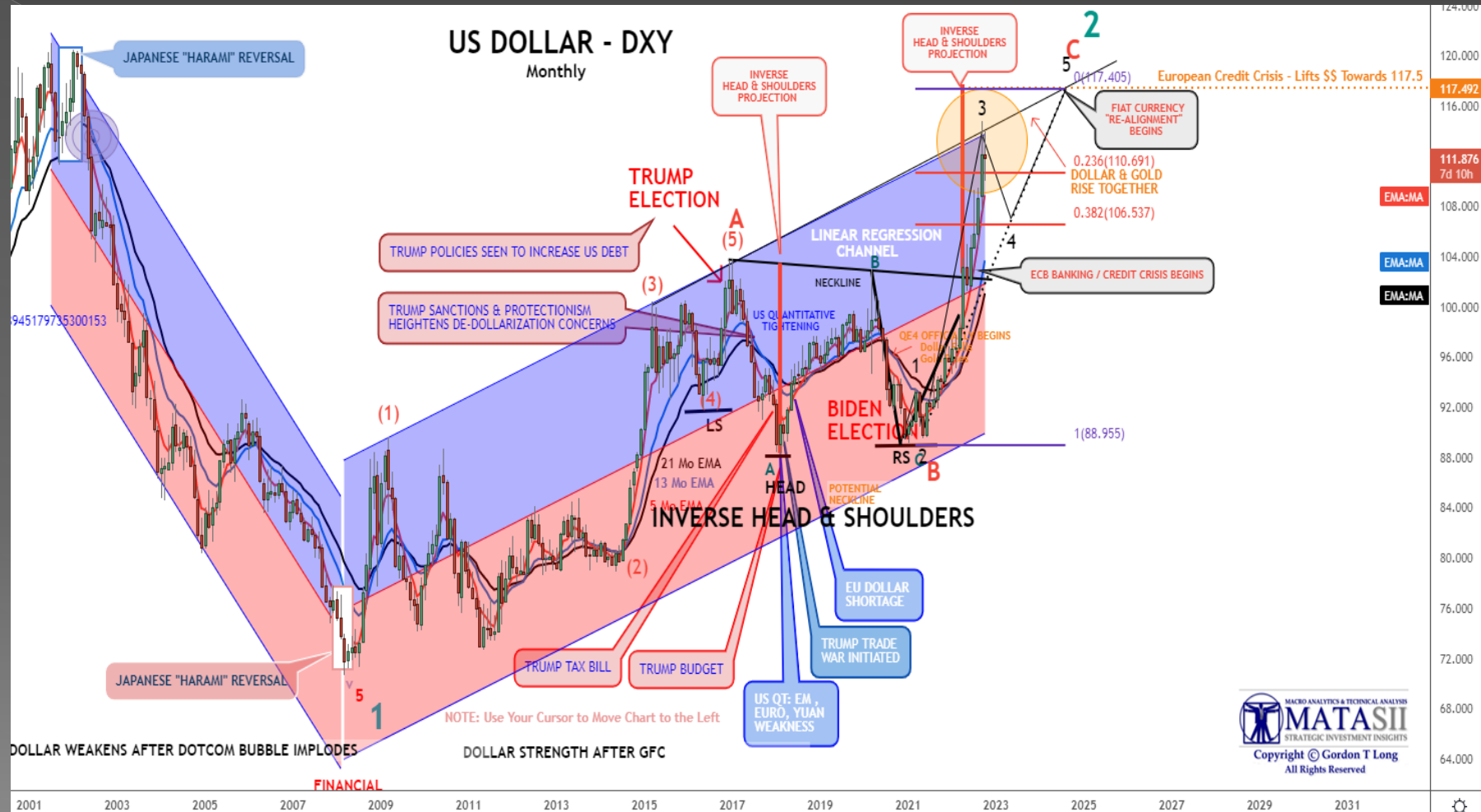
NATIONALIZATION

- GERMANY: Energy Broker
- FRANCE: Nuclear Sector

CAPITAL CONTROLS

YIELD CURVE CONTROL (YCC)

US DOLLAR - DXY



ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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