



**December 9, 2022**

## **Reviewing The Playbook**

### **Markets**

**No change in outlook for markets reflected in the charts.**

**Last week when I said I thought we were near the end of the bear market in stocks, it looks like I may have been right. Confirmation needed, but a reasonable start.**

**The stock market cratered and bitcoin did not move - very interesting.**

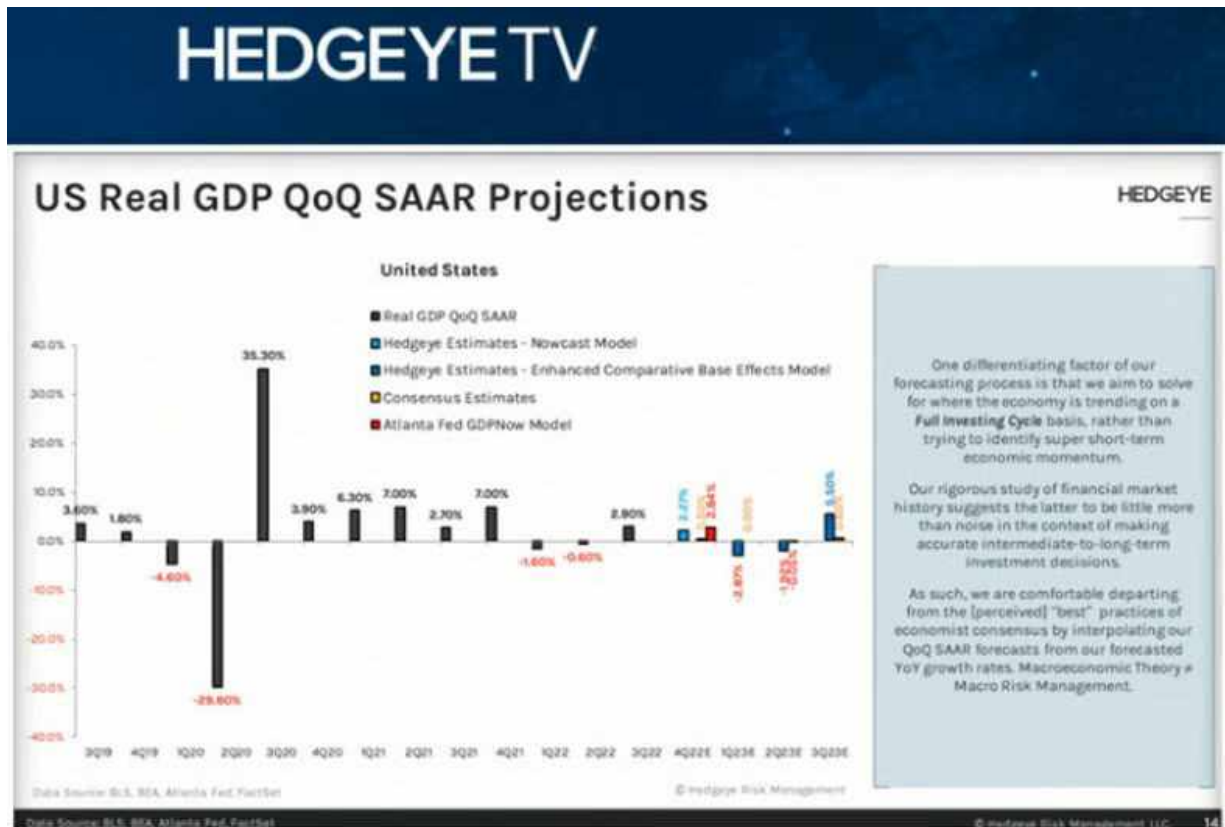
**So many people are bearish and so many people are convinced there will be a deep recession next year that I am beginning to wonder.**

**Then, again: "Everyone's decided there's going to be a recession. I don't see the recession coming. I think the Fed's being very deliberate," says @jimcramer .  
"I'm exhausted by the negativity."**

And, Janet Yellen: A recession is not inevitable.

Cramer and Yellen ... sounds like deep doo-doo to me.

Here's what Hedgeye thinks - two quarters of negative growth in the first half of next year.



## Reviewing The Playbook

I have put together in these thoughts a playbook that I think the world will follow over the next few years. Following is a quick summary of how things are going, so far:

**Playbook:** We are in at least a recession. The recession began at the first of this year, but would lighten up in the second half of the year before getting serious.

