"CELEBRATING our 47th YEAR of UNSURPASSED FORECASTS"

April 16, 2023 **Volume 46: No. 7**

Complimentary Issue

A Historic Credit Crisis Is In Progress

THE STOCK MARKET

The markets are now "under distribution." We see the signs that the big, smart money is selling in large amounts to the "bargain hunters." This is quite similar to the behavior we detected in November 2021 at the market top. The trading in the last hour of the day usually gives us good clues. However, this credit crunch will develop into a "credit crisis."

We wrote in our ***March 26th Wellington Letter*** that **the end of a bear market rally** usually sees **1-2 days of big upside moves to convince the skeptics.** In that issue we explained, ***"The last phase of a bear market rally is the most eye-catching by intent."***

We've now had one day like that recently. Last Thursday, April 13th, the indices had some good gains, with the widely watched DJI and S&P 500 closing near their highest levels in 2 months and the NASDAQ Comp jumping 2%. This is a good indication that we are approaching the top of the rally.

Trading volume continues to remain low. Of course, this was the week after a holiday (Easter). A genuine up-move must have bigger volume.

Another bearish signal is the number of stocks reaching 52-week lows. On Friday, the number of days where stocks on the NASDAQ are making **more 52-week lows** than highs has now reached 26 consecutive days. That is bearish. The rest of the market will follow downward.

A final clue is that the broad indices, such as the Russell 2000 and VALUG, are badly lagging the more popular and widely watched DJI & S&P 500 (more on this in the Chartist's View section below).

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We wrote last month that the markets would rally in April, which is typically a seasonally strong period. However, given the very poor credit markets, the April rally should be shorter than usual.

This week, the second half of the month starts. Be forewarned.

THE CHARTIST'S VIEW

Our work says that the bear rally in the stock market is concluding as we anticipated. The market internals, as well as the credit market fundamentals, are looking more bearish all the time.

Below is the 2-day chart of the ETF for the small cap Russell 2000 Index, IWM, which has barely rallied so far in April. In comparison to the S&P 500 (two pages lower), it looks very weak. That is a warning signal. First resistance for the IWM (blue horizontal line) has stopped it so far.

The red horizontal line just above that might still be reached, but it looks like that is a low probability. Notice the **Dohmen Money Flow** (bottom) has been declining since late March.

Below is the 2-day chart of one of our favorite indices to gauge the broader market, the VALUG. It looks as weak as the IWM. The index is not capitalization weighted, which makes it more accurate as to the condition of the market. The blue arrows indicate the important resistance levels. The lowest probability is that the top blue arrow will be reached (above 590).

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Now compare the above indices to the manipulated S&P 500, which looks much stronger. The 2-day chart of the S&P 500 below shows it is near its February 2nd high, while the IWM and VALUG above are nowhere near their respective February 2nd highs.

During the latest rally about a **dozen stocks made up a big part of the up-move in the S&P 500, which of course includes 500 stocks.** This index is capitalization weighted. More than roughly **half of the stocks** in the index are near their lows for 2023.

A brief rally may propel the S&P back to its February high (blue horizontal line around the 4200 area), which is just 1.4% higher from Friday's close. That would be strong resistance and should repel the index from there. Notice the "Dohmen Money Flow" indicator (at the bottom) has just given a "sell."

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The handful of stocks that primarily move the S&P 500 are the mega-cap "FAANG" stocks. The 2-day chart of the NYFANG Index below shows it has likely peaked after briefly climbing above its 50% Fibonacci retracement level (blue line) on March 31st. It then fell back below it this week (black arrow).

The Stochastics indicator (middle) has already crossed over to the downside while the MACD (bottom) crossed over on Friday. These are negative signals.

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CONCLUSION: Don't pay attention to analysts who blame every daily market move on the news of the day.

Our view is that the daily moves are caused by the fast computers of the HFT operations, which account for more than 80% of the volume. That means less than 20% of the daily volume is the "average investor," who supposedly is moving the markets. HFT operations make money very short term by going against the flow of the average investor.

HFT trades have a very short time horizon, perhaps a few hours or a day. Therefore, we usually take the 2-day charts for the stocks or indices to smooth out those oscillations. And on those charts we use indicators that measure somewhat longer term trends, such as 9-12 days.

That is why trying to be a day trader is foolish. Most day traders usually lose most of their money in the short term. They enrich the HFT outfits.

GOLD

Gold is still near term bullish. But beware of a potentially strong correction. The probability is high that the 2020 high will be reached and perhaps briefly exceeded. Old highs, the further back in time, are big resistance for a while. Based on technical rules, after the old high is reached, there could be a strong correction in Gold.

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However, before such a correction, there will be lots of publicity about gold reaching the high, and the big gains ahead. Gold may even reach new highs intraday before the plug is pulled. That is to attract more buying just before a correction is produced.

Always remember, the markets are a game, aimed to take money from the emotional bulls and give it to the big smart money that controls the markets.

Corrections in gold can be as much as 10%. The nervous greedy traders who bought leveraged ETFs will usually sell at the bottom, where the smart money is ready to pick up the bargains in unleveraged vehicles.

