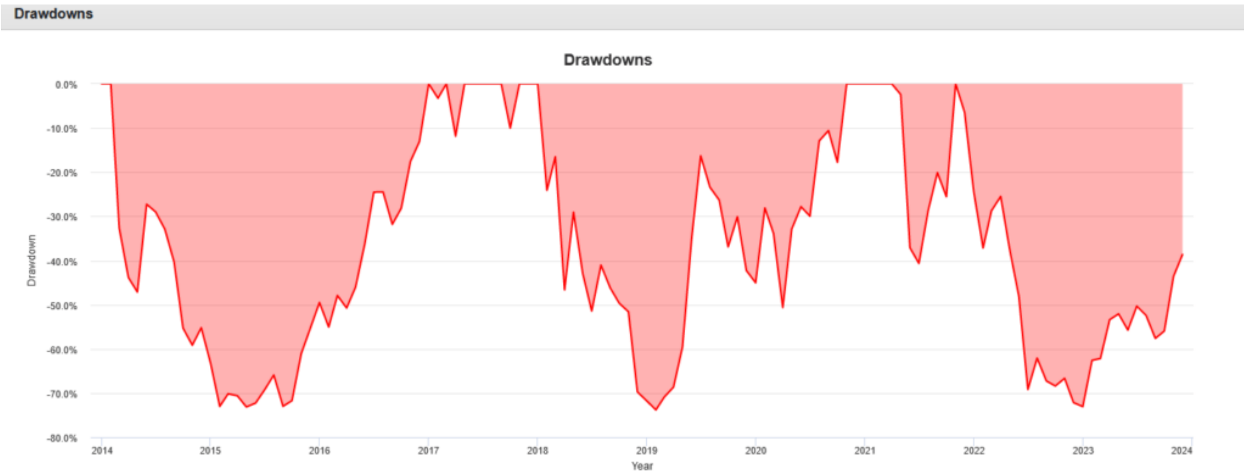
JP Morgan CEO Jamie Dimon testified to Congress on Wednesday in a routine meeting about the banking industry. In the process, the topic of Bitcoin and other cryptocurrencies came up. Despite having significant investments in blockchain, Dimon had some choice words for Bitcoin and other cryptocurrencies. In particular, the following quote is making headlines: *"If I was the government, I'd close it down."* These are not the first anti-crypto comments he has made. *Per CNBC: In previous statements, Dimon has called bitcoin ?a hyped-up fraud,? a comment he later walked back. He had also likened it to a ?pet rock.?*

> Bitcoin has been on a tear recently, rising about 65% since mid-October. Gold has risen markedly since then, and yields have come down significantly. It was at that time the Fed alluded that a pause was probable, as the recent tightening of financial conditions was doing their job for them. Bitcoin is the most volatile of the aforementioned asset classes so it makes sense it would rally the most. The graph below shows the drawdowns in Bitcoin can be huge but the ensuing rally, as we are seeing, can be very profitable.



What To Watch Today

Earnings

- *No notable earnings releases today.*

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, DECEMBER 8						
13:30	USD Average Hourly Earnings (MoM)(Nov)		-	-	0.3%	0.2%
13:30	USD Average Hourly Earnings (YoY)(Nov)		-	-	4%	4.1%
13:30	USD Average Weekly Hours(Nov)		-	-	34.3	34.3
13:30	USD Labor Force Participation Rate(Nov)		-	-	-	62.7%
13:30	USD Nonfarm Payrolls(Nov)		-	-	180K	150K
13:30	USD U6 Underemployment Rate(Nov)		-	-	-	7.2%
13:30	USD Unemployment Rate(Nov)		-	-	3.9%	3.9%
15:00	USD Michigan Consumer Sentiment Index(Dec) PREL		-	-	62	61.3

Market Trading Update

Yesterday, the market regained some of its losses from Wednesday but did not resolve the big *"outside reversal"* day. The last time we had a similar outside reversal was back in July when the market set its highs for the year. Like then, the market was topping with a MACD "sell signal" in place, and the market rallied for two days AFTER the outside reversal day.

