

Thoughts on Coming Apart and the Coming Great Reset



**Turning and turning in the widening gyre
The falcon cannot hear the falconer**

Kit Webster

A Market Turn

December 20, 2024

Themes and Theses - Why I'm Contemplating Out Loud

(Initially formulated in the early 90s, following decades of reading history, philosophy, psychology and a lot of contemplation, particularly on the subject of cycles. In the end, this is a relatively straightforward story about human nature and of history rhyming.)

The US will enter a period of crisis in the early 2000s. In the late 90s, I took up Strauss' and Howe's terminology of the Fourth Turning (without incorporating their generations paradigm) and agreed with Howe that the end stage of the crisis began with the Great Financial Crisis and would last into the early 2030s. We are not yet to the middle of the end stage of the crisis.

The crisis will be serious and could be existential.

Internal strife will increase, up to and including secession and civil war.

International conflicts will increase as the vacuum created by the weakening of the US is filled by other players.

There will be many threads to the crisis, but the primary thread will be debt, deficits and entitlements. Other factors include, eg, demographics, a loss of meaning and myth and a loss of self-discipline.

Politics will move leftward as citizens look for some refuge from the chaos. The US will become increasingly susceptible to a (man) on a white horse, who can come from either the left or the right.

Inflation, as the most likely way to address debt since austerity is not politically acceptable, will significantly lower standards of living, exacerbating the civil crises.

Eventually, the dollar will be inflated away and lose its reserve status.

Once the old rot is cleared out, and assuming continuity, there will be the basis for the establishment of a new order. (Added around 2020) The loss of faith by our youth in our founding principles means that the new order will at least partially be based on new principles. As yet, I have no visibility as to what those principles might be.

(Added in the early 00s) While humans are contributing to global warming, policies implemented to address manmade global warming will create a significant energy crisis, probably toward the end of the Fourth Turning.

(Added in 2023) The lowering / elimination of standards in education, the judiciary, law enforcement, the military and other segments of our society will create a population unable to adequately comprehend, do or respond to the challenges of democracy and culture.

Quotes to Contemplate

Roughly three billion peoples' annual energy consumption is equal to the annual energy consumption of your refrigerator. - Mark Mills

In Ukraine, Russia proved to the entire world that the US no longer has the industrial base to support its military, and therefore, the conventional military production capabilities to credibly stop a peer- or near-peer power from making changes to the global monetary system or "Rules Based Global Order." - Luke Groman

> Primary Ideas in This Week's Post

Merry Christmas / Happy Holidays

As we have been discussing, markets are turning - at least in the short term.

Government shutdown kabuki - again - with Musk leading the charge.

Drones are mostly mass hysteria, but there is something going on.

As I suspected, Biden was mentally declining from day 1.

> A Market Turn

You will recall that my base case for the markets and economy is an inflationary boom in a very fragile economy. The very-fragile bit means that it is susceptible to collapse at any time, but there is no practical limit to how far up it can go prior to the collapse.

Inflation is the punishment for our sins of debt, deficits and entitlements and is all but inevitable. The alternative is austerity and I see no signs that anyone is up for that - although the Musk / Ramaswamy efforts will be working around the edges.

In the midst of this boom and possible collapse, there will be the usual ups and downs of markets. They won't go straight up and will occasionally move down. Some of those moves down can get your attention, but in the end, they turn out to be temporary, and the primary trend continues ... until the collapse.

Since prediction is a fool's errand, let's get after it.

You will also recall that my two tools for thinking about the markets' futures are Elliott waves and cycles. (The entrails of doves are also important, but I don't talk much about that.)

Over the years I have become convinced that Elliott waves "work." However, in order to have markets, you must have uncertainty and there is uncertainty in Elliott waves.

Cycles are also kinda useful, but are blunt instruments and sometimes invert.

Also, we have learned that I have done fairly well in predicting the longer-term outcomes for the dollar, crude, gold and T-bonds, and fairly poorly with the stock market. I will throw in bitcoin just for the hell of it.

I will also take this opportunity to provide a quick, year-end summary of how I did last year, but the first sentence in this paragraph pretty well sums it up again.