The long-term charts are still long-term bullish as we have written many times. In 1980, we did a cycle study of gold going back about 400 years. Of course, we had to go back to the early years in England. The cycles predicted a 20-year bear market starting in 1980, to be followed by **a 30-year bull market starting in the year 2001. We exited gold at $694 in 1980.**

Cycles usually shift to the right or left, but this time the bear market in gold was exactly 20 years. The low was around $250. The profit opportunities made great money for some of our members.

The new "secular" bull market started 20 years later in late 2001, right on target.

However, there was a "cyclical" (shorter term) bear market in gold from 2011 to 2016, **within the secular gold bull market**. The charts and our work suggest that the secular bull market is still "operative" and could last until 2030.

The weekly chart of GLD, ETF for Gold, below shows it has broken above resistance (top blue horizontal line) and should now get back to the old 2020 high (red horizontal line, blue arrow). The "Dohmen Money Flow" is "overbought", which suggests a correction is due.

If the general stock market by that time has a serious plunge, gold will be pulled down temporarily as well. That correction will present a better buying opportunity for **when the central banks panic and try to rescue the financial system**.

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The 2-day chart of the Gold miners ETF, GDX, broke out above resistance from its June 2022 and January 2023 highs on April 4th. It has continued to climb higher since then. It is very much lagging the gold price.

Strong resistance comes from the red horizontal line above, which is the April 2022 high, if it can get there.

The Dohmen Money Flow has declined the past few days and is now on a "sell" from "overbought" conditions.

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CREDIT CONTRACTION & GOLD: A historic strong credit crunch will produce a historic economic contraction. It will hit all sectors of the markets.

Nothing is immune, and temporarily not even **gold. Everything will be sold to get cash, the one thing very few banks, companies, or individuals have.**

In the phase that follows a potential **financial apocalypse**, the central banks like the Fed will create a new record amount of money and credit in order to stop the economic contraction. **That should be the time to pick up gold, if the law permits.**

Until that time, we believe that with gold, "the early birds may get the worm," but it may taste awful. A very sharp correction in precious metals is possible. It will test the courage and emotions of the bulls. We would prefer to wait until that shakeout is over.

CONCLUSION: Fundamentals for Gold at this moment are bullish for the long term. If we are correct on a broad stock market decline, gold will also plunge in the first phase. Loans are already difficult to get, even for creditworthy borrowers. **Eventually, that will lead to a crisis.**

After that, the central banks will fight a **depression with massive new money creation.** And that should eventually be bullish for assets like gold.

It is all a matter of timing. As our motto is, "Timing is Everything."

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THE CREDIT CRUNCH WE PREDICTED IS HERE

A headline we read last week (zerohedge): **"Bank Lending Crashes By Most On Record In Last Two Weeks Of March."**

We wrote in our last ***Wellington Letter*** that the free market, i.e. the banks, will now do what the Fed has refused to do: **Tighten credit!** The Fed only hiked interest rates, which actually fuels inflation. Most central banks make that mistake.

A credit crunch will now reduce inflation, but in **a very painful manner. A lack of credit means an avalanche of bankruptcies. They should hit record highs.**

The economy and real estate are very dependent on smaller banks. The referred to article said:

> "banks with less than $250bn in assets are responsible for roughly:
>
> a. **50% of US commercial and industrial lending**,
> b. **60% of residential real estate lending,**
> c. **80% of commercial real estate lending, and**
> d. **45% of consumer lending."**

That is serious dependency. The article is from zerohedge (via "Tyler Durden," pen name). He wrote this shocking statement based on most recent numbers:

> **"**the two weeks since the collapse of Silicon Valley Bank (those ending March 22 and March 29) showed **the biggest two-week drop of US commercial bank loans and leases on record."**

Bloomberg confirms this, saying:

> "Commercial bank lending **dropped nearly $105 billion in the two weeks ended March 29**, the most in Federal Reserve data **back to 1973**."

This is the **greatest plunge in new business loans in recorded history for this statistic** and therefore the sharpest tightening of credit conditions in history.

Read that again! Note the "greatest plunge in new business loans on record" and **"sharpest tightening of credit in history."**

But it wasn't produced by the Fed intentionally. **It was done by the free market being shocked by a sudden confidence destruction in the banks. That makes it much more serious.**

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Whereas central banks may be able to handle problems of deposit outflows from banks, the huge problem is **CRE** loans (commercial real estate) that are coming up for banks in the next 2 years.

Can it improve meaningfully in the future? Read this:

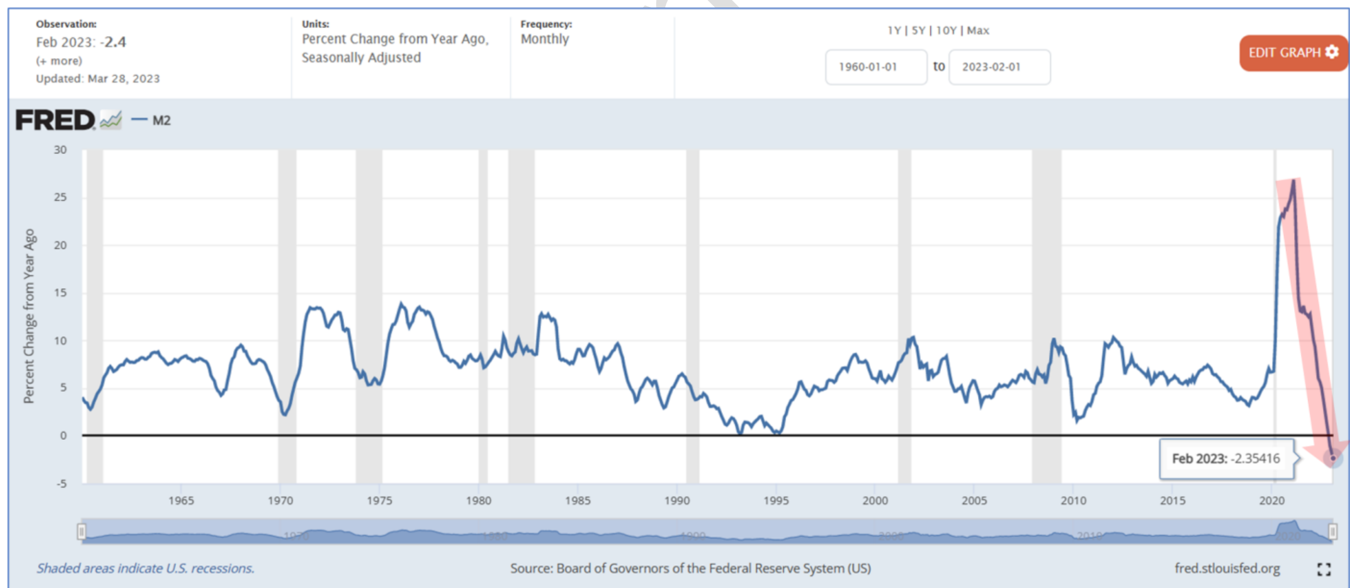
According to a Morgan Stanley analyst, total *"US securitized credit – CRE debt of $1.35-1.46 trillion (30-32%) matures by year end 2025. Banks hold ~42-56% of maturing debt."*

How will banks refinance **perhaps $650 BILLION of the commercial real estate debt?** That of course will be a depressant on banks and the credit markets until that time.

The big outflow of deposits resulted in the often mentioned plunge in M2 money supply this year, **the sharpest since 1958**. M2 declined in December, January, and February. According to one analyst (Trevor Jennewine), the last time M2 declined before that was December 1958, although that was a miniscule decline of 0.16%.

The decline in February was 2.35% from the prior year.

See the chart below showing the huge plunge in year-over-year M2 percent change over the past few months.



During the Great Depression M2 fell **2.35%,** the same amount as now. This is ominous but fits what we have said the past 18 months, namely that this coming recession/depression could be worse than in the 1930's because the Fed's bubble machine allowed **the greatest creation of credit in history**. Deflating that huge bubble will be extremely painful.

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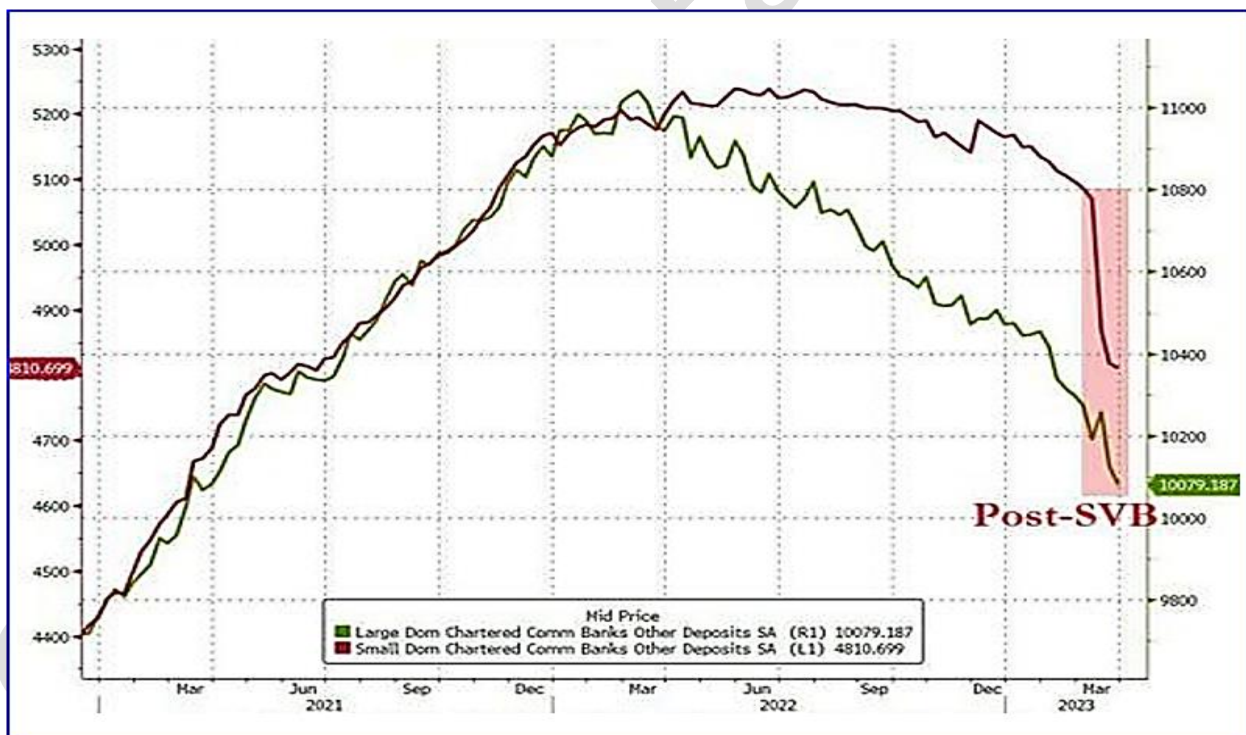
Combine that with the huge tax increases planned in Washington and you have the prescription for the same thing that caused the 10-year depression in the 1930s.