**Current state of play:** So far, so good.

**Playbook:** We have set the stage for a worldwide energy crisis on the other side of the "recession."

**Current state of play: So far, so good.**

**Playbook: We have set the stage for worldwide food shortages, beginning with the 2023 harvests.**

**Current state of play: So far, so good.**

**Playbook: The Fed will raise rates until it breaks something. At that point, which will also be around the peak in the dollar, we will enter into a different type of economy - we will have a phase change. And it will be ugly.**

**Current state of play: So far, so good.**

**Playbook: Paradox - The Fed is fighting inflation through demand destruction at the same time it is imperative to inflate away our obscene debt and other obligations.**

**Current state of play: Paradox continues**

**Playbook: Inflation now, which has peaked for a while, then deflation associated with the recession (depending on whether the Fed panics), then more, worse inflation.**

**Current thoughts remain the same.**

## The Clock Is Ticking



**Lyn Aiden** @LynAidenContact - 44m

The summary of the data below is that the stock market bottom tends to come between 1 year and 2 years after the Treasury yield curve inverts.

Rarely much before or after that timeframe.

This time could be different, but these are the historical numbers.

**TXMC** @TXMCtrades - 11h

\*IF\* Oct 13 actually marks the low, it would be the closest market floor to a yield curve inversion (3m10y) uh...ever?

It would beat the 2020 record by over 300 days, and be the first time the curve flipped \*after\* the low in price.

Anyone betting this time is different?

Event	Era	Days Since YC Inverted
Market Low	1968-70	510
	1973-75	490
	1980	482
	1981-82	646
	1990-91	349
	2000-02	825
	2007-09	963
	2020	315
	2022	-12

## Bout For Griner Was a PR Stunt

"It took nearly 10 years for US to apprehend Viktor Bout, and close to 3 more years to convict him for terrorism and arms trafficking. Allegedly, thousands of civilians in multiple African countries, were injured and killed by weapons supplied by Bout. Fair trade for Griner?" There's brewing anger that Paul Whelan, as well as another American locked up in Russia, 61-year old teacher Marc Fogel, over the widespread perception that they've been left behind. Celebrity matters.

Brutal Twitter post shows picture of (drug lord) El Chapo: "Chapo waits for athlete to fuck up in Mexico so he can be traded."

