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Dear Chris,

Channeling the old Batman villain Harvey Dent (aka "Two Face,") Fed Chairwoman Janet Yellen yesterday took her usual conflicted, part-dove and part-hawk act to a whole new level.

After shrugging off her bank's rate decision--and Yellen's promise that there *really is* still more to come--stock futures are softening anew this morning, but seemingly more due to worries over Special Counsel Mueller's investigation of President Trump.

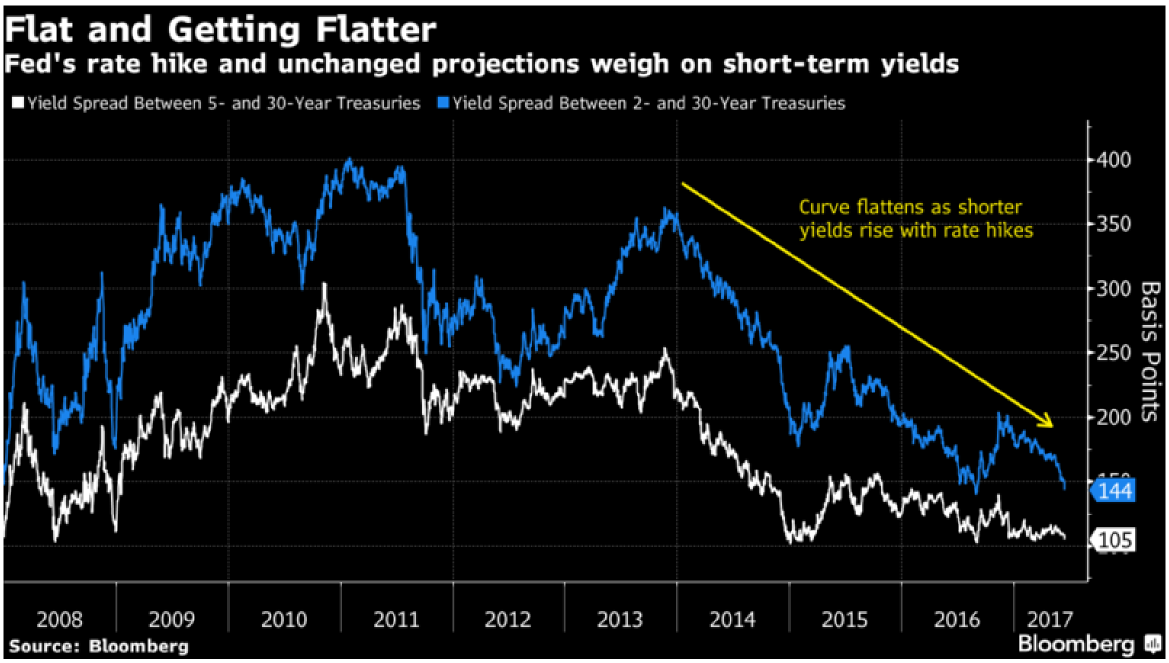
They *should* be selling off over Mrs. Yellen acting more hell-bent than ever to "normalize" monetary policy *until she breaks something.*

Well-known money manager Jeffrey Gundlach (who just before the Fed meeting was counseling people to begin raising cash *immediately)* warned of this very thing months ago. He pretty much said EXACTLY what Yellen herself targeted in her press conference yesterday: that low readings on inflation, recent economic weakness, etc. were not about to deter the Fed from its "normalization" quest.

The only thing that will stop the Fed is if it causes a more substantial problem for the economy. . .or the markets tank. Indeed, INCREDIBLY, Yellen herself seemed to almost predict such a possibility, in turning the dovish side of her face to the gaggle of financial reporters at that prospect and effectively saying, "Don't worry. When I blow up the markets, I can *cut* rates again and add back to the balance sheet if necessary."

So, NO, we decidedly did NOT get that so-called "dovish rate hike" yesterday that most (including Yours truly) had expected.

Far from it.



Yellen seems oblivious as well after all to the damage the flattening Treasury yield curve is *already* doing. The last time it was moving in this direction as extremely as it is now was in late 2007. We know the damage that did to an overly leveraged financial system. The same thing could well happen again.

I have suggested for a while that the Fed needed to be more detailed in telegraphing that it was going to start reducing its bloated balance sheet. It did that. **Yet long-term yields nevertheless ended the day substantially *lower* anyway; and they aren't moving much so far this morning, either.**

One reporter asked Mrs. Yellen to explain this yesterday--together with her intention to keep tightening policy--despite the fact that the flattening yield curve IS actually HARMING lending.

At that question, *both sides* of her face could do little more than offer a blank stare.

The biggest problem here as, now, both sides of Yellen's face are prominent is that we all previously thought that she was one of the great uber-doves at the Fed. *Among other things, this is the same woman who once entertained the idea of going negative on short-term interest rates, if need be, to stoke inflation, etc.* Now, though, she says that the recent drops in inflation measures are "transient" and that she'll keep hiking slowly.

Markets are not *totally* imploding right now, I think, for two reasons:

1. Thanks to the continuing gargantuan Q.E. from, chiefly, the Bank of Japan and E.C.B., there's still a lot of liquidity sloshing around.

2. There is a LOT of skepticism over whether the hawkish side of Janet Two-Face will prevail.

After all, as another noted money manager Bill Gross said after yesterday's decision, anyone particularly owning **long-term Treasuries** who really believes the Fed will be able to pull off all these rate hikes it's promising should be RUNNING FOR THE HILLS right now. Yet they aren't.

Stocks should be tanking as well over the prospect of the Fed finishing its seeming quest to fully flatten, if not invert, the yield curve, bringing about a recession and a market implosion.

Yet stock index futures aren't down all that much yet; and that's after the Dow Industrials, at least, closed at another new all-time high post-F.O.M.C. yesterday.

Even gold is not behaving as it "should." Rather than getting creamed yesterday as the Fed's move--with lower inflation--takes away a lot of the negative *real* interest rate environment gold likes, the yellow metal is still well within its up-trending channel for 2017, holding the vast majority of its gains for the year so far.

Members will be receiving additional thoughts, and changes to our present allocation mix and related recommendations, separately in the VERY near future as warranted.

UPCOMING WEBINAR SERIES!!

In just the next few weeks you'll be receiving news of **a series of webinars I'll be doing occasionally through the Summer months!**

We'll be beginning with a video series on my old theme of *Understanding the Game;*
taking a look at how Mrs. Yellen and her predecessors got us into this mess, the even bigger underlying picture, and how our investment strategy needs to respond to these forces.

I'll also, on some of these upcoming webinars, be inviting colleagues to join me, who bring their own unique audiences and talents.

We'll also be using these webinars to give you fresh looks/updates on our "Featured Opportunity" companies and other investment themes.

Stay tuned for further word on the schedule!

All the best,

Chris Temple -- Editor/Publisher
The National Investor
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