The alternative to that is super-high inflation. It all depends on political choices. With the current leadership in high places, the choice may be super-high inflation. We will see.

There two different reasons for the current credit crunches, i.e. unwillingness of banks to make loans: **either banks want to reduce risk in an uncertain economic or they don't have the reserves to make the loans.**

We believe it is both. Much of the lack of new loans seems to be an outflow of deposits. Look at this chart below via Zerohedge showing the huge outflow of deposits from both large and small domestic commercial banks. Deposits are the basis for making loans, with a multiplier effect. Banks are probably making zero new loans, waiting to see if the outflow of deposits has stopped.

The pink shaded area on the chart is the SVB crisis in early March this year. Remember our "Dohmen Theory of Liquidity & Credit:" **when those two items contract, the long-term trend of the stock market must decline.**



But large banks have their own problems. The chart shows that the big outflows started in March-April of last year, one year ago. That is roughly when the Fed suddenly announced its anti-inflation campaign.

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Now we are seeing an acceleration of the outflows. In our view, the markets have still not discounted that.

Banks are already borrowing billions from the Fed to compensate for the deposit outflows. Since last month's banking crisis, **banks have borrowed $139 BILLION from the Fed. That is 139,000 times a million.**

Bloomberg wrote **"almost $1.5 trillion of US commercial real estate debt comes due for repayment before the end of 2025. The big question facing those borrowers is who's going to lend to them?"**

Morgan Stanley's James Egan writes that **"roughly $400-450 BILLION worth of CRE loans are scheduled to mature in 2023. This is on par with 2022, and both of those years are the largest on record."**

About 46% of these CREs are covered by the governmental agencies. Thus, we may once again see an existential problem with the Federal mortgage firms.

Is it possible to resolve the CRE loan problem? We haven't heard it mentioned but we believe strong large banks could just reschedule the due dates of those loans. It only takes a new loan agreement. That was done in Dubai, when it could not make debt service during the big recession of 2009.

Even Donald Trump did it during a big recession. The banks could not afford to let this big borrower fail.

The old motto is: "if you borrow small, the bank owns you. If you borrow very big, you own the bank."

In the current banking turmoil in the US, the big banks may have to reschedule loans that come due in order not to risk a domino-like collapse. It seems that problem could be handled unless the banks don't have the reserves.

However, the big problem is the smaller banks. The single largest lenders in the Commercial Real Estate are **regional banks. Below is the monthly chart of the ETF for the regional banks, KRE, going back to 2013.** Look at the sharp plunge in March. The Dohmen Money Flow indicator (bottom) made a new negative low recently.

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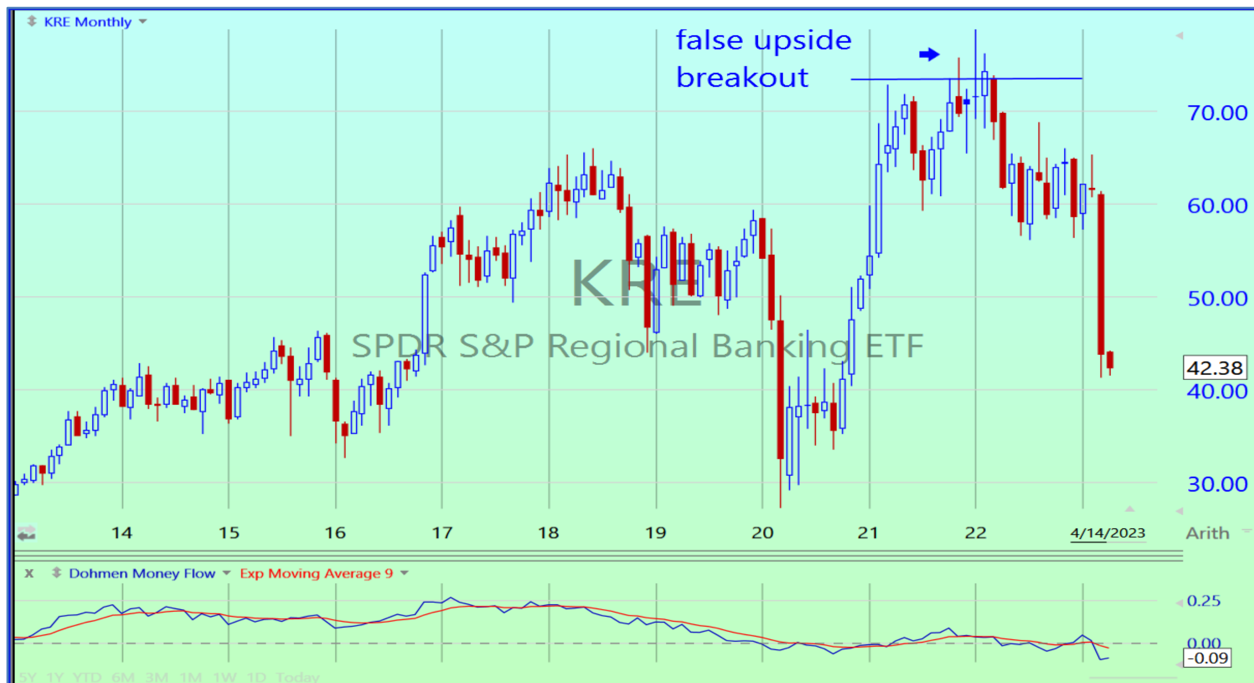