Remember my [Disclaimer](#) - past performance is not indicative of future results (particularly, I hope, in the stock markets and bitcoin); these are not investment recommendations, but educational deliberations.

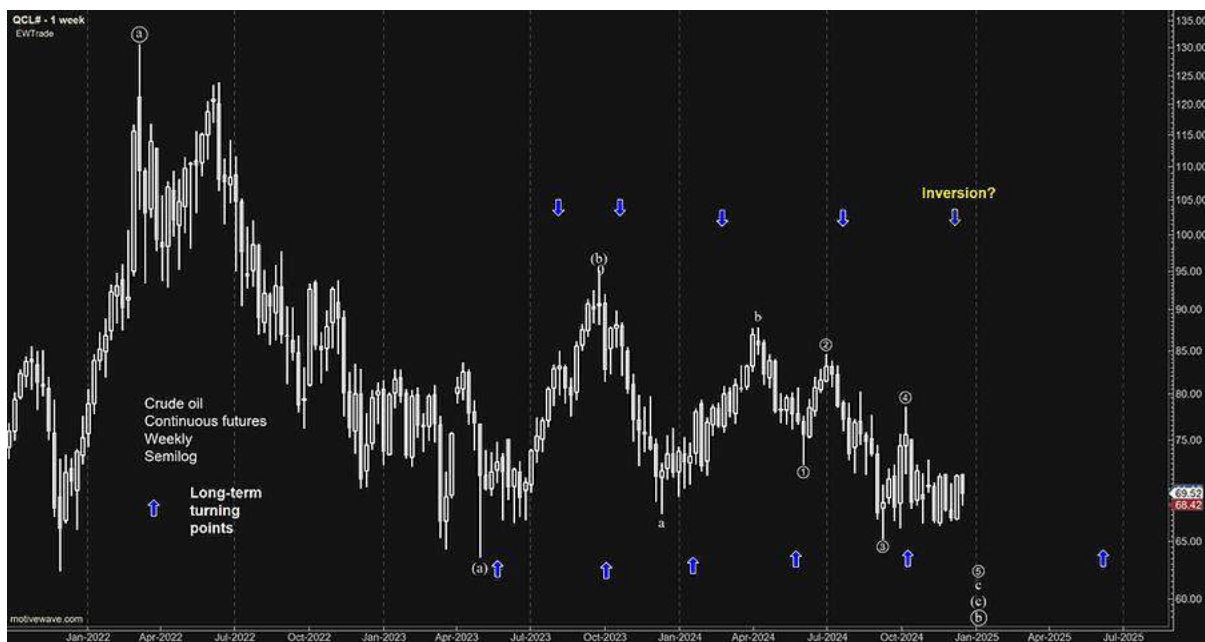
I want to start with oil and start off on a strong note.

I have been a relentless oil bear for a long time, and I have been right, while most of the rest of the world has been bullish. I love it when I am alone.

The coming cycle turn has the opportunity to be the bottom.

Don't know for sure, because Elliott waves can extend and create complex formations, but we are at a reasonable end and also (maybe) at a long-term cycle turning point.

Let's assume this is the bottom, but wait until it is confirmed by price action to think about taking action based on any bottom. If/when a bottom is confirmed, I will let you know.



Let's talk about uncertainty.

I mentioned that cycles sometimes invert. Crude is at a potential inversion point (it turns out potential inversion points are identifiable). So, either we have an inversion and crude will make a bottom at the new low, or we made the latest cycle high at point 4-circle and crude should keep going down for a while.

The cycle point labeled "Inversion?" is 12/24/24, plus or minus a month (I will be oversimplifying the various cycle ranges).

Let's say that this is the cycle low, what would come next?