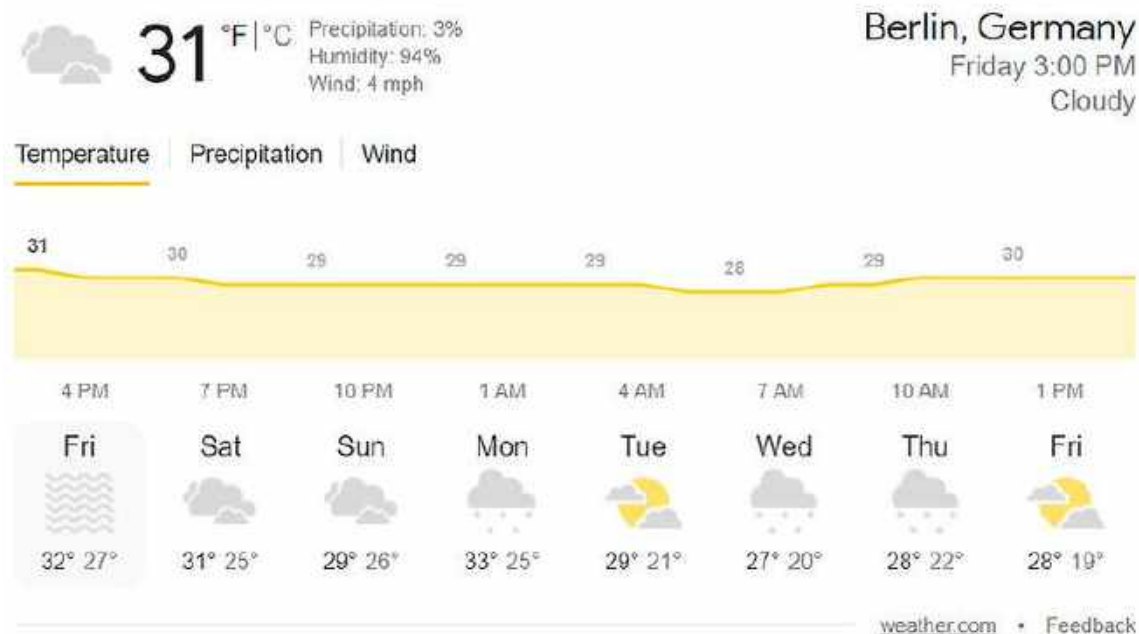
## It Begins

President Joe Biden announced Thursday that the failing Central States Pension Fund, which serves almost 40,000 Ohioans, will get \$36 billion from the American Rescue Plan to prevent drastic cuts to the pensions of the more than 350,000 union workers and retirees it covers.

## War, Energy and Food

"An elaborate United States-led plan to limit what Russia can charge for its oil exports is set to cap the price of Russian crude at \$60 a barrel, the Group of 7 nations agreed on Friday. The threshold, which was settled on after protracted negotiations among European Union diplomats, is likely to make a small dent in the Kremlin's energy revenue and, the White House hopes, help avert a global oil shock." - *New York Times*

\$60 is roughly the current, deeply discounted, market price for Russian oil. Modern society can't exist without 4 ingredients: 1. Ammonia (fertilizer) 2. Plastics (computers, health care products) 3. Steel (skyscrapers, bridges, cars, scalpels) 4. Cement (buildings, roads, dams, runways) They all require fossil fuels.



I haven't talked about the oil price cap because it's complicated - three-dimensional chess. The West has made its opening gambit and it is time for Russia to respond. Have to wait and see.

**The government of the UK approved a new coal mine in Cumbria.**

**Putin yesterday said that Russia would only use a nuclear weapon in the event of a nuclear attack on Russia.**

**Germany has been experiencing periods of "Dunkelflaute," where the sun doesn't shine and the wind doesn't blow, putting additional pressure on other energy sources.**

## **Tidbits**

**Demand for remote work is outpacing supply as companies start to call workers back to offices.**

**Iran has abolished its morality police after months of protests set off by the death of Mahsa Amini, a young woman who was arrested over the strict Islamic dress code.**

**Irony - Xi will not take an mRNA vaccine because he is afraid it might be a Western bioweapon.**

**BTW, why do we call those things vaccines? I guess it's easier to say than "temporary symptom reducers."**



**Charles Murray** @charlesmurray · 6h

Emphatically yes.

...

**Nianello6** @nianello6 · 6h

Replying to @charlesmurray

As a kid who grew up on welfare and yet made it to an Ivy now more than 35 years ago largely on the basis of standardized tests, I am sad to see what has happened. Lessening SAT g-loading and test-optional policies favor no one but already favored groups.

**Russian President Vladimir Putin on Monday signed a law against “LGBT propaganda” that blocks Russians from promoting same-sex relationships or portraying them as normal in advertising and media, building on a 2013 law that banned promoting homosexuality to children. Breaking the law, which also includes restrictions on promoting gender transition, can incur fines of up to about \$6,400 for individuals or more than \$80,000 for organizations.**

**Indonesia outlawed cohabitation and sex outside marriage.**

**It has just been revealed that Anthony Fauci’s daughter worked at Twitter during the pandemic. Because of course she did.**



**It is anticipated that, as China comes out of lockdown, a super wave of Covid will engulf the country. All kinds of interesting speculation about what that will look like, but nobody knows. One outcome may be the beginnings of various cycles of mutations.**

**Shanghai Disneyland reopened to the public.**

**San Francisco police have been barred from using killer robots just a week after they were given the go-ahead.**

**South Korean lawmakers approved a measure that would revise the way the country tallies a person's age, ending a system that counted newborns as a year old and meaning that most of its citizens are about to get a year younger.**

**Is artificial intelligence going to end the student essay as we know it? “The essay, in particular the undergraduate essay, has been the center of humanistic pedagogy for generations. It is the way we teach children how to research, think, and write. That entire tradition is about to be disrupted from the ground up,” Stephen Marche writes in The Atlantic, describing OpenAI’s new advanced chatbot and other AI tools that generate text from written prompts. “Humanities departments judge their undergraduate students on the basis of their essays. They give Ph.D.s on the basis of a dissertation’s composition...”**