THE FED FIGHTS CONTRACTING CREDIT: The Fed is already fighting that deflationary credit contraction. As we mentioned in our last issue, they injected **$400 BILLION fresh credit in just two weeks in early March.** That was around half of its reduction during the "anti-inflation" campaign of the last 6 months.

You see, the "flag of surrender" is raised quickly by politically motivated central banks.

Based on our work, this year could see a sudden stock market plunge too fast for the naïve bulls to get out.

Why? Because the bear market rally since last October has occurred on **false premises**. The totally false employment numbers (more on this later) are designed to give the perception that there is no recession and all is well.

On top of that are the totally false inflation numbers, which analysts have been brainwashed over the years to believe. Actual inflation, without all the fudge factors introduced the past 40 years, was over 16% according to Dr. John Williams of shadowstats.com (not the one from the Fed).

That is a huge difference**. We have explained the fudge factors of Washington many times.**

With that we see this is like a Kabuki Theater where everything is "make believe."

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Eventually, these false numbers will be exposed. That is likely to result in a rush to the exits in the stock market.

SIMILARITIES TO 1987 CRASH: We remember the October 1987 CRASH. We had a managed account program similar to the current HedgeFolios guided active investing service, which basically gives buy and sell signals, plus allocations, for the important stock market **sectors**.

In our managed account program at that time, we got into **77% cash** several weeks ahead of the 1987 Crash. That is a huge cash amount for a money manager.

That was based on the great danger we saw in the "Portfolio Insurance" gimmick sold to institutions by a firm in LA, headed by Leland O'Brien. The firm claimed that they could protect large institutional portfolios by short selling index futures.

We laughed at that concept. We said the "market makers" on the futures exchanges would take a coffee break when they saw the flood of short-sale orders coming in. That's exactly what happened on the day of the **October 1987 Crash.**

Our technical analysis confirmed to us that smart money was starting to exit the market in September 1987.

Some of our clients were angry when we got into 77% cash and asked if they were paying us to be in money markets? One called and showed his arrogance, using the "F" word numerous times to our people when that word was not very popular.

Then the historic crash came. The DJI plunged **over 22% in one day**. Within the next two weeks, we bought back some of the no-load funds **50% cheaper than where we sold them**. Interestingly, the person with the profane language forgot to thank us. He must have been very embarrassed.

Later we converted the program to a subscription service, and eventually transitioned to the model portfolios (HedgeFolios, of our affiliated firm, https://hedgefolios.com/), which have been doing amazingly well compared to the benchmarks during this bear market.

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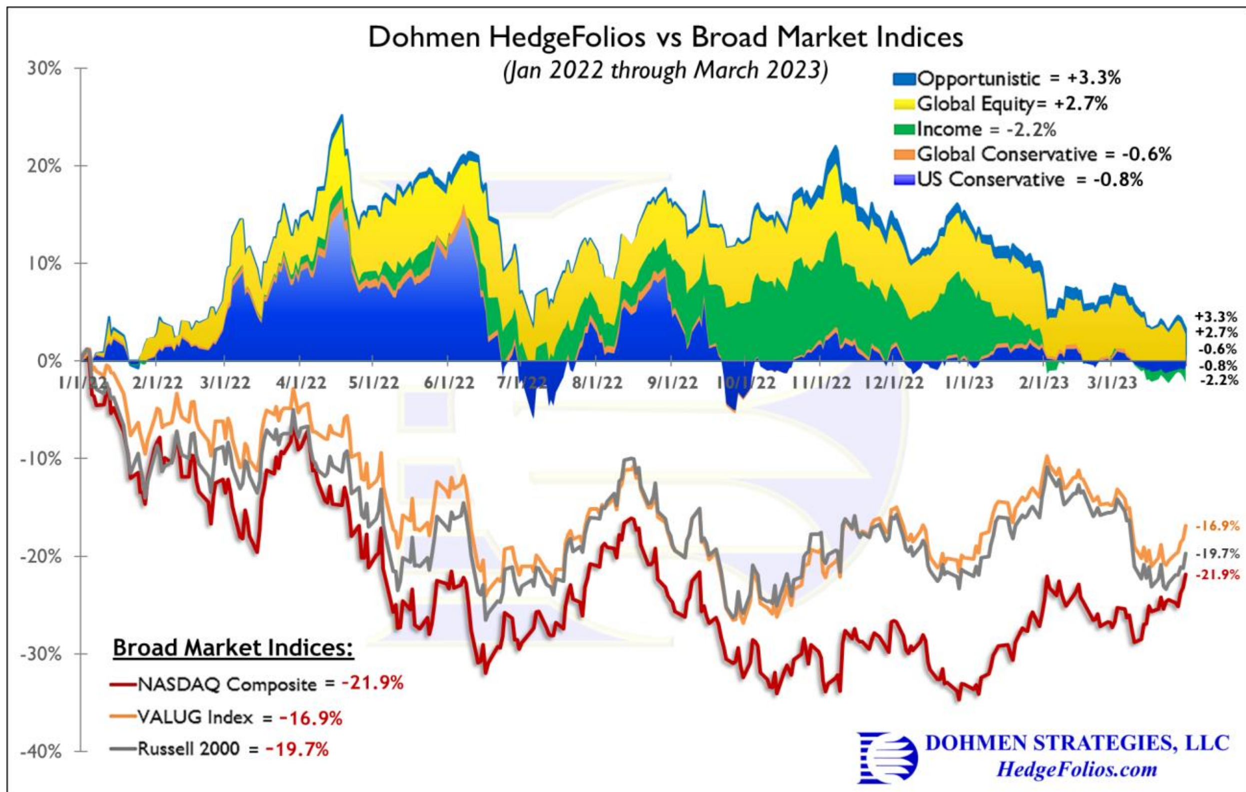

