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Monday, August 28, 2023

SL: Momentum Wobbles But We Could See a Rally

Dear Fellow Expat:

If nothing else, the hurricane gods have a sense of humor.

I'd planned a trip to Baltimore this month... and now I'm in a pickle. Another storm is fast approaching the Florida Republic.

I've bumped tomorrow's flight up from 7 PM to 10:15 AM. I hope I can beat the wind and that Southwest is okay with leaving their jets in what should be a Tropical Storm in Southwest Florida. But we remember Ian...

And this new storm, Idalia, could tack east and come right back over Fort Myers, which still looks like a Hurricane hit last week - although that one hit last October.

I'm reading Twitter or X or whatever it is again, which is a hazard to my mental health. There are plenty of partisans laughing at our state.

When everything is politics, people turn into monsters.

This will likely be another reason for the U.S. government to spend \$50 trillion on climate technology.

As you know, the solution to everything is money, even though the cleanest way to address anything is to focus on adaptation.

Politicians will say that the latest hurricanes are the costliest ever.

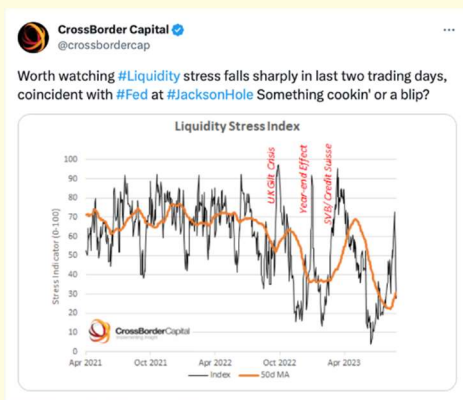
But such statements ignore two truths.



Garrett Baldwin
Financial Adventurer

Index Momentum

S&P 500	RED
Nasdaq	RED
Russell	RED



First, the U.S. dollar's value is falling, which drives up the cost of repair and aid on a nominal level.

Second, the damage is large because we have more people living closer to the water than ever.

The decision to build heaping piles of multimillion-dollar homes on what are fundamentally barrier islands.

Well, certainly, a decade of low interest rates helped fuel that habit. And it's always interesting banks are so worried about the climate that they're still handing out 30-year loans on houses they'd be on the hook for if the state does ever find itself 10 feet underwater like John Kerry keeps suggesting.

But "shut up," they said.

We can't discuss these things... There I go again. The markets this week are at least as interesting as the weather, if not more.

Here's what I mean...

Momentum Experiences a "Plot Twist"

A funny thing happened after the Fed's meeting in Jackson Hole last week.

For a few weeks, we've kept our eyes on the state of global liquidity, which faced pressure after China's worrisome debt issues re-emerged in July.

Cross Border Capital notes that its Liquidity Stress Index eased dramatically over the last two days. It looked like we were facing another challenge in the markets, like the crisis in the United Kingdom last October, the December 2022 selloff, and the March banking crisis.

This morning, momentum went positive on the S&P 500, but it has since fizzled. The S&P 500 is holding its ground, and a positive turn on the moving average convergence/divergence (MACD) indicator could arrive by tomorrow.

That's surprisingly bullish, although it might not last long.

September is, historically, the worst month of the year for the market, so there are concerns about seasonality. But it's difficult to tell if we're starting to see coordination among central banks or if this is a blip, as CrossBorder Capital asks.

We are closely monitoring the Fed's actions and the possibility of some repo activity that might set off a short-term (and likely hated) short squeeze or rally.

We'll know more by tomorrow... For now, I'm just being cautious. There's too much else going on in the world.. and I need to return home. There's an off chance that I'll land in Tampa, Orlando, or Fort Lauderdale..

Then, it's a game of planes, trains, and automobiles.

We'll get there, one step at a time.

Wheels up at 10:15.
Stay positive,

Garrett Baldwin