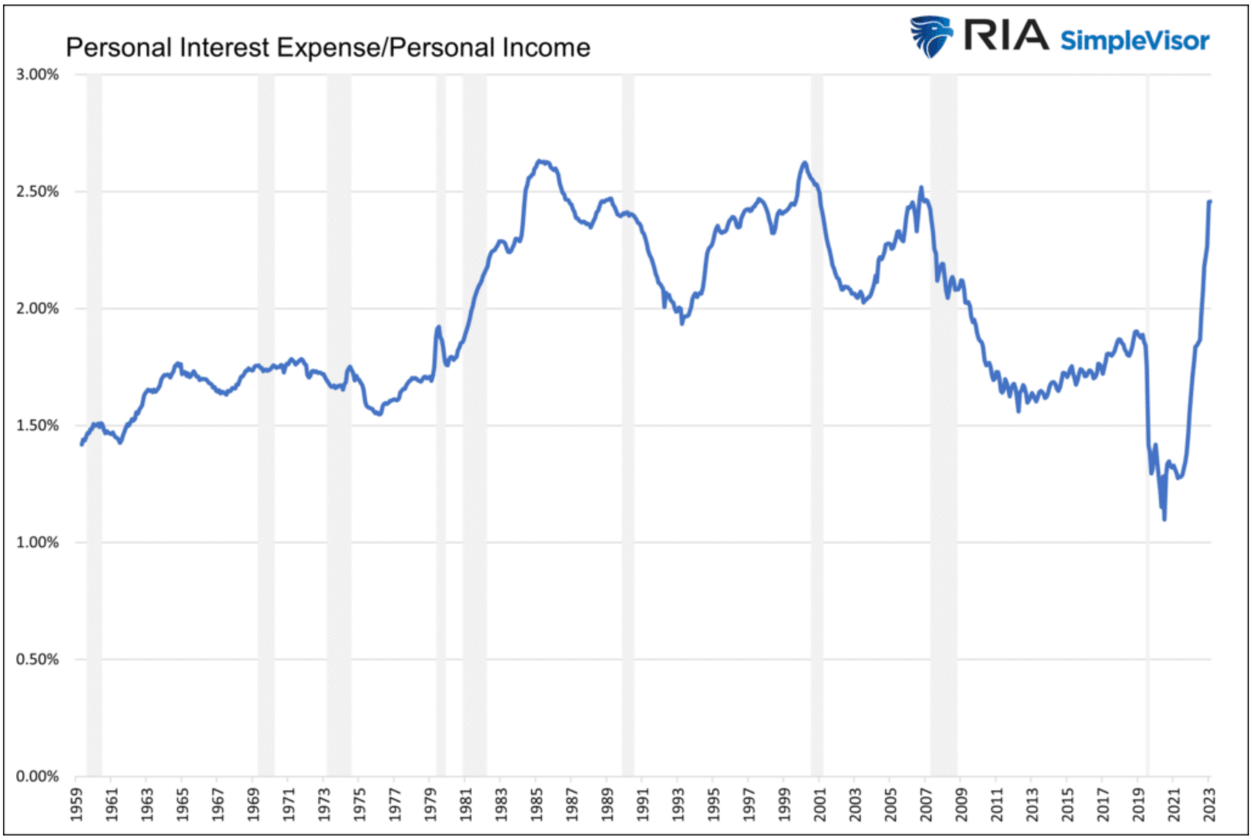
Today is the all-important employment report, which, if weak, could fuel a surge in the market to a new high for the year. A stronger number could elicit a sell-off as traders reassess their hopes of Fed rate cuts early next year. Also, share "*buybacks"* end today, which will remove an important support from the market near-term. With the market still overbought and deviated above its moving average, the downside risk still outweighs the current upside. However, with the CPI report on Tuesday and the next FOMC announcement on Wednesday, there is little chance of knowing what happens next. Continue to manage risk until we get through next week.

Watch Out- Personal Interest Expenses Are Rising Quickly

The graph below cautions that consumers may be on the verge of reducing their credit usage. With that, personal consumption, representing about 70% of GDP, would slow.

In 2020, personal income rose despite mass layoffs. This was due to the numerous government stimulus/relief packages. At the same time, interest rates were plummeting, allowing individuals to refinance debt at lower interest rates. The result, as shown, is that interest expenses as a percentage of income fell to the lowest level in over 60 years. In 2022, interest rates started rising, and interest expenses followed. From January 2020 to current, interest expenses have increased 109%, while incomes only rose 9%.