Source: HedgeFolios.com, Yahoo Finance. The above HedgeFolios performance is based on an unfunded model and does not constitute a composite for purposes of GIPS reporting. Model Performance may deviate from actual client performance for a number of common reasons. Past performance is no guarantee of future results. The information is obtained from sources that HedgeFolios.com considers to be reliable; however, no representation is made as to, and no responsibility or liability is accepted for, the accuracy or completeness of the information. Information contained herein is subject to change at any time without notice.

Credit crunches are vicious. In the 1980 credit crunch, and other crunches, banks stop making new loans, even to their best customers. They tell their best customers "We know you have the best credit, but we don't have the ability to make new loans." That may happen again.

We remember in one of the prior crunches, a number of large well-known banks even cancelled credit commitments to real estate developers, although it was a 'breach of contract.' When the developer said he would sue, he was told "go ahead, but it will take you 5 years to get into court and by that time you are broke."

NEGATIVE IMPLICATIONS: The very negative implications must get top consideration for investors. A credit contraction means a similar contraction in stock prices. A record contraction, if it persists, may give us a record stock market contraction.

THE FED

We saw a former well-known member of the Fed Board on TV. He said that the people at the Fed are very "intelligent," but they make some mistakes. High said, "they learn from their mistakes."

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This is comical. The Fed has been trying to steer the economy since its creation in 1913. And they are still "learning?"

For 45 years we have called important recessions at times when the Fed chair at that time said, "there is no recession in sight." They reportedly have over 400 highly educated economists. At our firm, a Chemist with Graduate School of Business is founder and CEO. He gets it right when the Fed economists get it wrong. Does that make sense?

Is it possible that Fed policy has a different agenda than that which is advertised?

For example, keeping interest rates near zero for a decade for the first time in monetary history makes no sense. However**, it created a fantastically profitable era for stock market profits, and therefore Wall Street.**

Then we had the period of hiking interest rates starting in 2022. The markets plunged, and short sellers on Wall Street made huge profits, as did our ***HedgeFolios*** members. But it made no sense for the Fed to hike short-term rates so much, so fast. The Fed Funds rate soared from 0.25% to 5.00%, a 475 point rise in just twelve months.

The percentage increase is an incredible 1900% in roughly one year. That only makes sense to a drunk, or if it was intentional to produce billions of dollars of profits in bond short sales.

Just short selling T-bonds, which have no credit risk, via the ETF, TLT, would have made a profit of **40% in one year, or 80% on 2:1 leverage**. However, the pros used derivatives, with leverage of 100:1. The profits would have been 50 times larger, or **2000%.**

We are not accusing and saying that was the motive, but if it was, it was a well-executed plan.

In the words of one of our valued members, investing has become "**Intellectual Plunder."**

At the start of the bond bear market we recommended shorting T-bonds. It worked out great, just as in 1980. Older members will remember that.

FED MINUTES: The minutes of the last Fed meeting were released last Wednesday. It forecasts a recession in 2024-2025 and declining inflation next year. Furthermore, the 400 Ph.D. economists of the Fed seemed to favor ***not*** hiking rates again. But they were overruled that day (March 22nd FOMC meeting).

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ANALYSTS PEDDLE AN ECONOMIC FAIRY TALE

Office vacancies are soaring as the incompetent analysts debate whether there will be a recession or a "soft landing." The latter would be like landing in "quicksand and mud.'"

Even the Fed is now saying there could be a "mild recession" later this year, followed by a recovery next year. Have they already received marching orders for the pre-election 2024period?

