



GORDON T LONG
CO-FOUNDER MATASII.COM



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

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YELLEN'S CHINA SHOWDOWN!

DIVERGING PATHS



AGENDA

- **YELLEN'S CHINA TRIP**
 - PUBLIC BILLING v HIDDEN AGENDAS
- **CHINA'S DESTABILIZING BOND SELLING!**
- **STEALTH LIQUIDITY**
 - STAGE II HALTED
- **THREATENING CHINA**
 - TARIFFS,
 - RESHORING
 - CAPITAL CONTROLS (TAX)
- **YELLEN'S TRUMP CARD**
 - SLR (Next Sequential Step)
- **CONCLUSION**
 - CURRENCY WARS => STRONG \$\$, YCC & REGULATORY REPRESSION



AGENDA

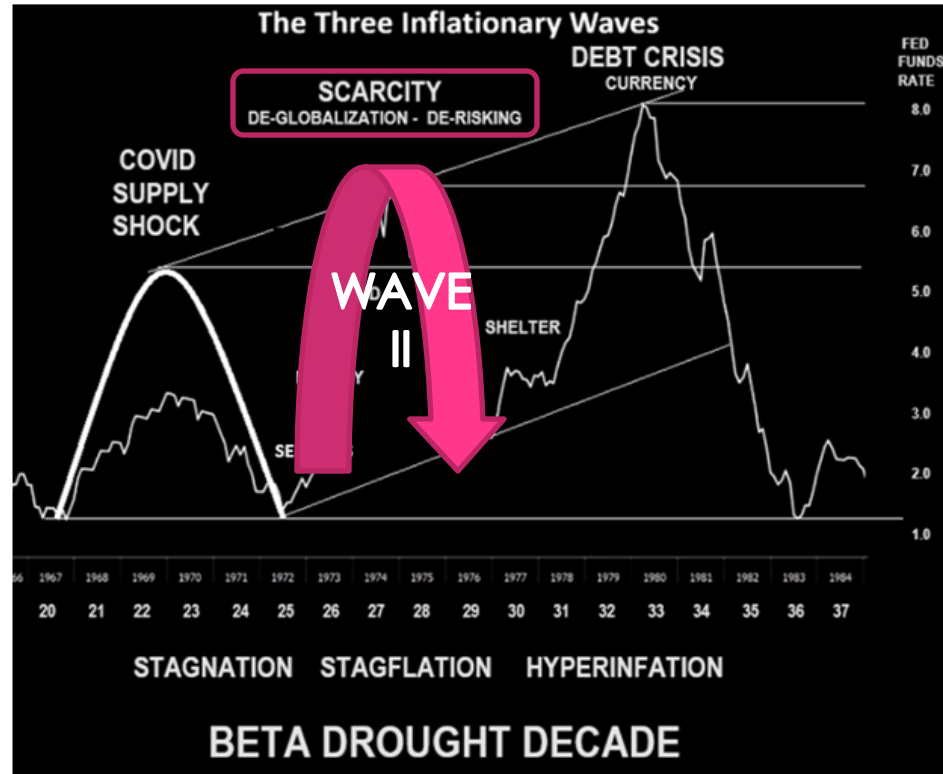
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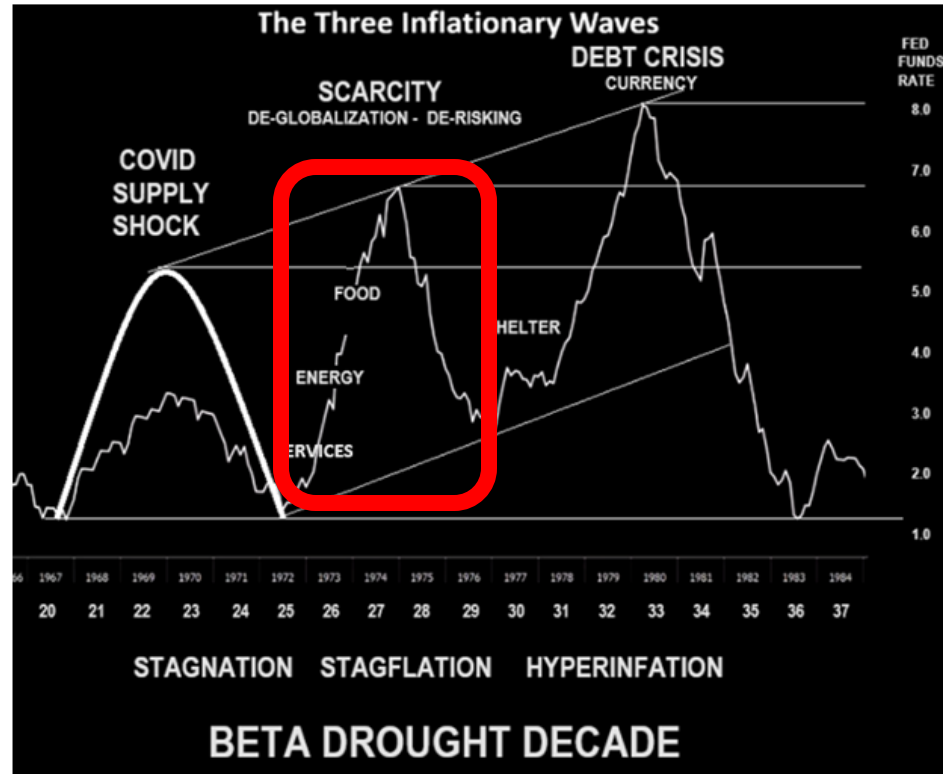
THE THREE WAVES OF INFLATION



MATASII MACRO MAPS



THE THREE WAVES OF INFLATION



TARIFFS LEAD TO CURRENCY WARS



THE REAL BUT HIDDEN REASON FOR THE TRIP

ANY LEAKS WOULD BE EXTREMELY DESTABILIZING FOR GLOBAL FINANCIAL MARKET!!

