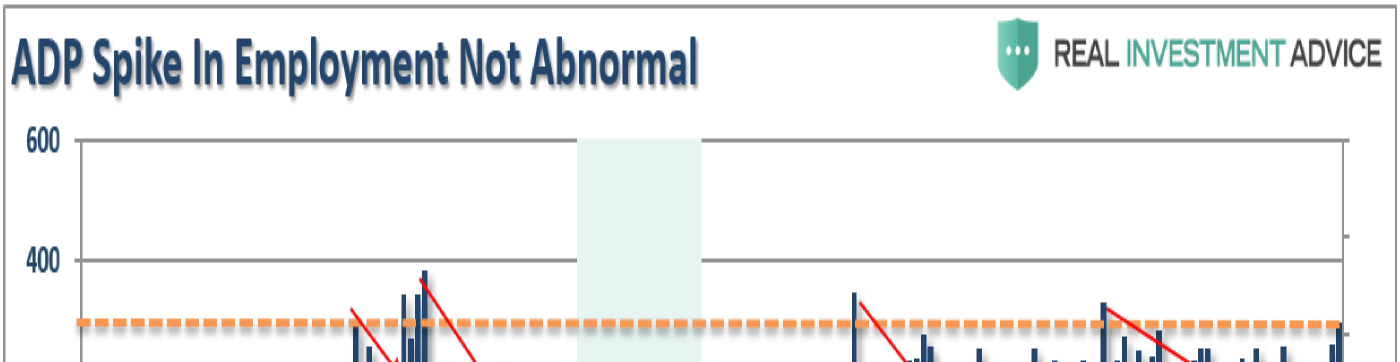
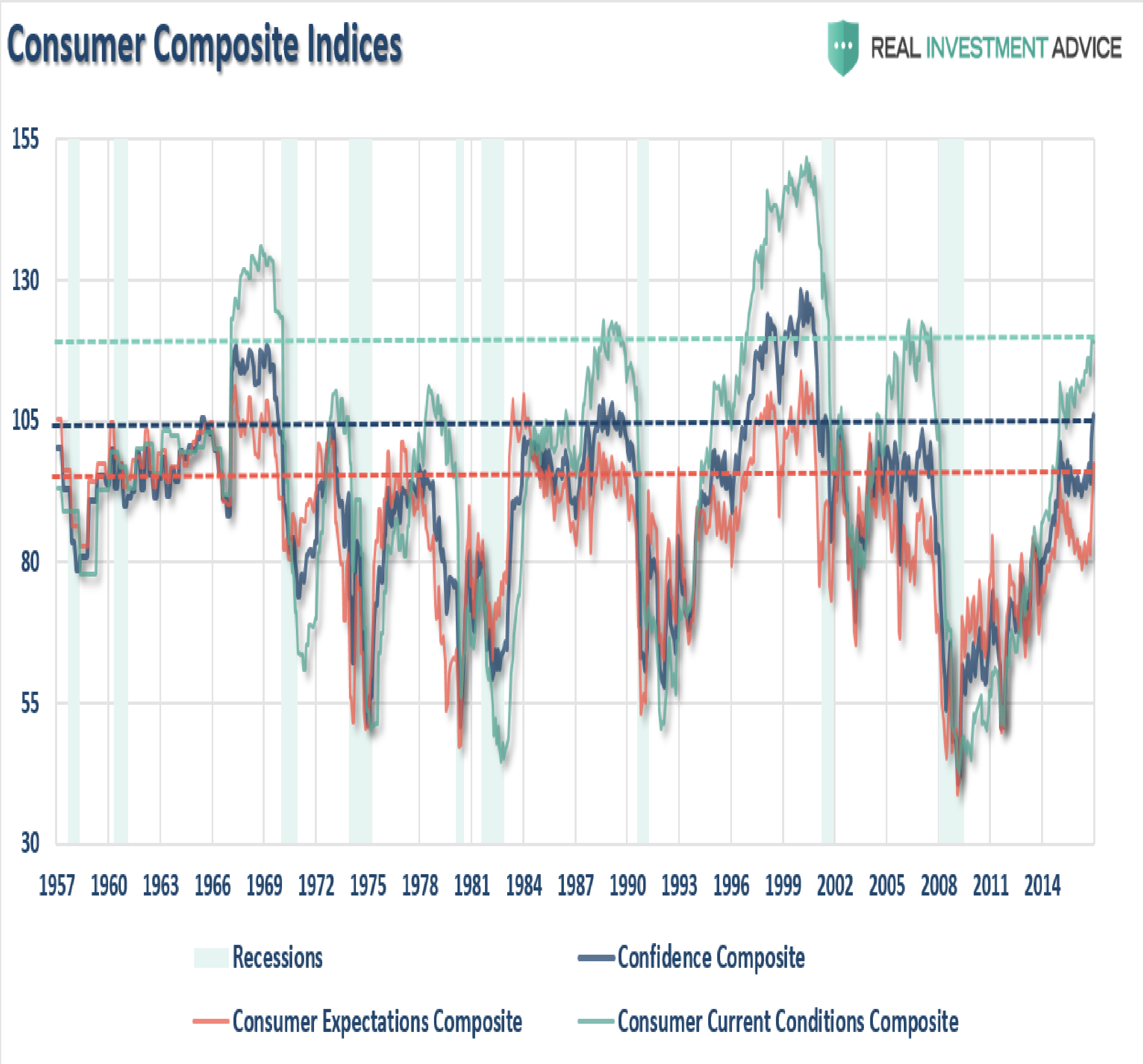
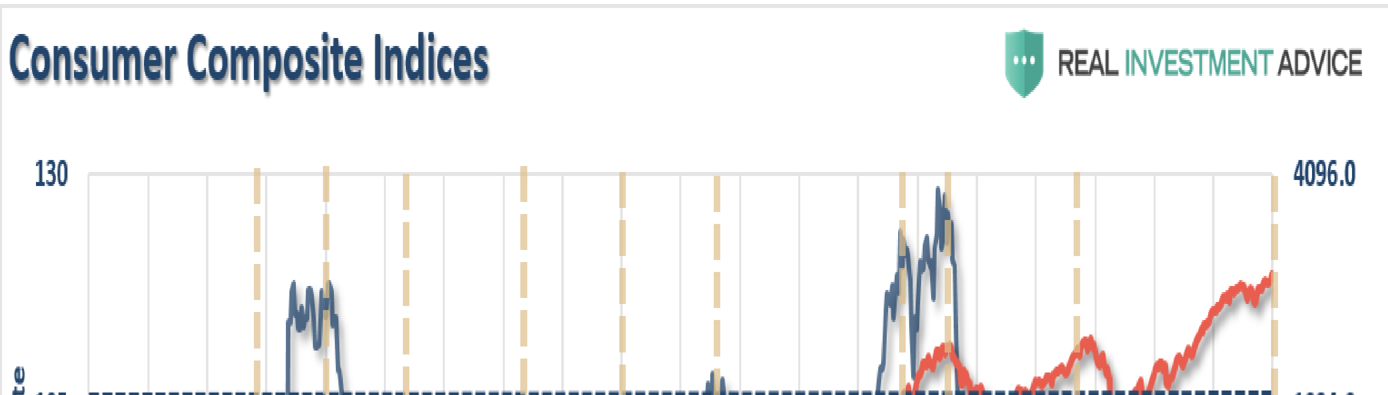
Next week the Janet Yellen and her minions are expected, with 100% certainty, to lift the Fed funds rate by another 0.25% to 1.00%. This certainty has been building as of late given the rise in inflation pressures from higher commodity, particularly oil prices, and still rising health care costs as well as a strong market, dollar, and employment data. Speaking of employment data, ADP reported on Wednesday a 298,000 person increase in employment. **What is interesting is this was the highest monthly employment rate seen since 2014, 2011, and 2006. In all three previous cases, it was the peak of employment before weakness begin to set in.•**