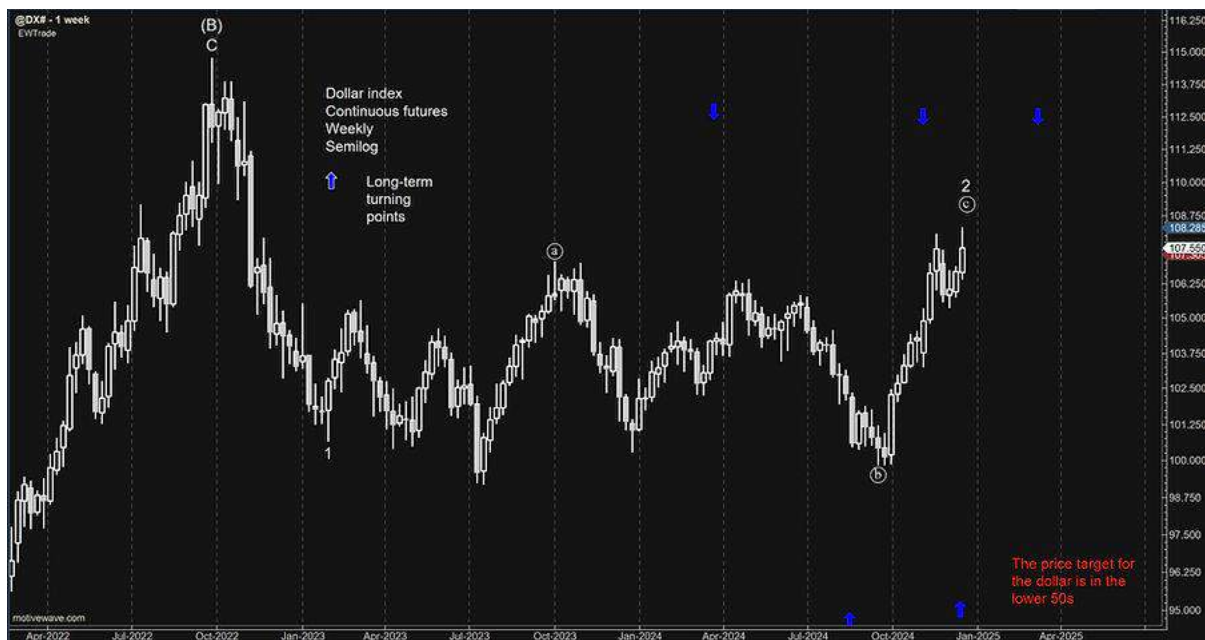
If I've labeled the chart correctly, we will be making point b-circle which will lead to a c-circle above point a-circle. In other words, a long way to go to a new high. That would be compatible with an inflationary boom. Needless to say - if this is THE turning point, it is a very important turning point.

Now to the most important instrument we will discuss - the US dollar.

Again, I have predicted its path well over the years.

For decades, I have forecasted a rise in the dollar, followed by a significant collapse - at least into the 50s. We are about to make the pivotal high.

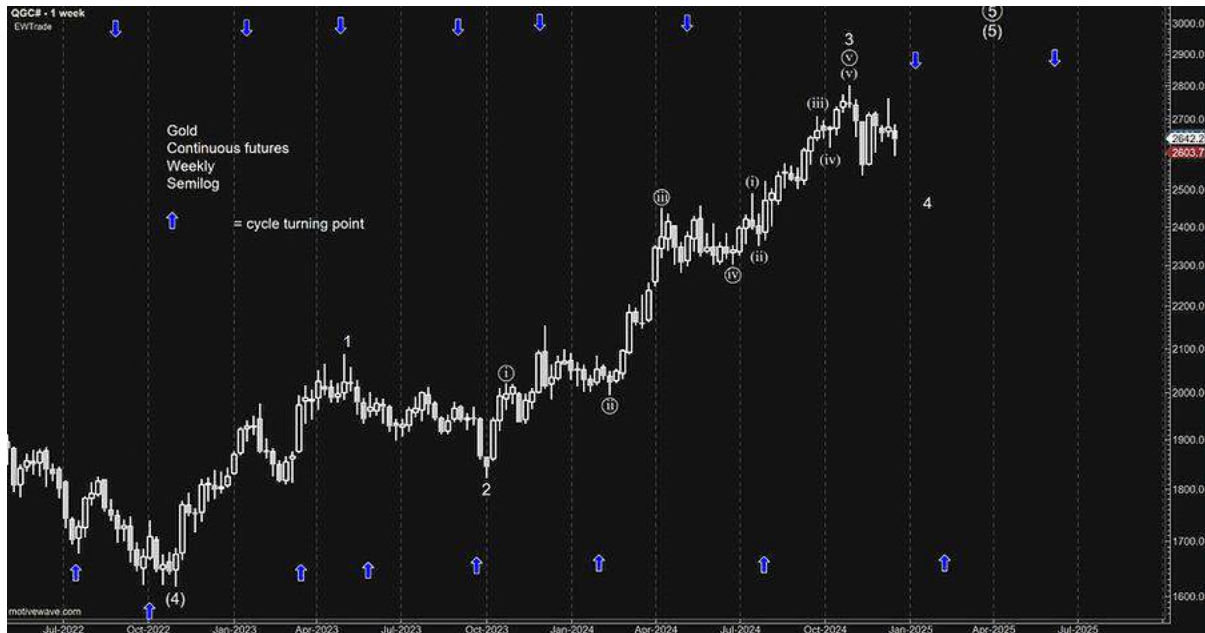
(Remember that very accomplished people are predicting a continuing strong dollar. Listen to them and not to me.)



