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Greetings!

As this trade war -- and then, more recently, the broader New Cold War -- with China has evolved, the Trump Administration has regularly accused China of "devaluing" its currency. For the most part, as I have pointed out along the way, that has been untrue.

But overnight, things changed. *At the least*, China has decided to stand aside and NOT intervene to try to slow the yuan's decline. With its currency *crashing* through that all-important level of 7 yuan to the dollar, the stakes -- *and global market risks* --have been raised considerably.

Additionally, it's being reported that China has ordered its appropriate State agencies to cease whatever official purchases of U.S. agricultural products it has previously been buying.

Among other things, this is ramping up pressure on President Trump in the financial and Establishment media more broadly. As news is coming out that pretty much his whole team (even trade hawk Robert Lighthizer) opposed this last tariff move, the feeling, right or wrong, is increasing that being impulsive as he occasionally is will come back to bite the president. We'll see.

Reportedly, only Peter Navarro signed on to and pushed for these new tariffs. **If you missed him on the Sunday political gabfest shows yesterday, you missed a borderline scary performance.** Even more so than his boss is accused of, Navarro was blunt in raising the notion that Trump may well push these talks over the cliff in order to get more rate cuts from the Fed, and/or push for the U.S. to join in what is alleged to be a currency devaluation by China.

As this volatile situation becomes ever more so, it begs many questions, which we will continue to discuss. Among them, the most important are:

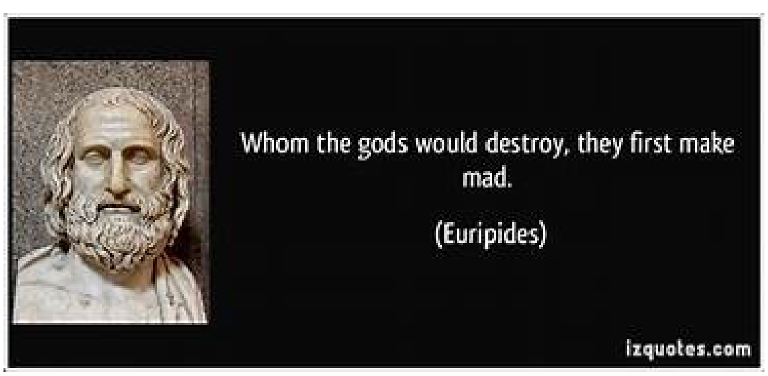
* **To what extent is China at greater risk of a notable financial crisis?** I spoke to this on the PODCAST LAST FRIDAY -- besides a now-plunging yuan that could lead to renewed capital flight, there is the political and potential financial crisis in Hong Kong as well.

And there are signs that the *foreign policy hawks* who want to knock China down a few pegs are now in greater control than ever. Both Secretary of State Mike Pompeo and new Defense Secretary Mark Esper waxed very hawkish against China's military and geostrategic aims in a visit over the weekend in Australia.

And it's being reported that Vice President Pence is set to give a saber-rattling speech this morning on China (one that was previously postponed as hopes *had been* that relations would thaw more.)

* **With U.S. stocks teetering on the edge of their own free-fall, how long before Trump dials this back; *or is the die now cast*?** -- Previously, Trump has used the refrain that he is "playing with the house's money" in prosecuting this war with China, the high and relatively healthy U.S. stock market giving him some leeway.

This has not prevented a couple sharp, if short-lived, corrections along the way. But one gets the feeling *now* (at least I do) of a president whose strategy *may* be to REALLY ratchet things up to a climactic level now in the hopes of forcing a deal with China--and being a hero--before election day next Fall.



* **And then we have that idea that Navarro was selling *hard* yesterday: the U.S. needs to weaken its currency**. For the cover of the next regular issue (or sooner, if this keeps up!) I'll discuss the increasing propensity for Trump and some around him (Judy Shelton was last week's shocker, as you know) to push this line of, I.M.O., *an*

assisted suicide for the U.S. dollar.

If Trump and Company really are poised to go down this road on top of everything else, fasten your seat belts! And true to form, the president is already sending the Tweets out this morning, browbeating the Fed for not matching what he is terming the "currency manipulation" of China.

