

## **ShadowStats Flash Update No. 14**

### **Brief Observations on the Financial Markets**

**November 9, 2019**

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**Gold Should Continue to Outperform Stocks,  
Despite Recent Selling of Precious Metals and Stock-Market Rallies**

**Consider that the S&P 500 Record High of Friday, November 8th,  
Was up by 5.5% from Its Record High of September 20, 2018**

**In Contrast, London Gold of November 8th Closed up by 21.8% from  
September 20, 2018, Despite Recent Heavy Selling of Gold**

**Continued Deterioration of Underlying Economic Fundamentals  
Should Accelerate in the Week Ahead, Dampening Economic Expectations**

**An Ongoing Collapse in October Industrial Production,  
With Retail Sales Growth Running Below Headline Inflation,  
Should Challenge FOMC Claims of Sustainable Moderate Growth**

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**The ShadowStats Broad Outlook Remains Little Changed.** Other than as seen with some temporary back-peddling on Federal Reserve policy (no further easing hinted) at the October 30th FOMC, and with ongoing global and political instabilities and systemic stresses highlighted in [Flash Update No. 9](#), [Flash Update No. 10](#), [Flash Update No. 11](#), [Flash Update No. 12](#) and [Flash Update No. 13](#), and reviewed regularly in the **Daily Update** section of the [ShadowStats](#) home page, the ShadowStats broad outlook in the weeks and months ahead remains for:

- A rapidly intensifying U.S. economic downturn and growing recognition of same.
- Mounting selling pressure on the U.S. dollar (particularly against the stronger, more stable currencies such as the Swiss Franc).
- Mounting flight to safety in precious metals, with upside pressures on gold and silver prices.
- Increasingly high risk of extraordinarily heavy U.S. stock-market selling.

**Commentary No. 985** will post in the next couple of days, with a full review of underlying broad domestic economic activity and reality.

**Your comments and suggestions are invited. Always happy to discuss what is happening.**

**Best Wishes — John Williams (707) 763-5786, [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com)**

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## **Financial-Market Turmoil Should Shift Back to the Downside for the Dollar and Stocks, and to the Upside for Precious Metals**

**The U.S. Economy Continues to Deteriorate, Contrary to Fed and Popular Media Hype.** Today's *Flash Update No. 14* provides a very brief review of the current markets and some likely near-term developments. Specifically, a bottoming in the short-term selling of precious metals and a short-term topping in rallying equity prices are likely in the week ahead. Pending are negative (worse-than-expected) economic headlines. Those reporting trends should intensify, as extended, new headline numbers tend to reconfirm the weakening activity.

The week ahead will see reporting of October Industrial Production and Retail Sales (November 15th), along with the Consumer and Producer Price Indices (November 13th and 14th) for the month. Collapsing Industrial Production is expected to continue, with ongoing impact from the General Motors strike, which began in September and ended in late October. Nonetheless, continued weakness in a variety of other manufacturing industries, and in oil exploration, should hit headline production activity worse than expected. Headline Retail Sales is expected to gain 0.2% to 0.3% in the month, but weaker growth is long overdue. Given headline monthly CPI (November 13th) likely rising into the 0.3% to 0.4% range, that retail sales growth would be non-existent from a “real” economic standpoint.

Also at some point during the week, the October CASS<sup>TM</sup> Freight Index likely will be reported, and it likely will not be good news for the economy.

To the extent that activity comes in weaker than expected, such increasingly will push market expectations back towards a December 15th FOMC rate cut (expanded quantitative easing also will be likely). Those elements increasingly should weigh upon the U.S. Dollar, boost the prices of precious metals and weaken headline, dollar-denominated U.S. equities.

**Recent Speculation on an Improving Domestic Economy Has Helped to Boost the U.S. Dollar, Stock Prices and to Trigger Selling of Precious Metals; That Should Reverse Quickly.** *Table I* reflects the levels and relative changes of the DJIA, S&P 500 and the NASDAQ Composite, along with a variety of financial indicators, timed from the all-time highs for the various stock-market indices in the late-August to early-October 2018.

Unlike the all-time market highs seen for the three indices on November 8, 2019, the 2018 market highs were scattered between August 29th (NASDAQ), September 20th (S&P 500) and October 3rd (DJIA). For simplicity, the comparative financial numbers used for that period in *Table I* were the monthly averages for September 2018. Stocks crashed into a December 24, 2018 low, the second base point in the table. The third base point was yesterday's all-time high of November 8, 2019.

Against the prior year's 2018 high, the greatest gain was seen with the S&P 500 as of November 8th, up by 5.5%. In contrast, the price of physical gold against that actual S&P high date in 2018 was up by 22.2%. Allowing for reinvestment of dividends, the S&P Total Return Index gained an extra 3%, as