Look at a major city in the US, which used to be our favorite 60 years ago, San Francisco. Wolf Richter who always has interesting insights in his newsletter, Wolf Street, writes:

> *Meta (formerly Facebook) said in January that it plans to list for sublease its* ***435,000-sf office*** *at 181 Fremont Street.*
>
> *Salesforce, the City's largest tech employer, put another* ***125,000 sf on the sublease market*** *in March, this time at the Salesforce Tower, which is owned by Boston Properties. This brings Salesforce's total sublease space to* ***over 1 million sf.***
>
> He points out: San Francisco had been the hottest office market in the US in 2019, when the office vacancy rate was **just 7.1%.**
>
> Now, Q1, 2023: The vacancy rate is **32.7%. Nearly one-third of San Francisco's office space was on the market for lease, an all-time record, according to Savills**. During the worst year of the Dotcom Bust, in 2003, the vacancy rate topped out at **18%**.
>
> The vacancy rates in Q1 ranged from 28% in the South of Market Area (SOMA) to **55.4%** in the Yerba Buena area.

Those are shocking numbers. They are already "historic" as we expected. With those vacancies, the owner of the buildings has a huge negative cash flow.

That means the mortgages can't be serviced. Defaults and auctions are the eventual result, perhaps with the exception of the strongest lenders who can reschedule.

We can foresee that properties may be sold for $1, just to get out from under the debt burden if there was a **personal guarantee**. That brings us to another point: whenever you buy an investment property, never ever give a personal guarantee.

Ming Zhao (@FabiusMercurius) wrote:

> *"Soon (you'll) hear a lot more on CRE (commercial real estate). Why? B/c US banks & PE firms are headed for* ***real estate doomsday. 4 collapses in 11 days $270 Billion in CRE loans*** *due EoY $3B+ defaulted in March 2023 alone."*

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We quoted that to tell you it is **already happening**, not a forecast for some unknown time in the future.

As much as 70% of the other commercial real estate loans that mature over the next five years are held by banks, according to a recent Morgan Stanley report. It seems that banks and their shareholders are in for a rough ride.

Morgan Stanley says that office and retail property valuations could **fall as much as 40%** from their highs to their eventual lows, which would result in numerous liquidations, bank failures, defaults, which would then result in further liquidations.

Just before the SVB banking fiasco, we wrote in an open letter to Fed chair Powell (https://bit.ly/DCZH392023), posted on Zerohedge one day before the SVB failures, **"Stop hiking rates."**

The point was not that rates were too high, because rates should be above inflation in a serious attempt to reduce inflation, but that the Fed **raised them much too fast.** The private sector could not adjust that fast.

The Fed should subscribe to our ***Wellington Letter***. If Silicon Valley Bank had listened to our analysis in the Wellington Letter two years ago, **when we predicted a 40%-60% decline in long term US T-bonds**, the bank could have averted the very costly banking crisis in March, which will eventually be blamed for the coming fiasco.

The unrealized losses in T-bonds in portfolios of banks and institutions can be measured in TRILLIONS of dollars. Our clients made nice profits by short selling those bonds.

Total assets in public pension plans are over $5 TRILLION. They are allowed to use leverage for bonds, which caused the crisis recently in British pension plans when the Bank of England had to bail out the pension system (discussed in our March 12th Wellington Letter).

As we wrote in that issue, in reality, SVB will not be the "cause" of a potential fiasco ahead, but "the tip of the iceberg," a warning that the debt pyramid was starting to crumble…in the US.

Yet, the same problem exists in other countries, The demise of CREDIT SUISSE last month is an example of a similar problem globally.

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THE ECONOMY

RETAIL: Retail sales in March declined 1%, twice the estimated decline of 0.5%. Analysts seem to greet that as "good news." We conclude that the optimism based on false statistics will now end as the reality is the opposite.

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If we assume Friday's retail numbers are true and not fudged, it shows to us that for now the retail price increases have stopped or slowed. Retail prices are **not** inflation-adjusted. Therefore, if most prices stop rising, sales will decline because of a real decline in **unit** sales.

Below is the 2-day chart of the ETF for the Retail sector, XRT. It includes roughly 90 well-known retail stocks. **It looks very weak** and rallied only a small amount during this latest rally while the S&P was pushed up by the HFTs in March-April.

Remember what we've explained numerous times in these pages: the DJI and S&P are moved by perhaps a dozen large cap stocks to present a false picture of strength.

The "Dohmen Money Flow" indicator (bottom) on the XRT is on a clear "sell" signal since a few days after the top in the beginning of February. As you know, money flow is one of our favorite indictors.

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FALSE JOBS DATA SPURRED FALSE HOPES

In early February we revealed that the official January jobs report from Washington was a lie. That revelation was worth billions for our big investors who acted on it.

We explained in our February 10th ***Smarter Stock Trader***:

> **"**new jobs created in January were supposed to be 517,000, although the BLS website says actually about **2.5 million jobs were lost** (on an "unadjusted basis"). The difference with

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> the headline publicized number is seasonal adjustments and other "adjustments" that have no rules. They are guesses with the intent to deceive, motivated by what the politicians want.
>
> Therefore, the bullish stock market sentiment is totally based on falsehoods. When everyone finally discovers that, it will cause a lot of selling."