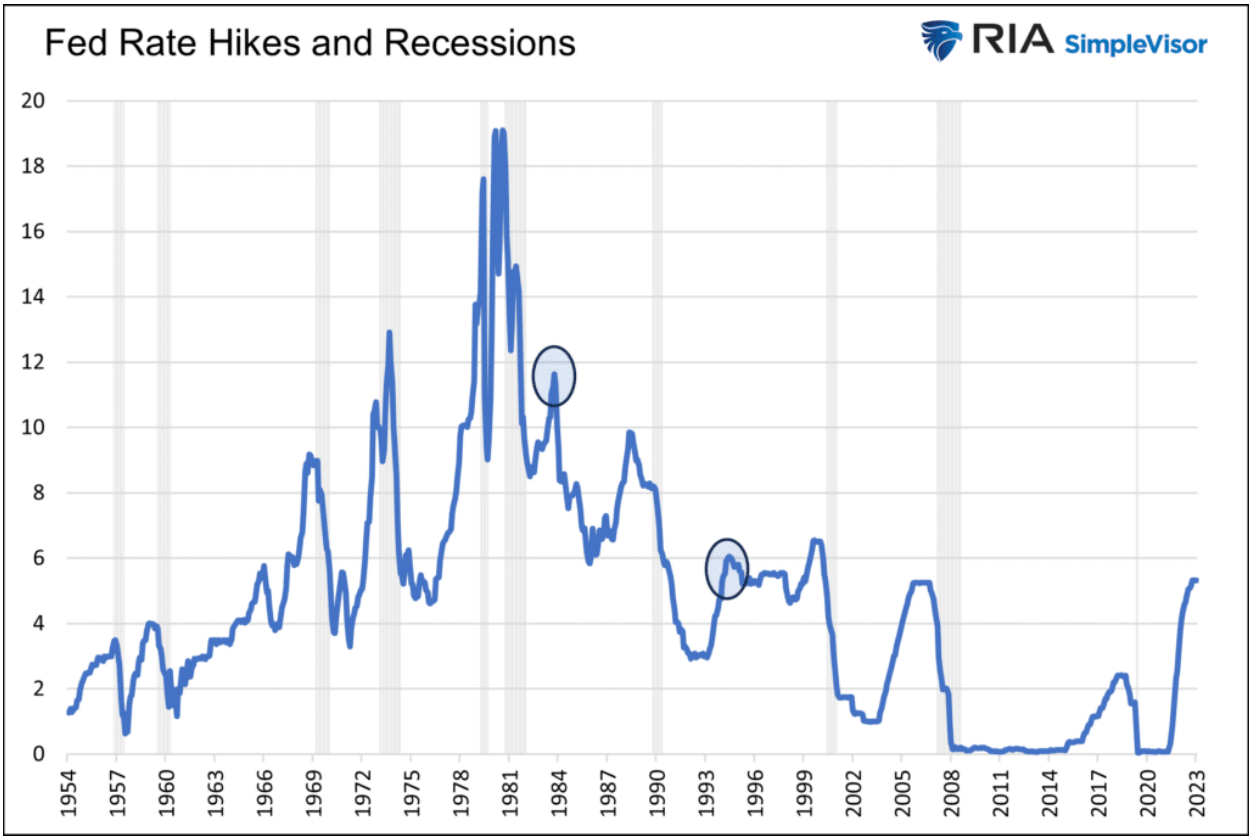
Currently, the ratio of interest expense to income is well above pre-pandemic levels and approaching similar ratios that existed before the recessions of 2000 and 2008. Not only does the graph warn that consumers may have to cut back on credit-related spending and possibly consume less to pay off some debt, but it also shows how the lag effect takes time to fully impact consumers and, ultimately, the economy.

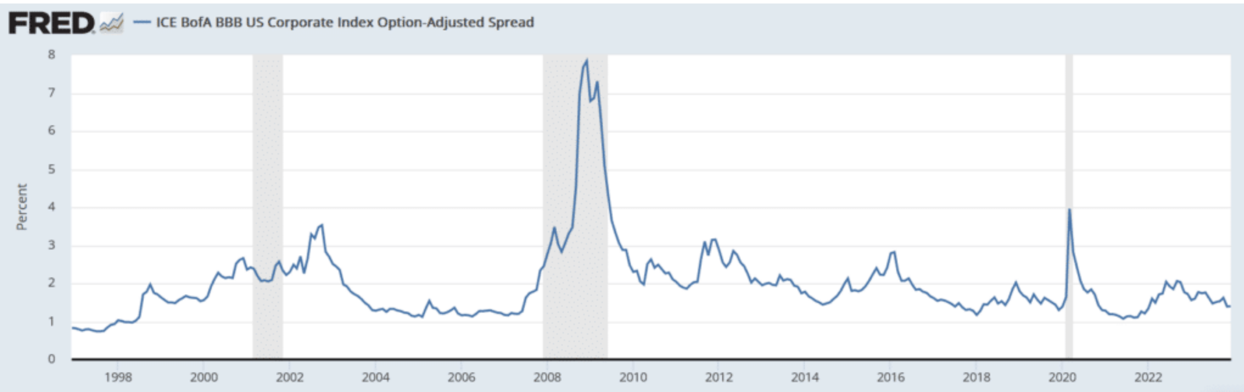


Credit Markets Price In A Goldilocks Scenario

As we wrote in the opening, Bitcoin, gold, and yields may be telling us that Fed rate increases are over and cuts are on the horizon. Rate increases, as shown below, have preceded every recession since at least 1950. As we highlight, there are only two instances in which the Fed increased rates, and a recession didn't shortly follow.

