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In my last update I talked about the strength in the US\$ due to market belief of rising U.S. interest rates. I mentioned the possibility of another deflation wave might be on the way!

I also will have a finance alert on a new stock this afternoon

Since then, last Thursday we heard U.S. housing starts fell 14.4% in August to a seasonally adjusted annual rate of 956,000 units. The tally was below the consensus forecasts compiled by most news organizations calling for starts to be around 1.04 million. The Commerce Department said the tally of building permits – an important indicator of future construction activity – fell by 5.6% in August to an annualized rate of 998,000.

The same day - the FED Philadelphia Manufacturing index declined in September, to 22.5 from 28.0 in August. The August reading was the highest since March 2011, **so perhaps August was just a fluke??**

News last Wednesday that inflation unexpectedly cooled in August rattled the U.S. inflation bond market where traders had bet on price increases accelerating to achieve the Federal Reserve's desired level.

"Today's CPI report has significantly weakened the positions of those who are hawkish," said Aaron Kohli, an interest rate strategist at BNP Paribas in New York.

The CPI's **surprise fall** came as traders had speculated whether Federal Reserve policy makers **might signal intentions to begin raising its federal fund rate target** in 2015.

Last Wednesday, the central bank's Federal Open Market Committee retained its interest rate pledge for a "**considerable time**." Fed Vice Janet Yellen stressed there was still much slack in the labor market and will monitor the data closely before deciding on a "lift-off" in interest rates.

My take - considerable time means we are deeply in debt and have to keep rates low to afford interest payments so we plan to keep rates low until the market forces otherwise

On Monday The U.S. housing market lost some ground in August as existing home sales dropped, ending four straight months of gains, according to the National Association of Realtors.

The NAR said that existing home sales fell 1.8% in August to a seasonally adjusted and annualized rate of 5.05 million units, compared to July's revised rate of 5.14 million units; previously, the association pegged July sales at an annualized rate of 5.15 million homes. According to consensus forecasts, economists were expecting sales to rise to a rate of about 5.20 million.

Not only did August's existing home sales data come in below consensus, but the NAR said that sales are down 5.3% compared to last year's rate of 5.33 million units.

These numbers although just one month don't show a strong recovery or maybe no recovery at all?

And keep in mind with the US\$ soaring and the stock market too, the masters of economic data perhaps wanted to get some weak numbers out there???

Normally this week economic data would be good for the bond market, meaning bonds would go up (interest rates down) but instead Bonds have been dropping all month.

In my Sept 3rd issue I commented that the 30 year treasury bond had moved up above 140 and filled the Gap and was probably peaking, besides there was heavy resistance just a couple points higher around 143.



So the bond market hit resistance and fell back.

Is the US\$ next?

In my same Sept 3rd issue I pointed out that resistance for the US\$ index was around 85. The next chart, a weekly one shows we pretty much went straight up there



Another worrisome sign is the Commodities, the CRB fell below it's long term support at 500



Now since Commodities are priced in US\$ a lot of this weakness is because of the rise in the US\$. **I am not convinced commodities are going to drop much further unless the US\$ makes a solid break above 85**

Oil is hanging in the low \$90s so has not broken below that \$90 level yet. Another important observation is the Canadian Market has rolled over and retreated on heavy volume in last 2 days.



It looks like a significant correction has begun, a break below 15,000 would probably mean a test of the 200 day MA around 14,500

With the US markets I commented a few times I am watching the Nasdaq Biotech eff closely for a sign of a market peak. My last update suggested we would see the index go back up and test the high.

We are here now. My question then and now is - **will we break through, go to at least 285? or is this going to be a double top?**



It looks to me that the U.S. Markets are struggling to go higher.

Friday seen a new record IPO in the US. The biggest in history, Alibaba raised \$25 billion and became one of the top 10 largest companies in the U.S over nite, overtaking Walmart. And the Banks collected their \$300 million in fees!!!

These things (record IPOs) happen at market tops. **For the record I am calling it Ali bubble**

<http://www.bloomberg.com/news/2014-09-22/alibaba-s-banks-said-to-increase-ipo-size-to-record-25-billion.html>

On the Gold chart it looks like we are putting in a triple bottom around \$1200, very bullish **IF** it holds



To say we are at a critical points in the markets is an under statement.

Since we have already seen the Bond market retreat, the Canadian market plunge and the US market top rolling over. **I expect we will next see the US\$ head back down from resistance and Gold and commodities recovery.**

If we are truly in another deflation wave we could see Gold and commodities go lower, but if that happens the market weakness would likely mean a shocking turn around in FED policy to more easing, which would boost these back up.

I am closely watching 85 on the US\$ index, \$275 on IBB and \$1200 on Gold.

The commercial short position on the US\$ is the largest on record, another sign the dollar has peaked

***** UPDATES *****

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