Not much to say, here. The dollar has farther to go up before a mighty collapse in one of Elliott's legendary waves 3. The top is 12/13/24, plus or minus a month. This prediction is also compatible with an inflationary boom. The entire world - its finances and its geopolitics - will be significantly affected by this move.

If the dollar is going down, gold is going up.

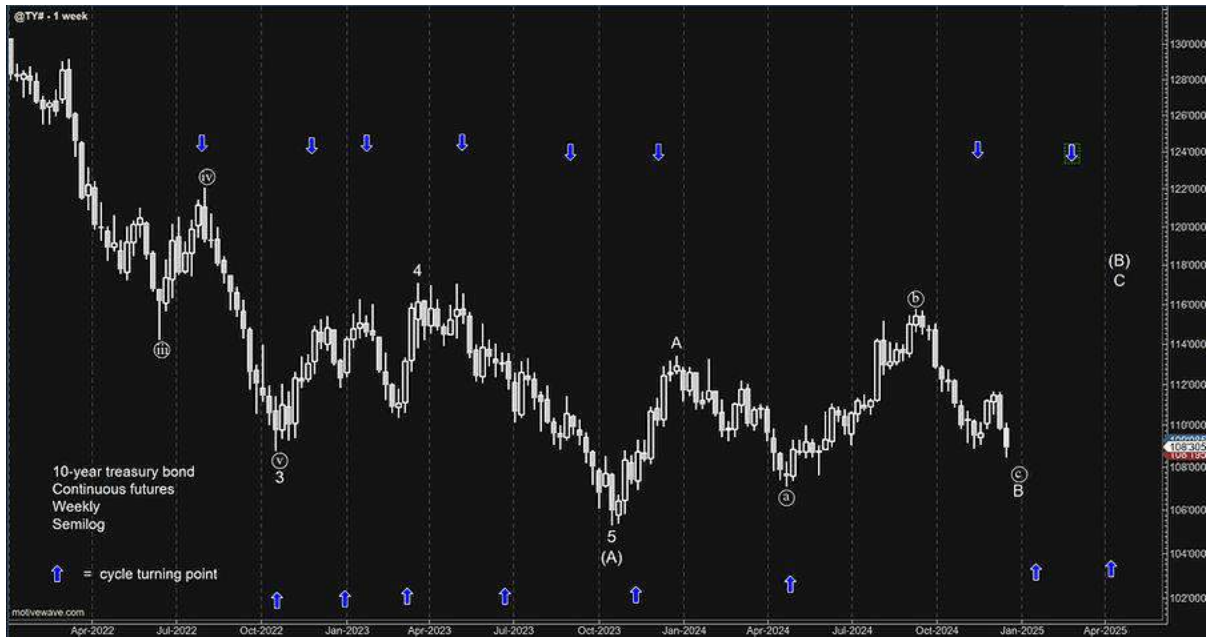
Gold is also going up because of central bank buying and the efforts of the BRICS countries to turn it into a neutral reserve settlement currency (this is pretty complex and I will explain it below - for now, just understand that as the dollar unravels, gold will become ever-more important in the global money system).



