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Chris Temple
Editor/Publisher

Good morning, Chris --

While it is by no means time *just yet* to jump into either area with both feet, it is none the less instructive to watch as **Treasury bond *prices*** (which move inversely to their market yields) and **gold** have been firming.

Where Treasuries are concerned, they are benefiting from several factors; chiefly:

* Global trade fears, and of the present trade war leading to renewed recession/deflation the world over.

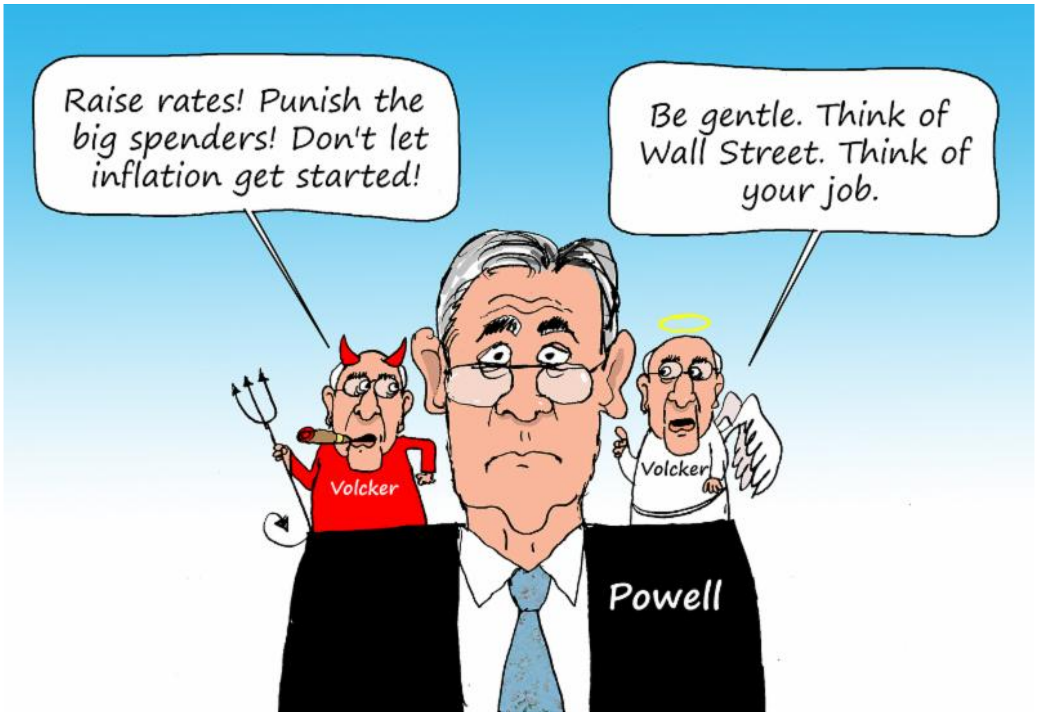
* Acutely within that whole mess, said issues pushing a bloated China off the cliff.

* The ongoing Brexit drama, which might *still* end badly.

* Italy leading the charge to eventually render the euro the equivalent of the currencies of Venezuela and Zimbabwe.

* Some economies starting to actually *contract* NOW; notably in Japan and Europe.

* Lastly, fears that the U.S. stock market and economic juggernaut have peaked, and that the only direction for both economic growth and corporate profits is now *down*.



And an honorable mention of factors here, at least, goes to Federal Reserve Chairman Jerome Powell. For pretty much the first time, we heard from Powell yesterday (in a discussion with Dallas Fed President Bob Kaplan and prompted by questions from their audience) that he actually IS starting to worry just a bit about damage to foreign markets and the economic outlook and even concedes that U.S. growth might be peaking (for one example of coverage of this, check out *MarketWatch's* Steve Goldstein's piece RIGHT HERE.)

It's not yet time to be secure in the belief that Powell is *now* making the transition to Volcker 2.0 (the cigar-chomping *dove* that did a 180 with Fed policy starting around 1982.) But that he has at least *started* to acknowledge risks that a rising number of his compatriots at the Fed have been talking about already is noteworthy.

To be sure, the dollar has managed to hold just about all of its gains so far since the latest spurt since mid-September took it to new highs for 2018. Lately, **much of that has been due to the greenback being a refuge of last resort**; not so much a positive vibe due to excitement over expectations for continued U.S. economic/market outperformance.

But even with the dollar's latest move, gold has held firm. There are now two reasons for that. First, of course, its own attraction as a safe haven again (notably with gold firm as the dollar, yen and Treasuries all rally a bit.)

Secondly, though, we have Powell arguably "blinking" for the first time. Here again, we dare not get too hasty in betting the farm on The Odd Couple; but that we may have just seen yesterday the beginning of the end of the Fed's normalization program is, I feel, NOT an overstatement. After all, it's been the Fed's rate hiking that has been gold's Number One headwind; if that is now going to be in increasing question, it *at least* argues against traders thinking they can short it.

As always, I'll have specific portfolio moves as warranted for our Members as all of this--and more--unfolds!

All the best,

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