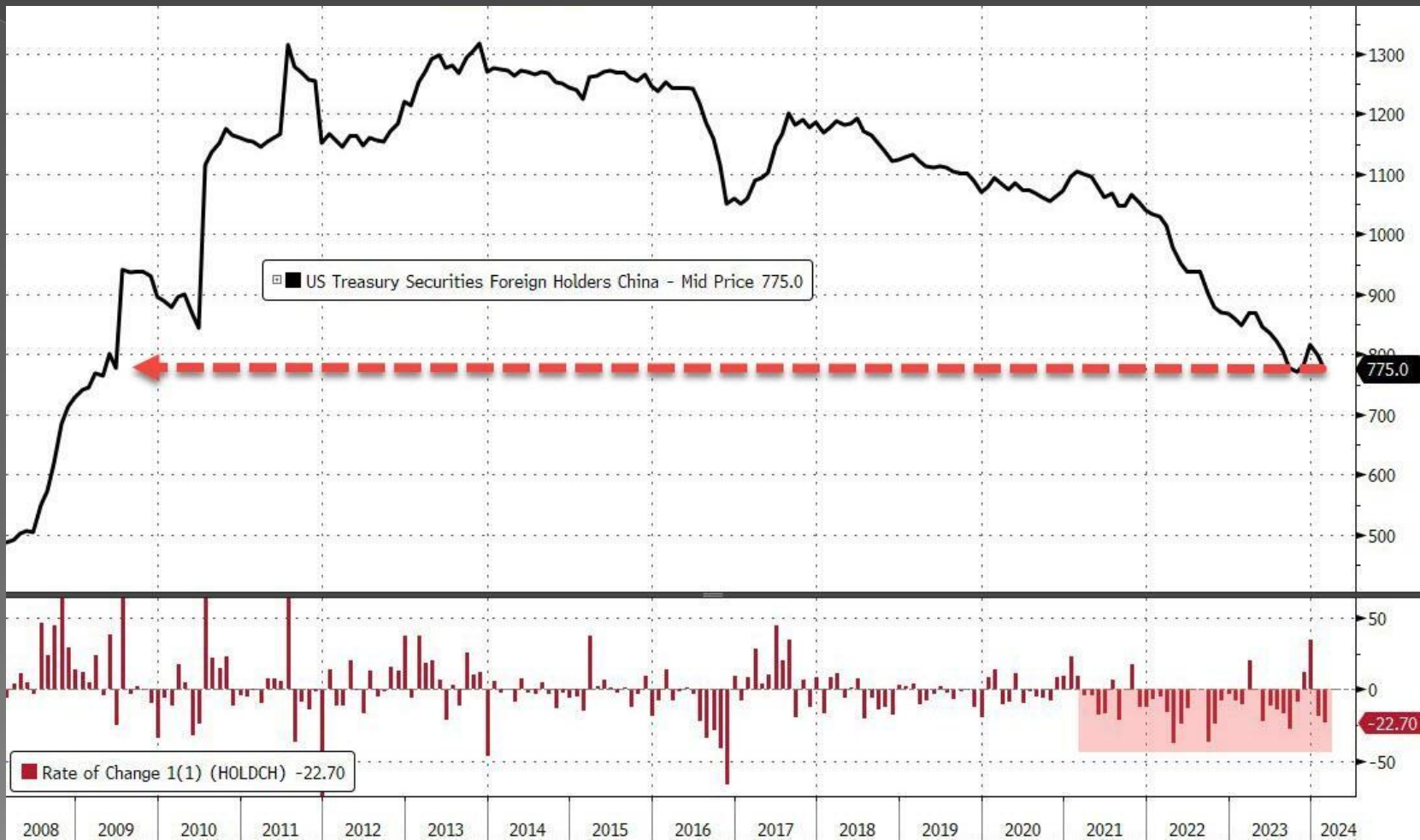
Attempt to re-establish China as a Buyer of US Treasury Bonds or minimally to stop the unwinding of its Treasury holdings and reduce De-Dollarization efforts by the ever expanding BRICS-11 trading bloc.

This was going to be a tough sell even for a political operative and manipulator of the proven stature of a Janet Yellen!