I would give myself a gentlemen's C for my predictions on gold. I have been pretty good, but had to revise my thoughts for additional legs up in gold. I didn't see the central bank buying coming in my charts.

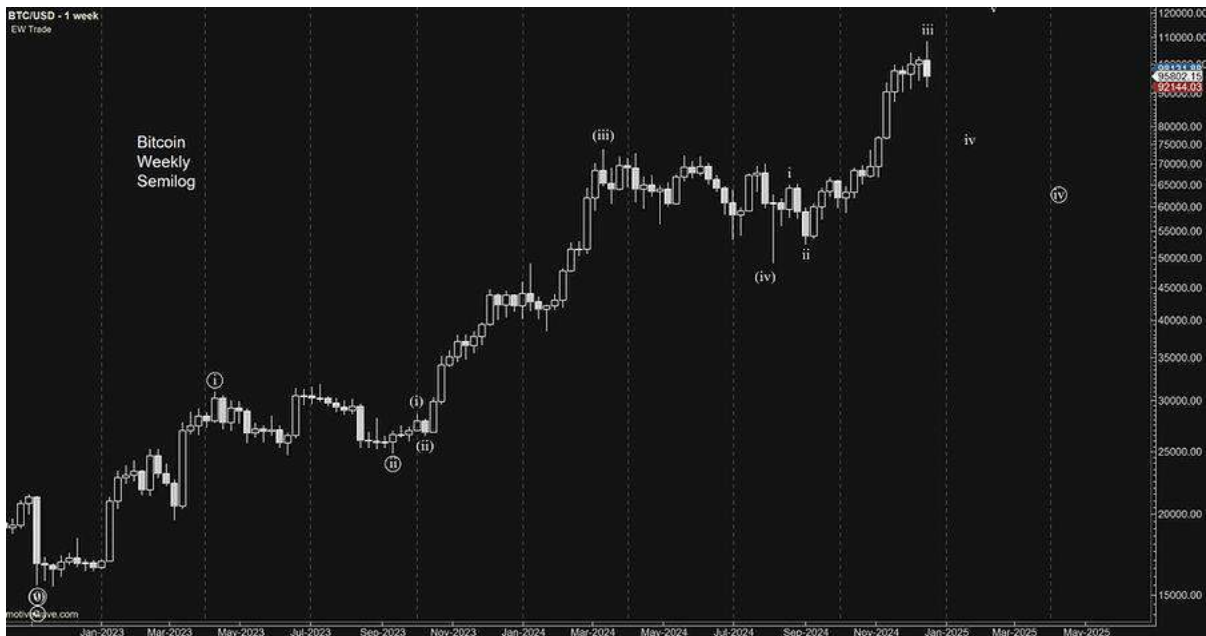
So, if the dollar is going to go up for a little while, gold will go down for a little while. That move down has started. The cycle low is 1/6/25, plus or minus a month. Gold should then do very well, subject to normal ups and downs. This forecast is also compatible with an inflationary boom, although, pay attention to the neutral reserve asset thing I mentioned above.

You know that interest rates are inverse to bond prices - when bond prices go up, interest rates are going down, and vice versa.