**Google's DeepMind has developed an AI system that can produce code in response to programming challenges. The system can produce code that scores near the top half of participants on an average coding challenge. While it can produce code without being given any information about algorithms or programming languages, it has difficulties with problems that require more code. The system was trained on over 700GB of GitHub code and then fine-tuned on a series of programming challenges.**



**Peter Doocy asks Joe Biden why he's going to Arizona, but refuses to visit the border.**

**BIDEN: "Because there's more important things going on!"**

## **54% of adults have a literacy below 6th grade level**

**When I put together my forecast in the early 90s of how the world would turn over the next few decades, I had to address why this was the case. Simplistically, it is because humans are doing what humans do and always have done - lose discipline, give up myths, become divisive, go to war and become hedonistic. It's in our nature.**

**It is what you are doing, right now as a participant in Western, particularly American, culture.**

**In my book, I outline my "laws" of human nature, one of which I put this way:**

**The average human has an IQ of 100; half the human race has an IQ of less than 100. According to the Myers-Briggs classification of human**



**communication (which may or may not be entirely valid, but is indicative), approximately 40% of humans think employing an analytical component, approximately 27% include a conceptual component and 10% include both. The vast majority of humans simply cannot understand complexity and nuance.**

**Therefore, politicians speak at a 6-8th grade level to communicate with voters; newspapers write to an 11th grade level.**

**Intelligence is not the be-all-end-all - I have met many stupid intelligent people, and university faculties are full of them. Intelligence helps, but does not guarantee, the ability to grasp reality. Reality turns out to be very complicated, consisting of interacting, at-least-second-order nonlinear, complex systems having emergent properties. Human nature is more complex than that.**

**However, when thinking about how the future will unfold, stated crassly, you have to factor in that most people have no idea what is really going on. Most people cannot have any idea of what is going on.**

**Explains a lot, doesn't it?**

**I am continually amazed at, after a lifetime of reading, studying and thinking, how little I understand. That says something both about me and about the size and complexity of the problem. It seems I should have been in a better place by now. However, I remain one blind man next to the elephant.**

## **It's Coming**

**ChatGPT is an AI system that does language processing. It has been released to the public to fool around with. Here are some (very impressive and very scary) results:**



write an essay in the style of the King James Bible about the dangers of social media



And it came to pass that the people did turn to the worship of social media. And they did spend all their days scrolling through their feeds, consumed by the endless stream of content.

But alas, this worship was not without its dangers. For the people became slaves to their devices, their attention span dwindling and their interactions with the world around them becoming scarce.

They did forget the value of face-to-face communication, and the art of truly listening to one another was lost. The people became isolated, their relationships with others defined by likes and comments on a screen.

The worship of social media also brought forth the spread of false information and deceit. For the people did not discern truth from falsehood, but rather accepted whatever they read on their feeds as gospel.

And the love of self did flourish on social media, as the people did seek validation and praise through their online presence. They did become slaves to their own vanity, losing sight of what truly mattered in life.

Therefore, let us turn away from the worship of social media and remember the value of real-life interactions and genuine connections with others. Let us use these tools wisely, and not become slaves to their temptations and dangers.



write a star trek episode (original series, with kirk and spock) about the dangers of social media



The Enterprise is on a routine mission when they receive a distress call from a nearby planet. Upon arriving, they discover that the planet's inhabitants have become completely consumed by a new form of social media called "The Feed."

Captain Kirk, Spock, and the rest of the Enterprise crew are shocked by the level of addiction and obsession the inhabitants have with their virtual lives on The Feed. They become increasingly concerned when they realize that the planet's ruling council has been using The Feed to manipulate and control the population.

Spock, being the logical and level-headed one, tries to warn Kirk and the others about the dangers of becoming too reliant on technology and social media. But Kirk, being the charismatic and impulsive one, falls prey to the allure of The Feed and becomes obsessed with gaining followers and likes.

As the situation on the planet becomes more and more unstable, Kirk is forced to confront the dangers of social media and realize the importance of genuine human interaction and connection. He ultimately leads the Enterprise crew in shutting down The Feed and freeing the inhabitants from its control.

In the end, Kirk learns a valuable lesson about the dangers of social media and the importance of putting human relationships and experiences above virtual ones.

## Truth

### Man Living Better Than Medieval King After Sprinkling A Little Black Pepper Over His Kraft Mac And Cheese