AGENDA

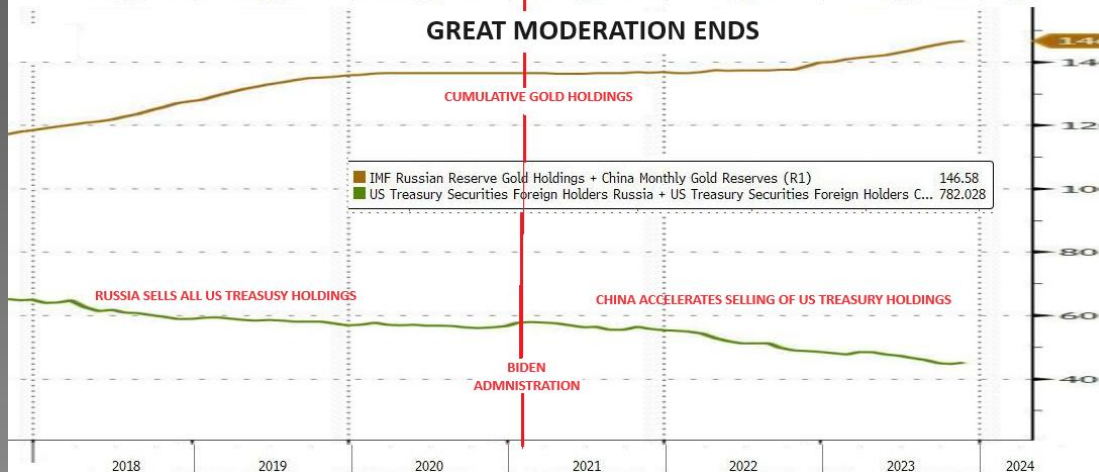
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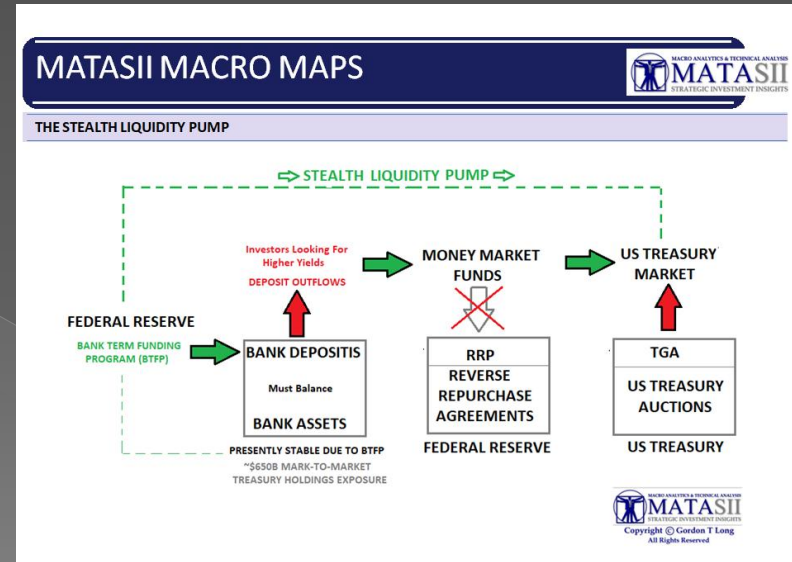
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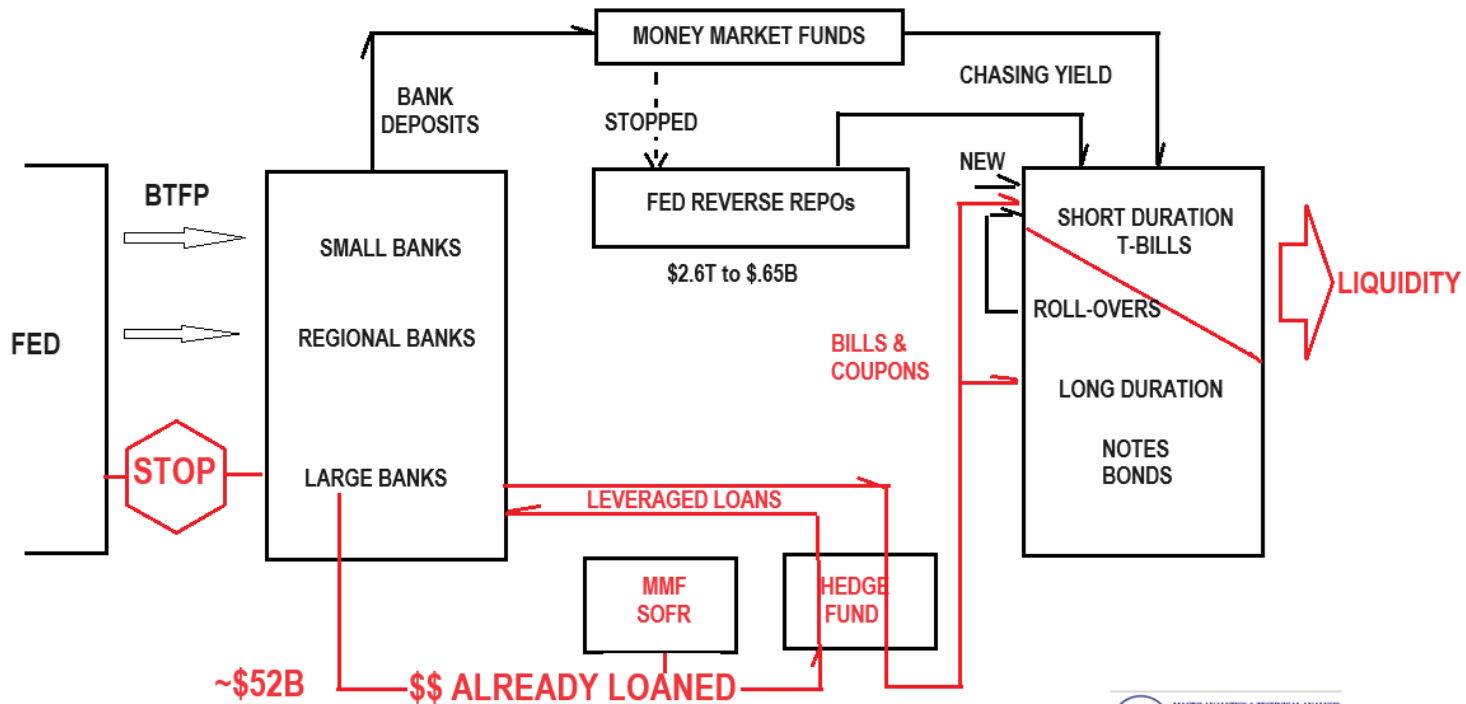
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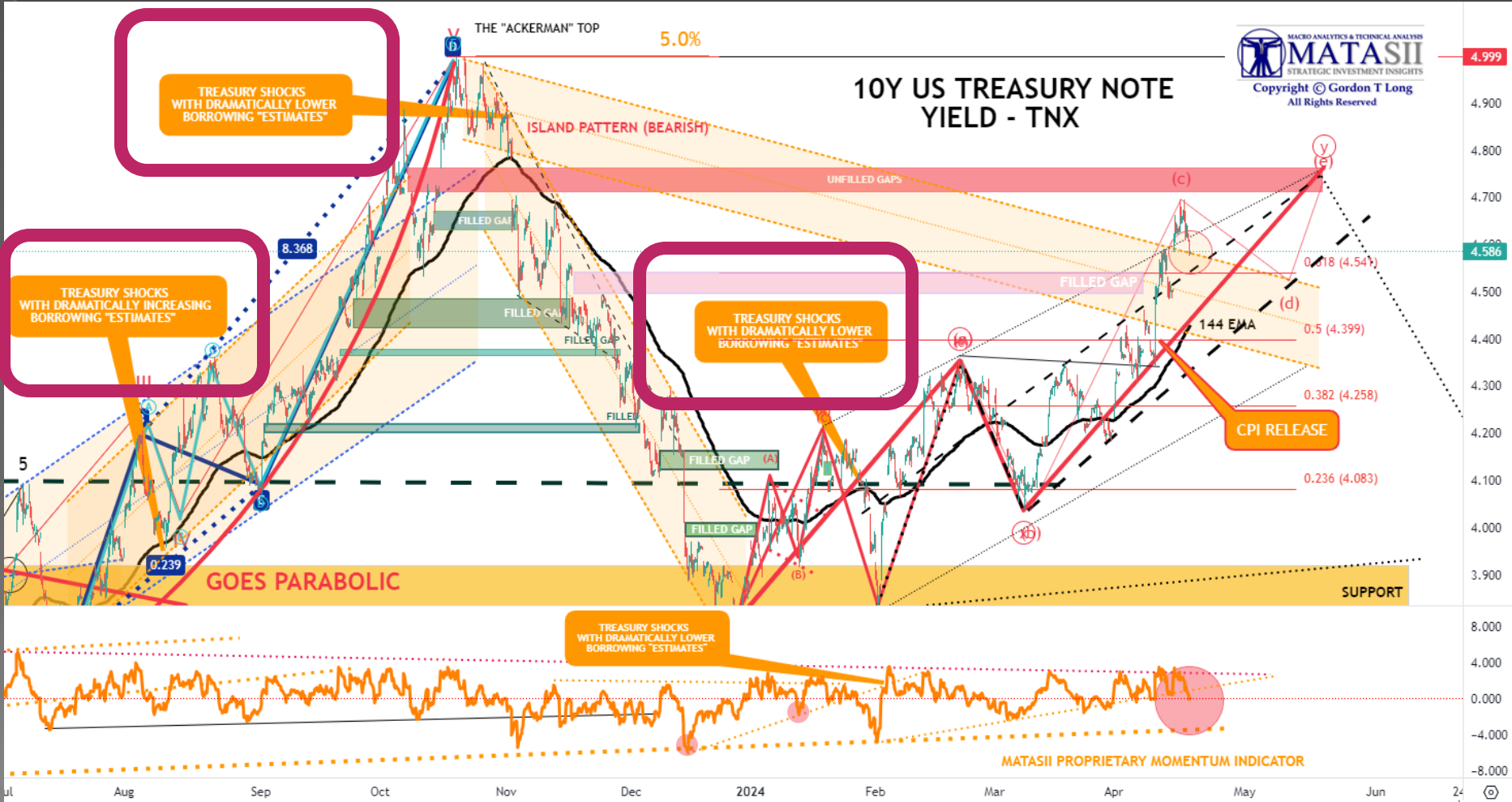