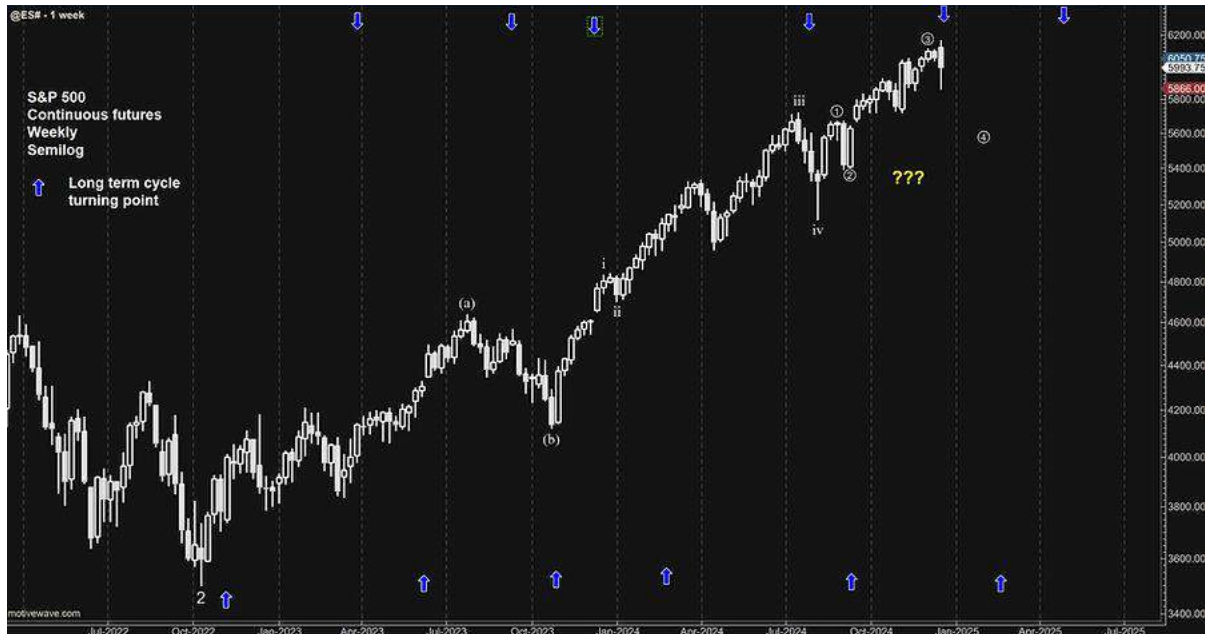
I've called it pretty well this year, but this particular forecast is confusing. It calls for long-term rates to go up (bond prices to go down) for a short period and then rates go down for a nice leg up in bonds (the cycle bottom is 1/18/25, plus or minus a month). One would think that during an inflationary boom, interest rates would go up. They do have a mighty move up in wave (C), which indicates that the inflationary boom is delayed a while or that the Fed fights it or that the chart is wrong and wave (C) is already in. Nothing to do but to wait and see.

I did not do well with bitcoin. I expected prices to peak and then retrace.



This chart is ridiculously bullish in the longer term, and ridiculously volatile. Sounds like bitcoin, doesn't it? Stay safe, my friends.

Finally, let's look at the mess that is the S&P500.



I actually did pretty well in the first part of the year, and then it all went to hell. I simply have no idea what is going on, except to say that there is a cycle top at 12/31/24, plus or minus a month, and it may already be in. There are interpretations of this chart that say the move down could be substantial, and another that says it will be a normal retracement. A normal retracement is compatible with the inflationary boom theme. But let's let it get underway and see if we can figure out anything.

That's a review of the past and thoughts going forward.

If you see any black swans, shoot first and ask questions later.

Gold As A Neutral Reserve Asset

This explanation will be simplistic, but hopefully will get the main points across. In this explanation, I am broadly following Luke Gromen. Not everyone agrees. Keep in mind that one of my primary forecasts in the early 90s, when I was putting my theses together, was that the dollar would eventually be inflated away and would lose its reserve status. Thirty years later, I still think that this is true, but would change it to say that the dollar will anchor a part of a multi-currency reserve system.

So, the US has weaponized the dollar and is going to inflate it away - on this point there seems to be general agreement at the top ranks of essentially all governments. Friends and foe want to find a way to get away from the dollar. More than 40 countries have expressed interest in joining the BRICS (Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia, and the United Arab Emirates) and 24 have made formal application.

Only, the dollar is ingrained and entrenched into all parts of the global financial system. The TBond is the bedrock of the global economy. The dollar is not going down without a fight. It will be going down slowly and then suddenly. And, friends need to put on a brave face while trying to find a way out.

Ok, you are an enemy of the US, say, Russia, or you just don't like the dollar financial system, say Brazil. What kinds of things can you do?

