

ShadowStats Flash Update No. 3

ALERT: Unstable Financial Markets Are Increasingly Likely

August 11, 2019

**Unstable and Deteriorating Economic and Political Circumstances
Foreshadow Domestic Financial Market Turmoil**

Flight from U.S. Stocks and the Dollar Into Gold Should Continue

Markets Closing in on a Major Tipping Point?

Note to Subscribers: Under the weather for some days, I am recovering well, but with *Commentary No. 985* still pending, going to press in the week ahead. Full details of issues raised here will be covered in *No. 985*, barring some intervening crisis that brings matters to a head. Such an event would trigger a related and an immediate *Flash Update No. 4*.

Continuing Flight from the U.S. Dollar into Gold. As events continue to evolve quickly, I publish this *Flash Update No. 3* as a very brief heads up as to where recent developments on a variety of global political, economic and financial fronts, appear to be pushing the current domestic financial markets, in particular. That position appears increasingly to be towards a massive selling of U.S. equities and the U.S. dollar, in the near future, along with continued flight into physical gold. The broad issues have been discussed frequently and earlier (see [Commentary No. 984](#) in general, and [Flash Update No. 2](#) on the evolving U.S.-China trade conflict).

Largely repeated in the **Daily Update** section of today's (August 11th) www.ShadowStats.com home page, from this *Flash Update No. 3* is a brief heads up on risks from a mounting number of deteriorating global and domestic economic, financial and political circumstances. Potential political conflicts and worse-than-expected domestic economic conditions increasingly should affect near-term financial markets (again, generally against the dollar and U.S. equities), a circumstance that can shift or intensify sharply and quickly with little notice. Market circumstances appear to be relatively tranquil, at least temporarily, as we go to press at about 9:30 p.m. ET on August 11th.

Commentary No. 985 should publish in the week ahead, with expanded detail on current political, economic and financial-market developments, along with a full review of Second-Quarter 2019 GDP, related Benchmark Revision details, the July 31st FOMC Meeting and the latest on the global political and trade developments.

The *ShadowStats* outlook on the unfolding U.S. economic contraction has accelerated and deepened a bit, but not changed otherwise, specifically including the rapidly deepening downturn reflected in mounting downside pressures on the U.S. dollar, the flight-to-safety and upside pressures on gold and silver prices, and the increasingly high risk of heavy stock-market selling in the days and weeks ahead.

Please call anytime to discuss what is happening, or with any questions.

– Best regards, John Williams (707) 763-5786, johnwilliams@shadowstats.com

A L E R T

Political and Economic Instabilities Threaten the U.S. Stock Market

Mounting Political Instabilities, Amidst a Confluence of Unstable and Deteriorating Global Economies, Likely Foreshadow Negative Financial Market Turmoil

**Further FOMC Easing, Possibly Renewed Quantitative Easing
Could Be Seen as Early as September**

**ShadowStats' Recession Forecast Remains in Place,
With U.S. Economic Activity Still Sinking**

Watch for Continued Flight from the Dollar and Stocks, and into Gold

Deteriorating Financial-Market and Economic Outlook: ShadowStats' already negative outlook for the domestic U.S. economy and financial markets has shifted increasingly to the downside in recent days. Beyond the outlook of softening near-term data, such also reflects marked and rapid deterioration in unstable global and domestic political circumstances. Mounting political discord intensifies risks of extreme financial-market turmoil, on top of what otherwise should be increasingly negative, and worse-than-expected headline U.S. economic reporting, such as should be seen Thursday, August 15th. Both July 2019 Retail Sales and Industrial Production are good bets to come in below expectations, particularly in the context of likely downside revisions to prior months' reporting of both series.

Unfolding, intensifying economic weakness and negative financial-market turmoil correspondingly should disrupt plans for what some on the Federal Reserve's FOMC had hoped would be just a one-time, quarter-point rate cut on July 31st. A deepening business downturn and intensifying financial-market instabilities likely will force a more-aggressive Federal Reserve "easing" and "accommodation" for domestic liquidity needs.

That should include not only further rate cuts, but also some form of renewed Quantitative Easing, updating the ALERT forecasts in [Commentary No. 984](#). Also relevant to the current markets is [Commentary No. 970](#) of September 26, 2018, which discussed a potential, pending Tipping Point in the U.S. financial markets, which easily could be the current circumstance.

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