STAGE I



STAGE II

10Y US TREASURY NOTE YIELD - TNX



TREASURY SHOCKS WITH DRAMATICALLY LOWER BORROWING "ESTIMATES"

TREASURY SHOCKS WITH DRAMATICALLY INCREASING BORROWING "ESTIMATES"

TREASURY SHOCKS WITH DRAMATICALLY LOWER BORROWING "ESTIMATES"

TREASURY SHOCKS WITH DRAMATICALLY LOWER BORROWING "ESTIMATES"

MATASII PROPRIETARY MOMENTUM INDICATOR

GOES PARABOLIC

ISLAND PATTERN (BEARISH)

UNFILLED GAPS

FILLED GAP

CPI RELEASE

SUPPORT

THE "ACKERMAN" TOP

5.0%

8.368

0.239

0.382 (4.258)

0.5 (4.399)

0.518 (4.541)

4.999

4.900

4.800

4.700

4.600

4.586

4.500

4.400

4.300

4.200

4.100

4.000

3.900

8.000

4.000

-4.000

-8.000

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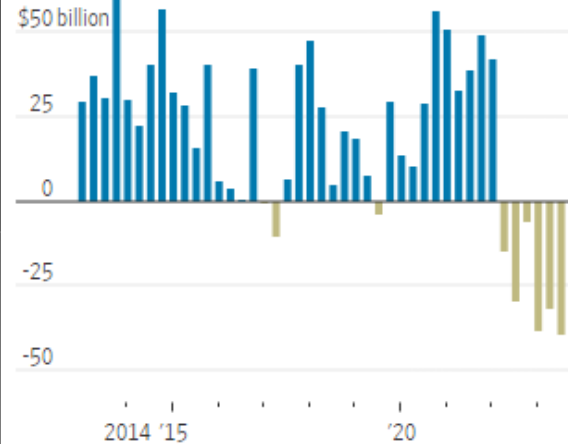
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Going Home

Foreign companies are repatriating profits earned in China, adding to capital outflows