You can set up an alternative settlement system to the Swift system for dollars - the BRICS are doing this.

You can trade in your own currencies. I send you soybeans and you pay with rubles, and you send me natural gas and I pay with reals. You net out the transactions and whichever country sold the most stuff to the other winds up with the other country's currency, on net.

What is Brazil going to do with rubles or Russia with reals?

You need to trade them for something everyone wants, which used to be dollars. That something everyone wants could be a number of things, but the primary thing everyone wants is gold. Gold is what is called a neutral reserve asset because it is nobody's liability, like the dollar is the US's liability.

Instead of settling your net transactions in a currency, you settle it in gold.

This is the way the world used to work on a gold standard before the Great Depression and before Bretton Woods put the world on a dollar standard.

It's awkward, because gold is bulky to ship around the world. You could keep it in one place, say London or New York, and simply change the ownership tags. But the BRICS would not be comfortable with London or New York, or probably any of their co-members. So, there are wrinkles to be ironed out. (China has established a market for gold, but that is a story for another day.)

The primary points for our purposes are

- EVERYONE wants to get away from the dollar,
- That will be very difficult to do - slowly and then suddenly,
- Countries are nibbling around the edges - trading in their own currencies, setting up electronic settlement systems, and settling in gold,
- Foreign central banks, particularly China and Russia, are buying up gold for several reasons, including being prepared for the collapse of the dollar.

Markets

[Updated Charts](#)

> No change in outlook. See article, above.

So, You Say You Want A Revolution?

> Trump is on a roll. There will be a backlash, but that comes later.

> Trump has invited Xi to his inauguration. If this takes place, the implications and outcomes could be substantial.

> Trump criticizes Ukraine's use of long-range weapons against Russia.

> Considering privatizing the US Postal Service.

> A judge preserved Trump's Manhattan criminal convictions, rejecting an argument that the Supreme Court's ruling on presidential immunity should nullify the case. Fani Willis was removed from the Atlanta Trump case.

> Fresh from his victory over ABC, Trump sued *The Des Moines Register* for publishing an election poll that turned out to be wrong. He also mentioned 60 Minutes, Bob Woodward and RussiaGate reporters.

> For the first time since he entered politics, Donald Trump has a positive net approval rating, according to the RealClearPolitics average.

> A new real estate platform will allow users to look at the political leanings of the different areas to which they might consider moving. The tool is being launched by tech startup Oysee and will initially be available in South Florida and New York City, according to Axios.

> A poll from Emerson College suggests that more young Americans believe that Luigi Mangione's assassination of UnitedHealthcare CEO Brian Thompson was acceptable than don't.

According to the survey of 1,000 registered voters, 41% of 18 to 29-year-olds believe that the murder of Thompson was either somewhat or completely acceptable, with 24% falling into the former and 17% falling into the latter categories. Thirty-three

percent of that same cohort believes that the murder was completely unacceptable, and an additional 7% believes it was somewhat unacceptable.

> Liz Cheney has been accused of tampering with and “coaching” Cassidy Hutchinson to alter her testimony before the January 6 Committee, according to House Oversight report. She has been referred to the FBI for a criminal investigation.

> Negotiations between Israel and Hamas are in a ‘decisive and final phase’, Palestinian officials claimed. A deal could lead to the release of hostages and a ceasefire in Gaza.

> Disney removed a transgender story line from an upcoming animated series about a middle school softball team.

> ZeroHedge - Trump Effect: Canada Bends The Knee, Puts \$1.3 Billion Into Border Security After Tariff Threat

> Trump’s transition team is recommending big cuts to the government’s support for electric vehicles and charging stations, according to a document seen by Reuters.

> It's government shutdown time again - tonight at midnight, actually. So Congress comes up with its usually obscene, pork-laden, 1,500-page extension. Only, this time, Trump and Musk objected, putting the bill into jeopardy and risking an actual shutdown. The original bill includes a Congressional pay raise and provisions shielding Congress from legal discovery of its correspondence and data. This provision is beyond outrageous. However, it is only one of many. Others include \$15 million to pay for Egyptians' college tuitions, \$400,000 for a gay activist group to teach elementary kids about being trans, \$400,000 for a group to give clothes to teens to help them hide their gender. Typical pork. Anyway, Congress had to go back to the drawing board, and as we "go to press" the outcome is unknown. The first alternative bill was rejected on Thursday.