The credit markets seem to think the recent hikes may be like those two prior recession "false alarms." The second graph shows that the BBB-rate corporate credit spread, or the extra yield versus a risk-free Treasury bond, is falling. If credit investors were concerned about a recession, they would demand a higher yield premium. In other words, the spread would be rising. Simply, the corporate bond market thinks a Goldilocks scenario lies ahead.

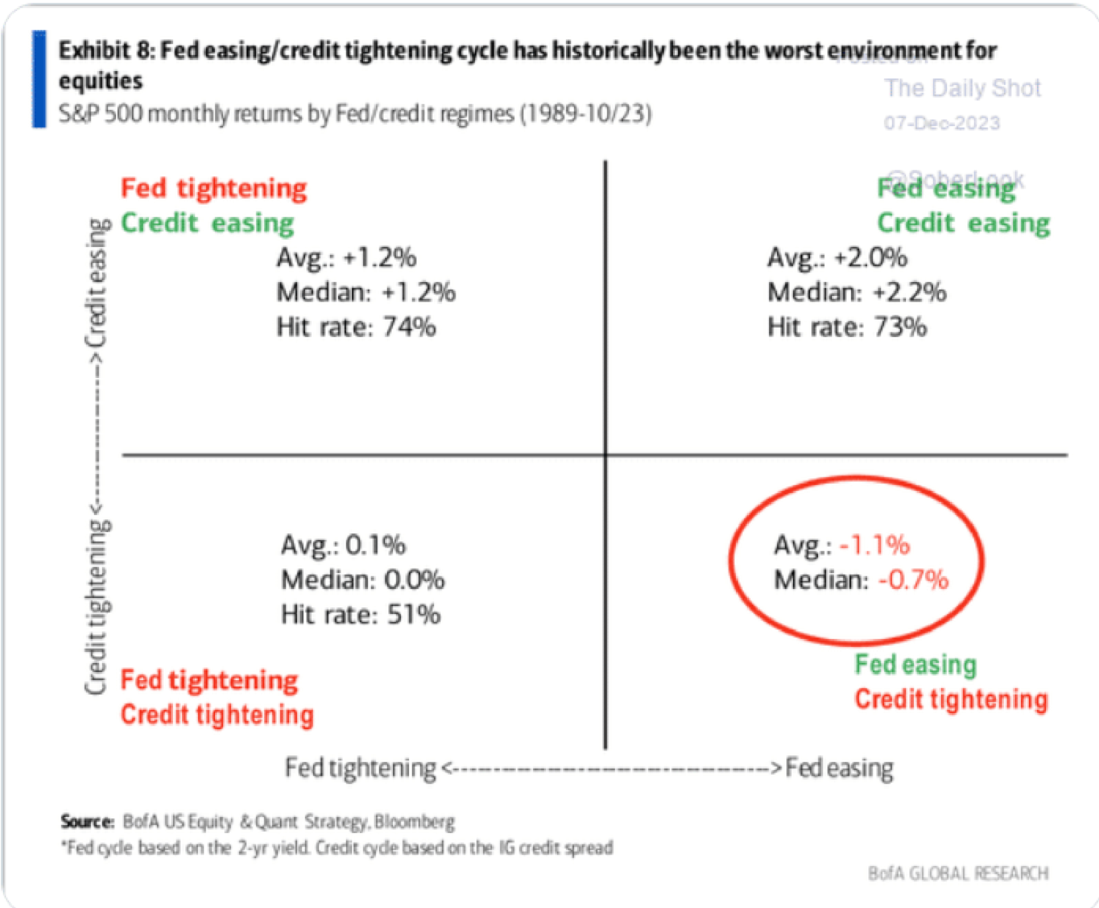




Tweet of the Day

Lance Roberts @LanceRoberts · 5h

When the #Fed does ease, will it be as good for #stocks as many #analysts currently expect?
h/t @SoberLook



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