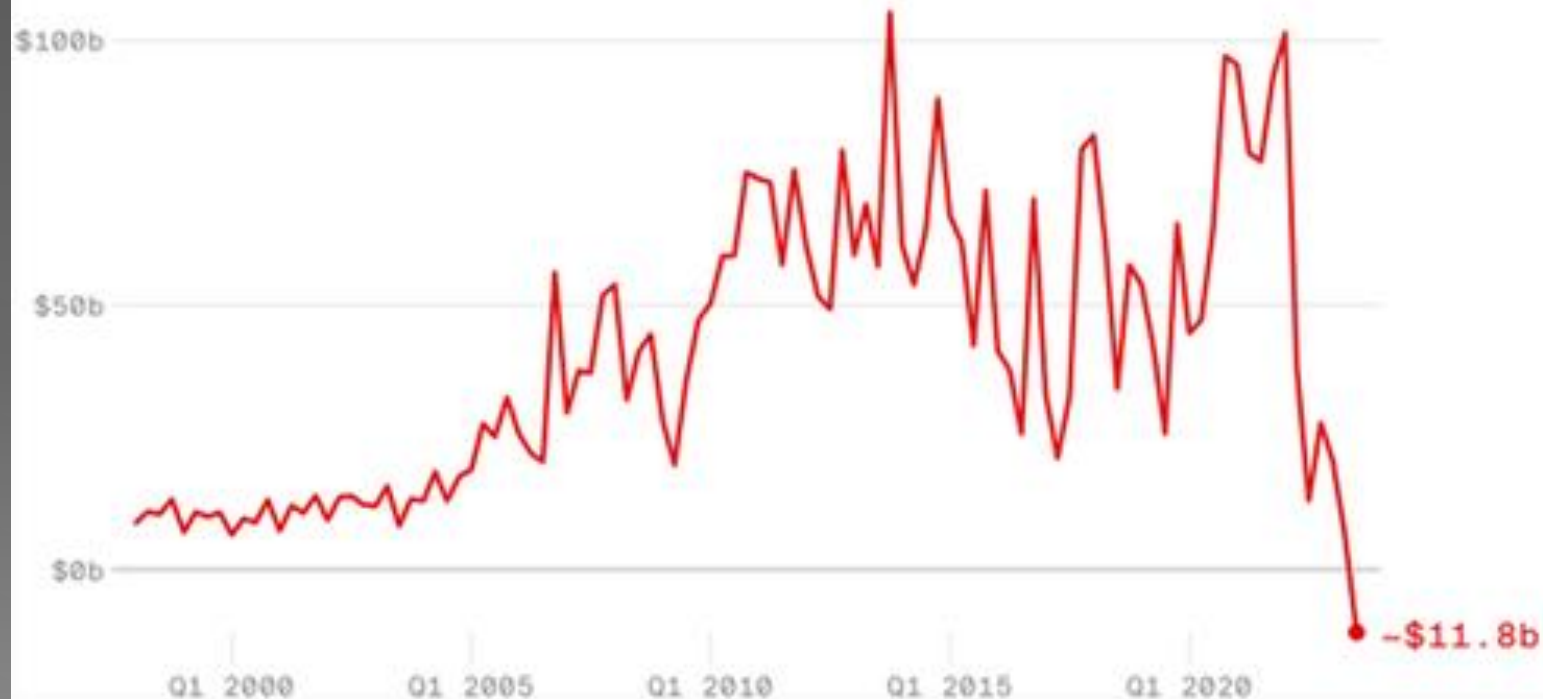
Net reinvested earnings, estimated



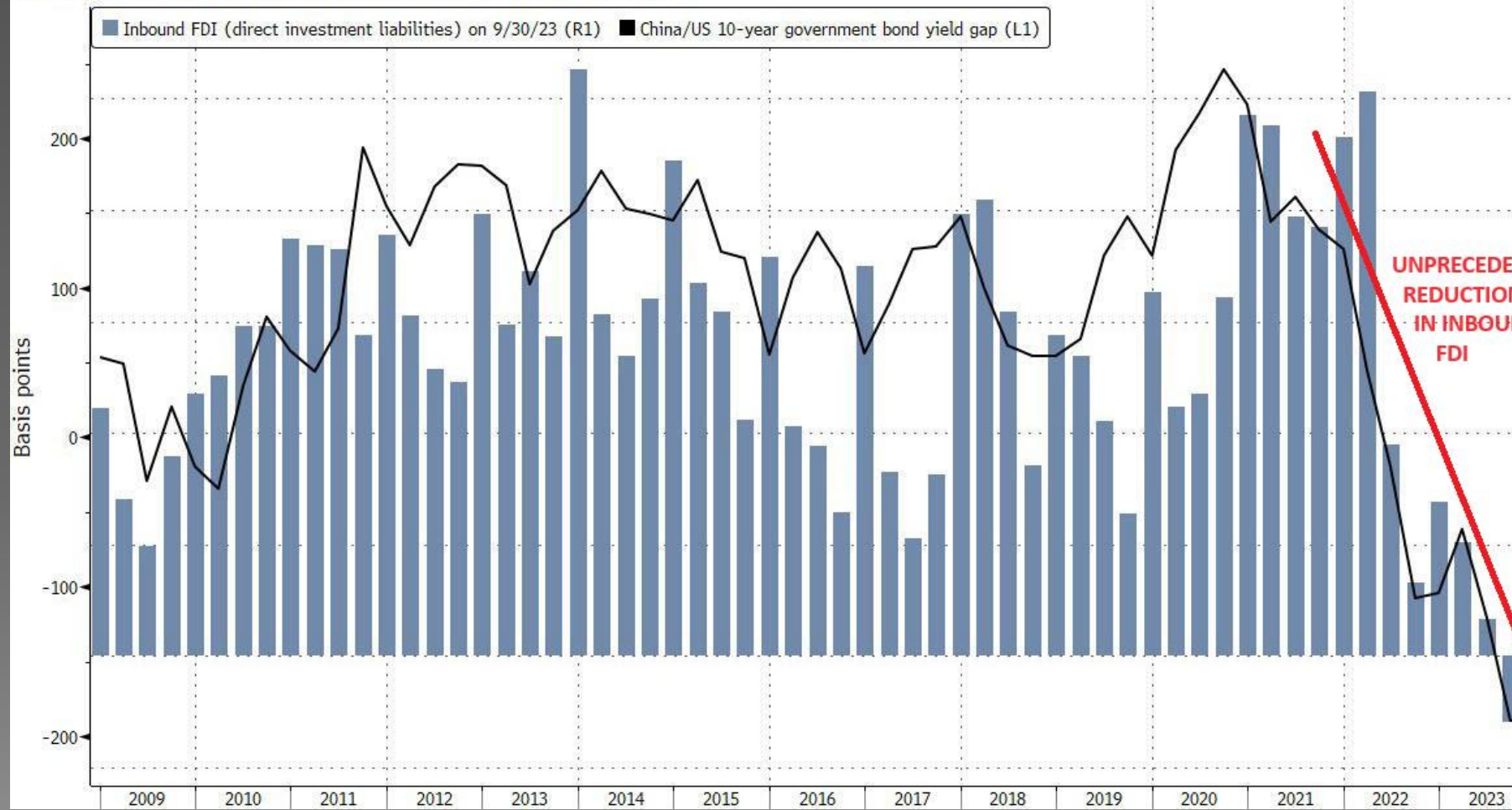
Source: Macrobond

China inbound foreign direct investment

Quarterly; Q1 1998 to Q3 2023



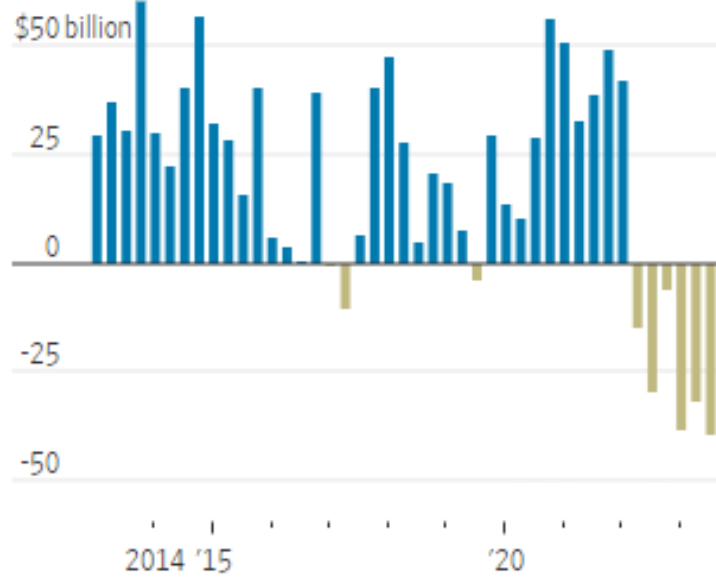
China's FDI Turns Negative for First Time Since 1998