Therefore, the BLS (government) number of an **alleged increase in jobs of 517,000 ("adjusted basis") was false. That is a difference of an amazing 3 million jobs in January. Apparently, the BLS, which takes orders from the White House, could not report that for political reasons.**

Billions of dollars went into stocks based on that adjusted number, with investors and money managers thinking that a recession was unlikely.

That is why the BLS is nicknamed the "**Bureau of Lying Statistics,"** We posted an article on this fact on Zerohedge with the true numbers from the BLS website (read the article here: ***Why the "Bullish" Employment Report is Complete "BS"***, https://bit.ly/DCZH292023.)

Imagine, all the high-priced analysts never mentioned that. Did they not go to the BLS website to see the true numbers?

On April 4th, the BLS had to start to correct its prior numbers downward because it creates havoc with future numbers. They must now try to adjust the falsehood in order to eventually end up with a somewhat more realistic number.

In the April 4th report the BLS numbers showed that **job openings had suddenly crashed by 1.3 million over the last 2 months. It is the second highest decline on RECORD.** The biggest was at the start of the artificial Covid epidemic.

On April 6th, the reported unemployment numbers soared much more than expected.

"Initial" jobless claims soared to 228,000 - the 9th straight week with initial claims above 200k. These are also "revised", i.e. adjusted.

The important number for us, "Continuing" claims, surged above 1.8 million, the highest since December 2021.

That means that the often heard "not enough workers to fill all the jobs" is fiction if there are **1.8 million unemployed. Furthermore, those who have given up looking for a job are not even counted as "unemployed."** They are instead counted as "underemployed."

Our educational system now assures that many graduates can't get hired because they know nothing. Is that the goal of the teachers' unions? They are doing their part in assuring the demise of capitalism and freedom. China must love them.

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Now the "adjustment" of economic statistics will start revealing the truth that we are already in a serious recession, which will get much worse. Money managers who don't do research may be shocked.

Yes, we are in a recession, but Wall Street analysts seem to be under orders not to mention that.

Now that the insiders have sold their stocks at good prices after the bear market rally, and probably have sold short, the very bad economic news is allowed to surface.

Interestingly **most of the analysts never reported that the January number was false**, although it could easily be seen on the BLS website. It is difficult for us to believe that so many analysts would not have known the truth. In today's "fake news era", everything is "suspect," until proven real.

Artificial Intelligence (AI) will now accelerate the fake stories to the point that people won't believe anything anymore. And that will accelerate the global economic implosion.

CONCLUSION

The crosscurrents are tremendous, fueled by manipulation and asset allocations shifting in a big way.

We now want to start focusing again on the next bigger trend, which is downward in the majority of sectors. No manipulation can overcome the longer trend of credit contraction, and therefore the selling of stocks. Forget all the fundamental bullish factors you hear from analysts. They have a conflict of interest.

These are uncharted waters. Trade lightly and be skeptical of anything you hear, especially on financial TV. Always verify!

Once the big, smart, and well-connected entities have raised a lot of cash by selling to the naïve investors, the markets will plunge. We expect that before October this year, and possibly much sooner.

IMPORTANT ANNOUNCEMENT

In the current soaring inflationary environment, the cost of doing business has increased significantly.

While we have tried to hold off on increasing prices over the past year, **keeping the same low rates we have held since 2016**, we are at a point where a price increase will be necessary in order to continue delivering the **quality of research, analysis, and forecasts our members and readers have become accustomed to over the past 46 years.**

In bear markets, our analysis takes much more time, but the market calls and insights make it

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worthwhile. We don't have much competition during such times. History shows that **bear markets have been very good for our valued members.**

Effective May 15, 2023, the monthly and annual Wellington Letter membership rates will have reasonable increases to:

- **Wellington Letter Monthly = $75/month**
- **Wellington Letter Annual = $750/year**

With this being **our first price increase in 7 years**, we truly appreciate your understanding and rest assured, we will continue to provide serious investors like you with our **in-depth research, advanced technical analysis, and prescient forecasts** to help successfully guide you through these difficult times.

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If you have any questions, please feel free to reach out to us at office@dohmencapital.com.

Wishing you successful active investing,

Bert Dohmen and team

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BOOK by Bert Dohmen:

The following book by BERT DOHMEN is a **collector's item and VERY relevant to the current bear market environment we're in right now. We call it the "guide for the next crisis"**. The value is to see how we caught the major changes in the markets and economies at historic turns BEFORE they were recognized by the majority.

The charts alone will help you determine what to look for now in the markets, and the misguided policies of the central banks and our own Fed.

History my not repeat exactly, but it certainly "rhymes."

FINANCIAL APOCALYPSE ($25+ s/h)

Do you want to know where the global markets are likely to go over the next several years and how to interpret the clues for yourself instead of listening to the pundits? Here is the book that will show you. It is a step-by-step account of the 2008 financial crisis, with charts, technical indicators, and credit market analysis, which gave us all the clues that in the fall of the year we would encounter something similar to 1929. This book is the road map for the next global crisis. It's a collector's item and can be used as a reference book to see what Wall Street tells investors to keep them in the markets even while they are selling themselves. (go to http://bookapocalypse.com/)

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