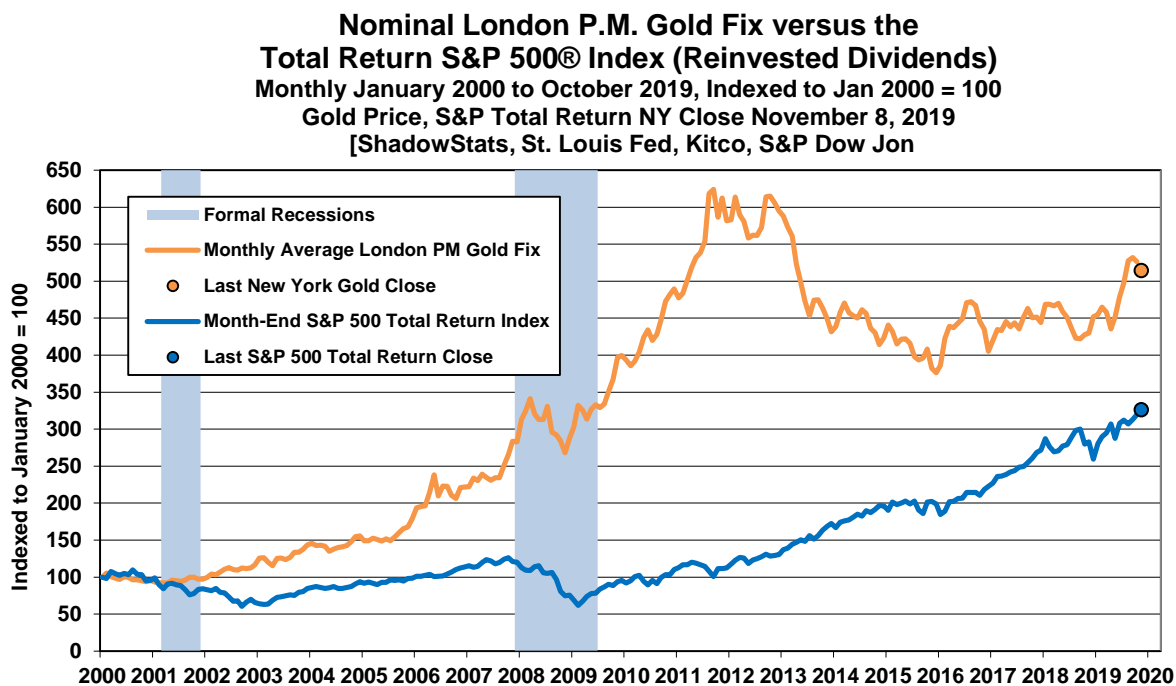
reflected in *Graph 1*. Again, *Table 1* reflects a variety of economic and financial indicators versus the stock-market changes.

**Table I: Various Indicators: Nov 8 2019 (Stock Peak), Dec 24 2018 (Trough) and Sep 2018 (Peak)**

Various Financial Indictors at November 8, 2019 Versus U.S. Stock-Market Highs and Lows Since Third-Quarter 2018						
	I	II	III	IV	V	VI
	(A)	(B)	(B) vs. (A)	(C)	(C) vs. (B)	(C) vs. (A)
	Stock Indices All-Time High Closes*	Stock Indices Low Closes Dec 24 2018 Trough**	Stock Indices Low Closes Dec 24 2018 vs. High*	Stock Indices All-Time High Closes Nov 8 2019	Stock Indices Nov 8 vs. Low Closes Dec 24 2018	Stock Indices Nov 8 vs. High Closes Aug-Oct 2018
Stock Market Index						
Dow Jones Industrial Average	26828.39	21792.20	-18.77%	27681.24	27.02%	3.18%
S&P 500	2930.75	2351.10	-19.78%	3093.08	31.56%	5.54%
NASDAQ Composite	8109.69	6192.92	-23.64%	8475.31	36.85%	4.51%
Financial Indicator	Sep 2018 Average	Dec 24 2018 Close**	Dec 24 2018 Change vs. Sep 2018	Nov 8 2019 Close	Nov 8 2019 Change vs. Dec 24 2018	Nov 8 2019 Change vs. Sep 2018
Trade-Weighted Dollar (1)	90.00	92.12	2.35%	92.49	0.41%	2.77%
Financial-Weighted Dollar (2)	57.86	58.90	1.79%	59.44	0.93%	2.74%
Gold London PM Fix \$/Oz	1198.47	1275.85	6.46%	1464.15	14.76%	22.17%
Silver London PM Fix \$/Oz	14.26	15.00	5.17%	16.81	12.07%	17.86%
Brent Crude Oil \$/Bbl	78.89	51.93	-34.17%	62.61	20.57%	-20.64%
Effective Fed Funds Rate (3)	1.95%	2.41%	0.46%	1.55%	-0.86%	-0.40%
Three-Month T-Bill Rate (3,4)	2.17%	2.43%	0.26%	1.56%	-0.87%	-0.61%
10-Year Bond Yield (3,4)	3.15%	2.51%	-0.64%	1.92%	-0.59%	-1.23%
<p>* All-time high closes: DJIA - Oct 3 2018, S&amp;P 500 - Sep 20 2018, NASDAQ - Aug 29, 2018.</p> <p>** Or last close prior to Dec 24 2018.</p> <p>(1) The TWD (Federal Reserve) weights the U.S. Dollar against major currencies based on trade volume in goods.</p> <p>(2) FWD (ShadowStats) weights USD against currency trading volume (includes Chinese Yuan, excluded in TWD).</p> <p>(3) Change is indicated as the percentage point difference in yield.</p> <p>(4) Constant maturity yield.</p> <p>Sources: St. Louis Fed, Wall Street Journal, Dow Jones Indexes, Finance.Yahoo.com/lookup, Kitco, DOE, ShadowStats.com.</p>						

**[Graph 1 follows on the next page.]**

**Graph 1: Nominal Gold versus Total Return S&P 500**



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