Going Home

Foreign companies are repatriating profits earned in China, adding to capital outflows

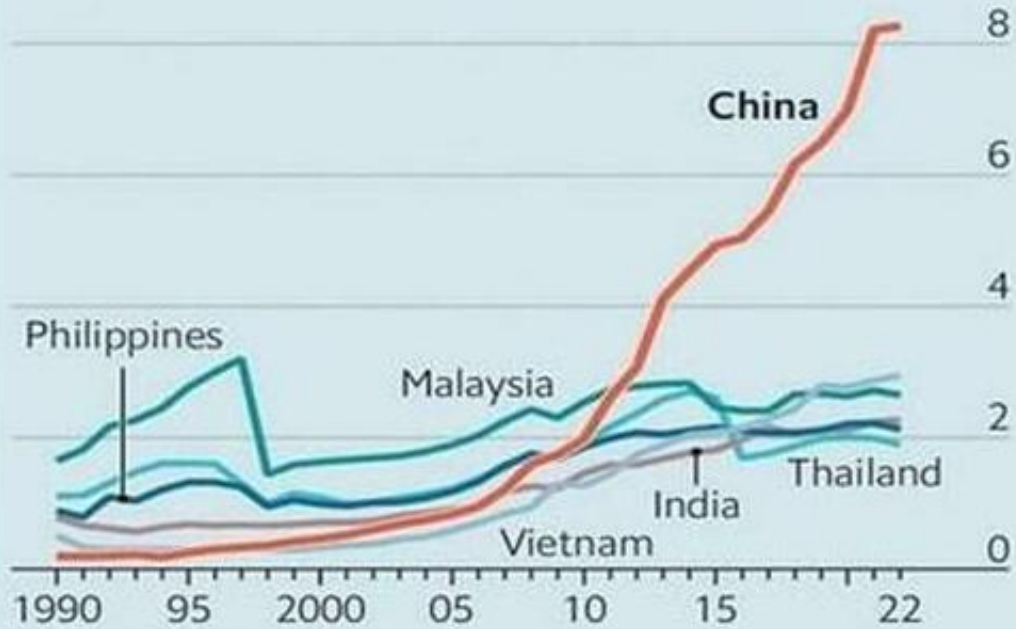
Net reinvested earnings, estimated



Source: Macrobond

Pay as you grow

Manufacturing unit labour cost, \$ per hour



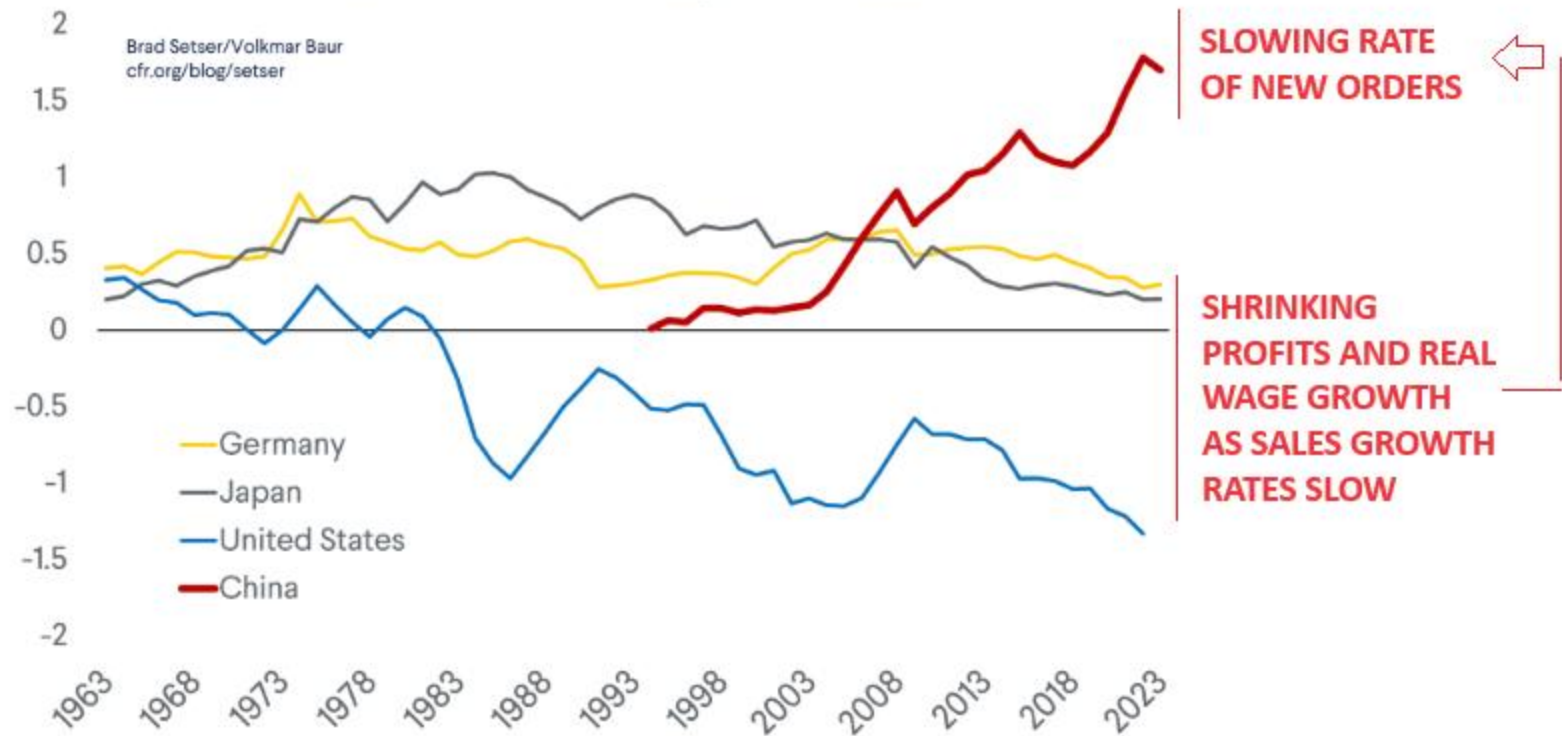
Source: Haver Analytics

The Economist

Manufactured Goods Surpluses

UN Comtrade Data with SITC Categories, % Global GDP

KILLING THE GOLDEN GOOSE



President Joe Biden and as Yellen reiterated in China:

" Would not allow another "China shock."