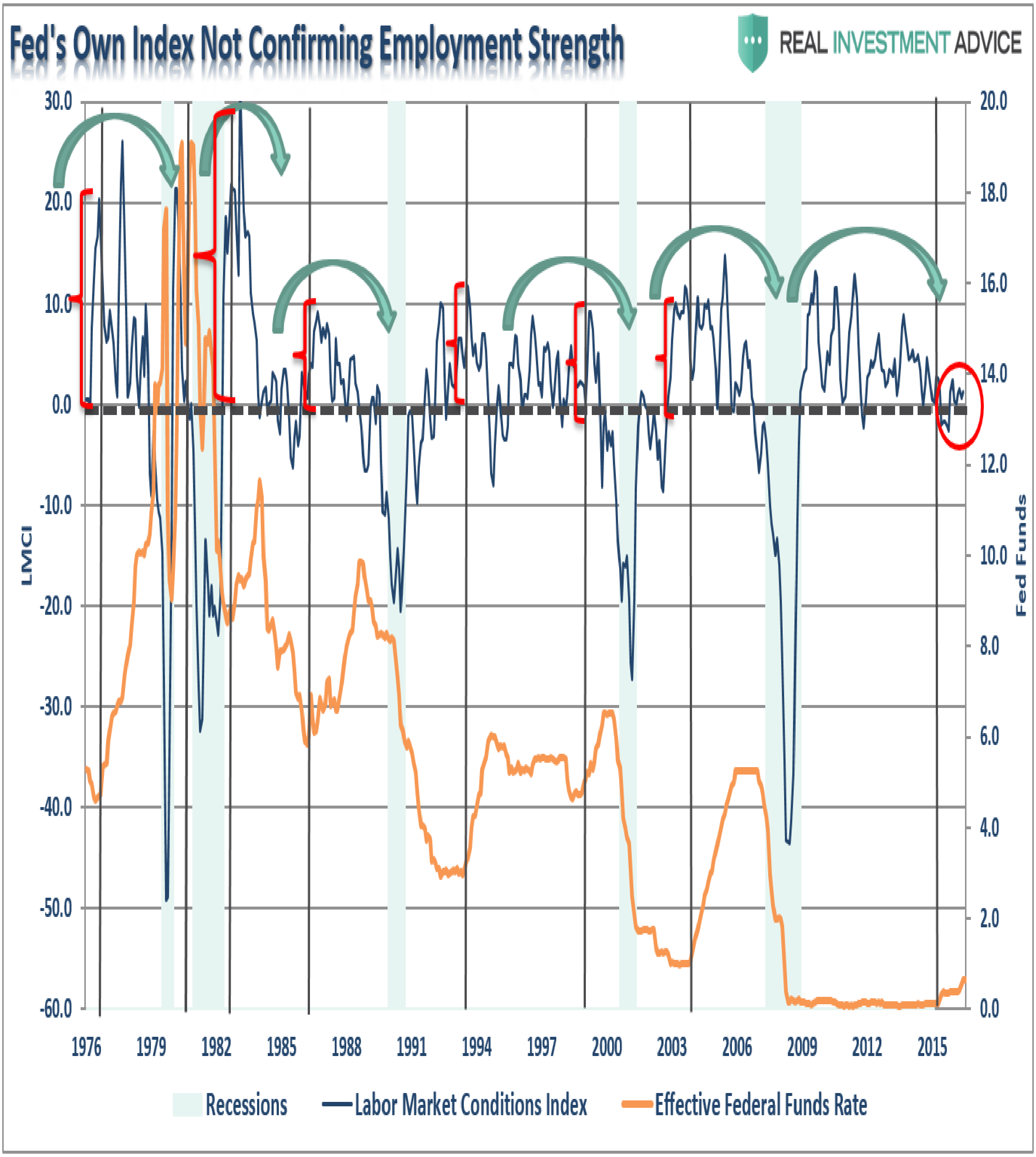
Of course, given the *"exuberance"* following the election of ***"the guy that was supposed to crash everything,"*** it is not surprising that we have seen a pick up in some activity more closely aligned with a boost in sentiment. **The chart below is a composite index of the average of the UofM and CB survey readings for consumer confidence, consumer expectations, and current conditions.** The horizontal dashed lines show the current readings of each composite back to 1957.