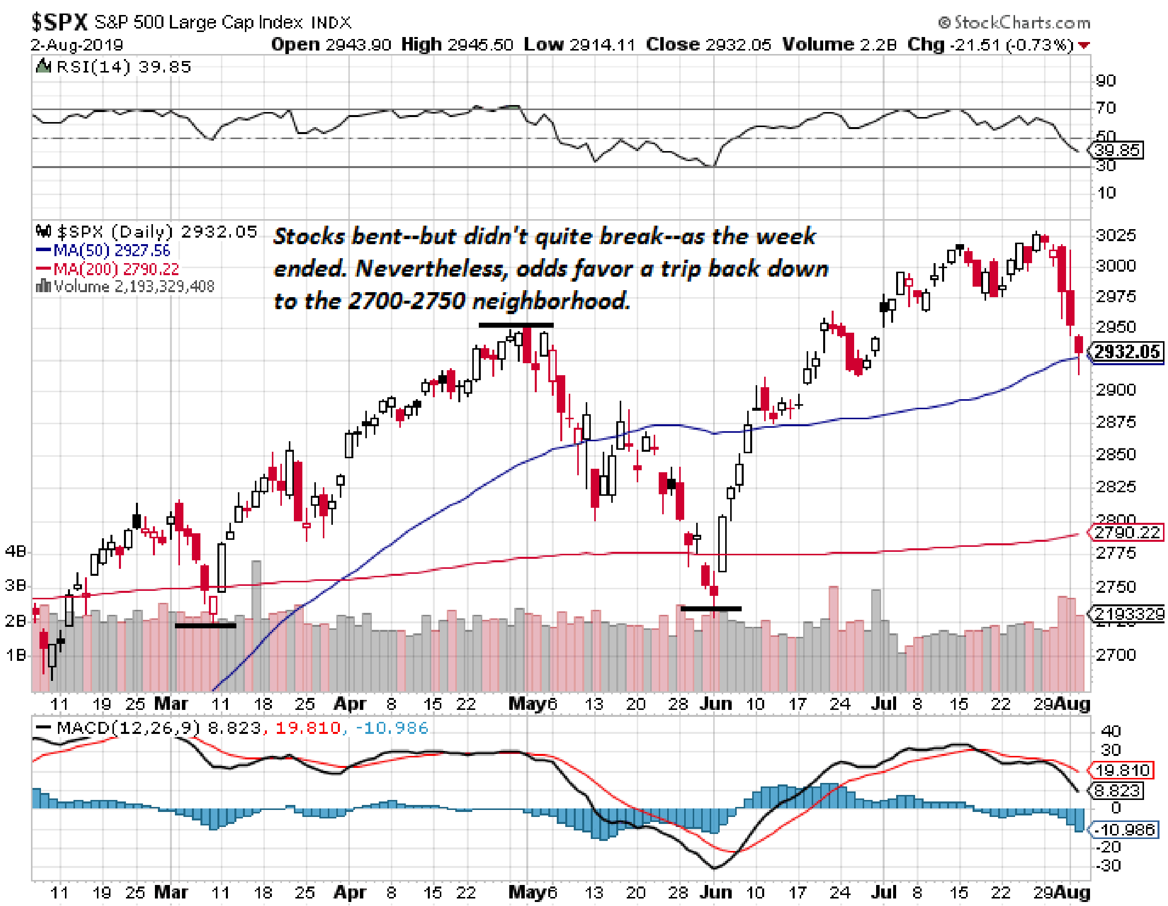
<u>The usual suspects among safe havens are soaring anew in light of all this</u>:

* Gold is adding to its new highs of last week (and pulling silver up with it.)

* The Japanese yen is REALLY flying, underscoring the stress in China **and in Hong Kong, where *markets* may be on the edge of an implosion in that KEY financial center that would reverberate around the world**.

* Sovereign debt yields are plunging everywhere pretty much.

* Bitcoin (albeit a game of musical chairs) is surging, no doubt in great part due to renewed capital flight from China and Hong Kong, as well as courtesy of other momentum-chasers.



This all comes as global equities are buckling, of course. I did not advocate adding even more on Friday to our inverse ETFs, as there was still a chance *technically* that the selling might take a breather (refer again to the chart above I sent out over the weekend.)

So much for that!

The $64,000 question is this: Of all the above, what moves can we count on to endure sufficiently long to take/increase positions in the gold, Treasuries and inverse ETF areas?

And beyond that, where do we need to trim vulnerable "long" positions--winners and losers alike--as we shift even more so to that "Going to the mattresses" mode for our portfolios?

Lastly, what sectors/stocks are going to *benefit* from this increasing turmoil?

I'll be shortly following this e-mail up with a separate one to our Members with additional SPECIFIC moves on top of those of last week.

All the best,

Chris Temple -- Editor/Publisher
The National Investor
https://nationalinvestor.com/

You can get information anywhere. Here, you get *knowledge*.