After China's accession to the World Trade Organization in late 2001, the country flooded the U.S. and others with goods. The "shock" then resulted in the loss of 2 million American factory jobs.

Yellen said:

"China is now simply too large for the rest of the world to absorb this enormous capacity,"

"Actions taken by the PRC today can shift world prices. And when the global market is flooded by artificially cheap Chinese products, the viability of American and other foreign firms is put into question."

CHINA

Supply

US

Demand

CHINA

Supply

About increasing & broadening production and thereby supply.

US

Demand

CHINA

Supply

About increasing & broadening production and thereby supply.

Supply = Production

US

Demand

Built on "Demand" or Consumption. Where high wages and easy, affordable financing allows this consumption.

Demand = Consumption

v

CHINA & US BOTH NEED FOREIGN INVESTMENT FUNDING

Production ==>> Requires Investment Capital

Consumption = >> Requires Financing

GLOBAL TRADE IMBALANCES ARE NOW CAUSING A FUNDING PROBLEMS

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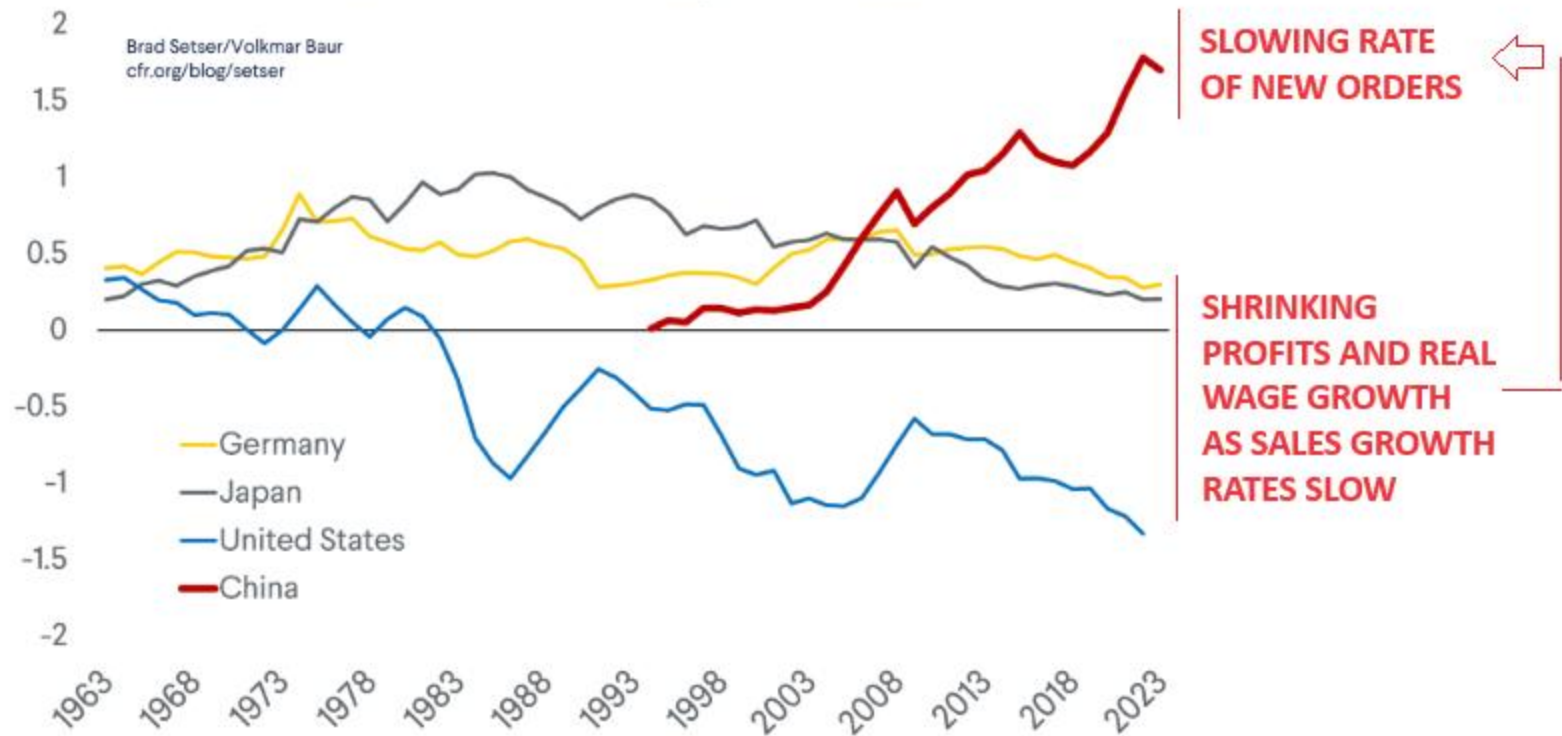
UNBALANCED DUE TO:

- CHINESE OVER PRODUCTION & OVER CAPACITY PER WORKER
- US OVER CONSUMPTION PER WORKER

Manufactured Goods Surpluses

UN Comtrade Data with SITC Categories, % Global GDP

KILLING THE GOLDEN GOOSE



THE CHINESE STRATEGY

The Chinese Strategy to increase Production is to go "up-scale" or to increase the production of higher value-add products.

Until recently this has been the protected domain of the developed countries that allowed high paying jobs and consumption.

Xi Jinping is very clear that is where they are going and will not be deterred.

Xi Jinping is reluctant to reverse policies that depress consumption because that would offend key constituencies in the Communist Party as well as undermine the solvency of the banks, which underpin the Chinese economic system. Moreover, Xi does not want to empower consumers. Finally, he is intent on putting China on a wartime footing, which means he's determined to build even more industrial capacity.