Importantly, as noted above, high readings of the index are not unusual. It is also worth noting that high readings are historically more coincident with a late stage expansion, **and a leading indicator of an upcoming recession, rather than a start of an economic expansion.** The next chart shows the same analysis as compared to the S&P 500 index. The dashed vertical lines denote peaks in the consumer composite index.



Again, not surprisingly, when consumer confidence has previously reached such lofty levels, it was towards the end of an expansion and preceded either a notable correction or a bear market. But therein lies the other issue. The strength in the recent employment reports will most assuredly push Yellen to hike rates next week. **It is worth noting that historically there was a significant gap between the Labor Market Condition Index and the ZERO line when the Fed started a rate hiking campaign *(vertical black lines)* which provided a buffer until the next recession. That is not the case currently.•**



Just some things I am thinking about this weekend as I catch up on my reading.

Trump/Fed/Economy

- **The Buford T Justice Job Market** by Danielle DiMartino-Booth via Money Strong
- **The Triumph Of Politics 2.0** by David Stockman via Daily Reckoning
- **Want US Factories, Gov't Needs To Help** by Kif Leswing via BI
- **Say "Yes" To 4% Growth** by Stephen Moore via The Washington Times
- **Is Wall Street Responsible For Slow Economy** by Sheelah Kolhatkar via The New Yorker
- **The Flaw In Trump's Tax Plan** by Shawn Tully via Fortune
- **•Budget Deficits Are Not Created Equal** by Ray Keating via Real Clear Markets
- **America's Bad Border Tax Idea** by Nouriel Roubini via Project Syndicate
- **What The Health Care System Really Needs** by Caroline Baum via MarketWatch
- **5-Economic Shocks Coming From Washington D.C.** by Stan Collender via Forbes
- **Surprised? Fed's Inflation Predictors Aren't Very Predictive** by Stephen Cecchetti via 538
- **Wisdom Of Crowds About Monetary Policy** by Scott Sumner via The Money Illusion
- **Federal Policies Needed To Achieve 4% Growth** by Richard Rahn via Washington Times

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Markets

- **This Mini-Bubble Could Burst** by James Rickards via Daily Reckoning
- **The Fed Is About To Cause A Bond Bloodbath** by Akin Oyedele via BI
- **3-Stock Market Threats From Washington D.C.** by Sam Ro via Yahoo Finance
- **How Long Will The "Trump Bump" Last** by Kate Kelly via NYTimes
- **Is The Irrational In Markets Now Being Rationalized** by Doug Kass via Real Clear Markets
- **Expect Wild Market Swings Before New Records** by Avi Gilburt via MarketWatch
- **Why This Bull May Die Under Trump** by Steven Russolillo via Ahead Of The Tape
- **102 Days Without A 1% Fall** by Mark DeCambre via MarketWatch
- **Don't Bank On Another 8-Years Of A Bull Market** by Anora Mahmudova via MarketWatch
- **Beware The Ides Of March** by Steven Vannelli via GaveKal
- **Market Is Set Up For A Correction** by Shawn Tully via Fortune
- **World's Most Deceptive Chart** by Shawn Langlois via MarketWatch
- **Sam Eisenstadt Has Bad News** by Mark Hulbert via MarketWatch
- **Stock Market Sleepwalking Past Problems** by David Nicklaus via St. Louis Dispatch

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Research•/ Interesting•Reads

- **What Doctors Think Of ObamaCare Replacement** by Lydia Ramsey via BI
- **AHCA: A Plan Set Up To Fail** by Paul Krugman via NYT
- **Why No One's Going To Drain The Swamp** by Wolf Richter via Wolf Street
- **8-Sources Of Irrational Investment Behavior** by Vintage Value Investing via HVST.com
- **Gross: We Are At A Moment Of Uncertainty** by Jennifer Ablan via Reuters
- **Why You Probably Won't Survive The Next Bear** by Lawrence Hamtil via Fortune Financial
- **Bringing Daniel Kahneman's Wisdom Into Your Life** by Phil Jonckheer via Equius Partners
- **Yellen Said One Word Which Should Worry You** by Ron Insana via CNBC
- **How Much Should You Save For Retirement?** by John Divine via US News
- **Yield Curve Flattest Since 2008** by Edward Harrison via Credit Writedowns
- **Mnuchin Warns "Extraordinary Measures" Needed** by Tyler Durden via ZeroHedge
- **The Most Broadly Overvalued Market In History** by John Hussman via Hussman Funds
- **Bear Fund Traders Back In Hibernation** by Dana Lyons via Tumblr
- **What Is A Prudent Investor To Do?** by•Jesse Felder via The Felder Report

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?As long as the music is playing, you?ve got to get up and dance. We?re still dancing.? - *Chuck Prince, CEO of Citi in July, 2007.*

Questions, comments, suggestions ? please email me.