THE US STRATEGY

The US Strategy has increasingly therefore become one of:

1. Tariffs

- To Combat Subsidies

2. Protective Regulations

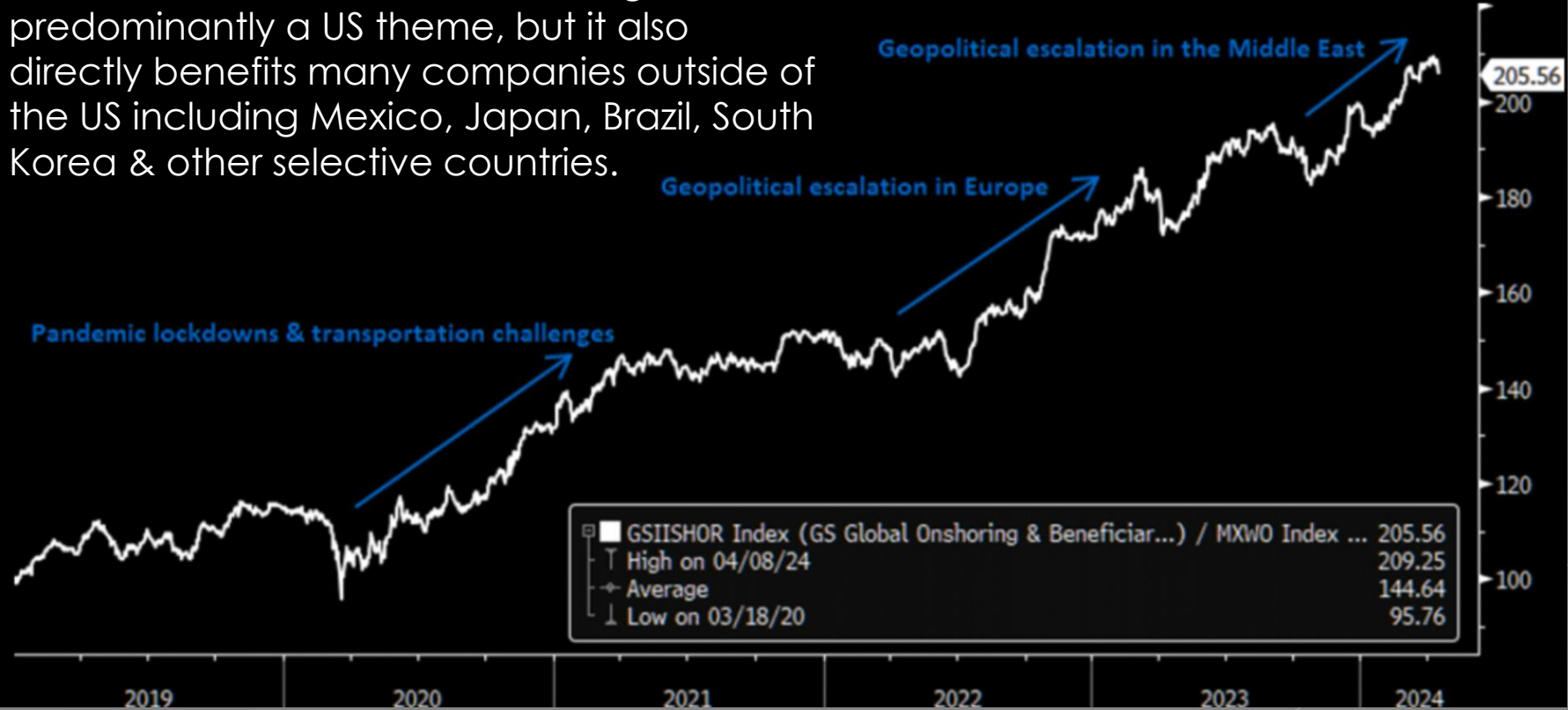
- To Combat Asymmetries in Trade Policy

3. De-Risking & On-Shoring

- To Secure Supply Chains

- Protectionism to shut out competitors
- Geopolitical power to re-orient and secure supply chains
- Regulations against asymmetries in regulations, subsidies and trade policies

GLOBAL ONSHORING - This mega trend is predominantly a US theme, but it also directly benefits many companies outside of the US including Mexico, Japan, Brazil, South Korea & other selective countries.



OUTLOOK:

The strategy of both will only result in the mutual killing of the Golden Goose of global economic prosperity.

We are on a collision course and is doomed to only result in heightened Global Conflict.

**2020 THESIS PAPER
"GLOBAL CONFLICT"**



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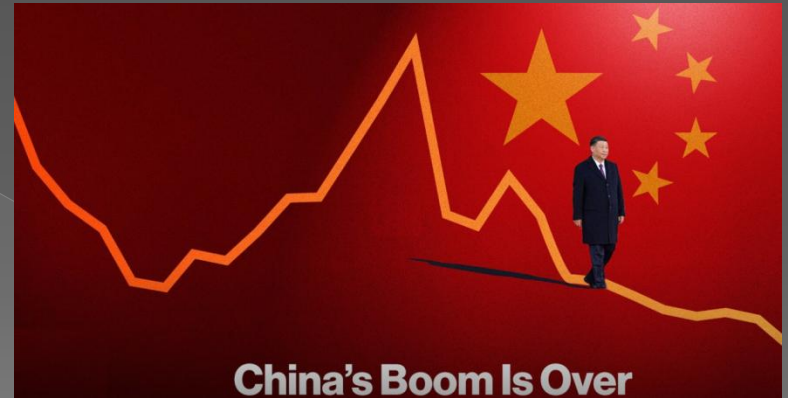
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Gross issuance of U.S. Treasurys, quarterly

\$7 trillion



Source: Securities Industry and Financial Markets Association

The Supplementary Leverage Ratio (SLR) is a regulatory

capital requirement that banks use to determine the amount of common equity capital they need to hold relative to their total leverage exposure. It's the US implementation of the Basel III Tier 1 leverage ratio. The SLR is risk-insensitive, meaning it compares a bank's equity to the value of its assets regardless of the underlying risk of those assets.

The new SLR rule change could allow banks to be an endless buyer of treasury debt.

Banks will be able to buy treasuries, take no haircut, and not have to worry about mark-to-market losses.

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TARIFFS LEAD TO CURRENCY WARS



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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FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS*



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FROM YOU!*

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