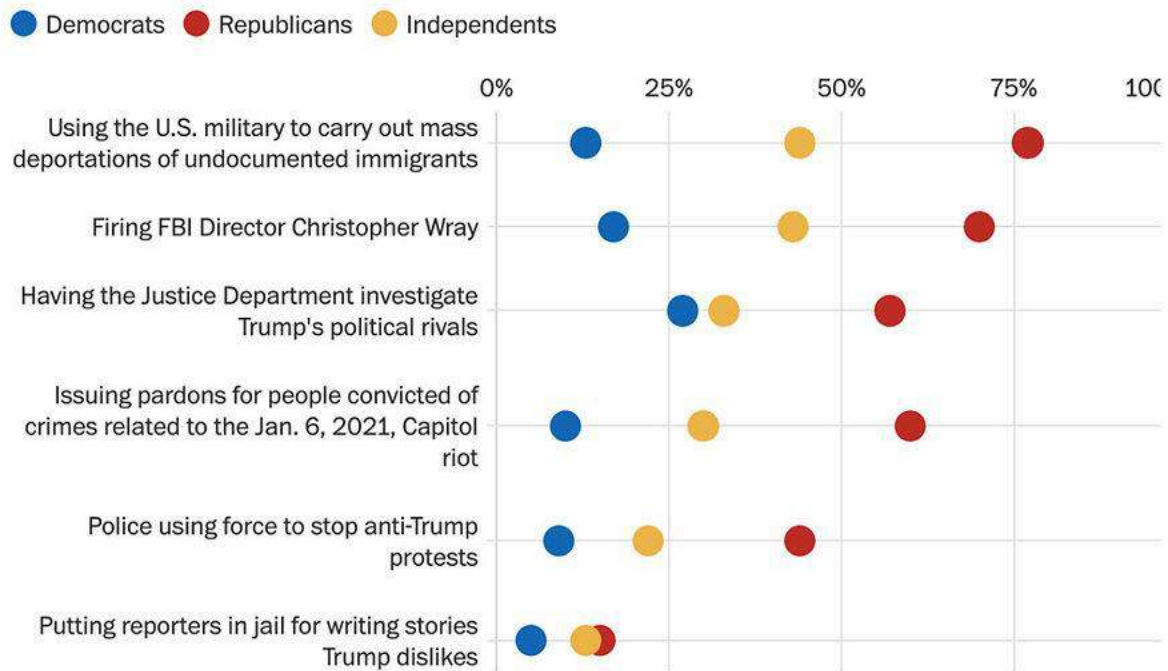
It turns out that a government "shutdown" is anything but. Social Security, etc. still issues checks, "essential" workers (not quite an oxymoron, but you can see it from here) get to continue working, all workers get back pay when things are restored. This whole thing is yet another case of extreme kabuki. The last time Congress actually passed a budget was in 2019.

The surrounding rhetoric is ... very depressing. Musk, in his original tweets, put out a lot of misinformation.

Hakeem Jeffries says, Republicans “would rather enact massive tax cuts for their billionaire donors than fund cancer research for children.”

It will never change, but I would definitely prefer a different universe.

I am certain this one will turn out like all the others - a last minute reprieve - until next time.



Percent who support the Trump administration doing each. (Emily Guskin/The Washington Post)

> Two things are true at the same time:

1. The Covid vaccine program was poorly handled and a potentially significant risk.
2. RFK Jr's stance on vaccines is moronic and extraordinarily dangerous.

> Elon Musk agrees that there should be a law that ALL bills introduced in Congress should be digitally accessible to the public at least 7 days before any vote in Congress.

> For those of you who think Trump is actually going to meaningfully reduce government spending - **TRUMP WOULD SUPPORT ABOLISHING THE DEBT CEILING** - NBC.

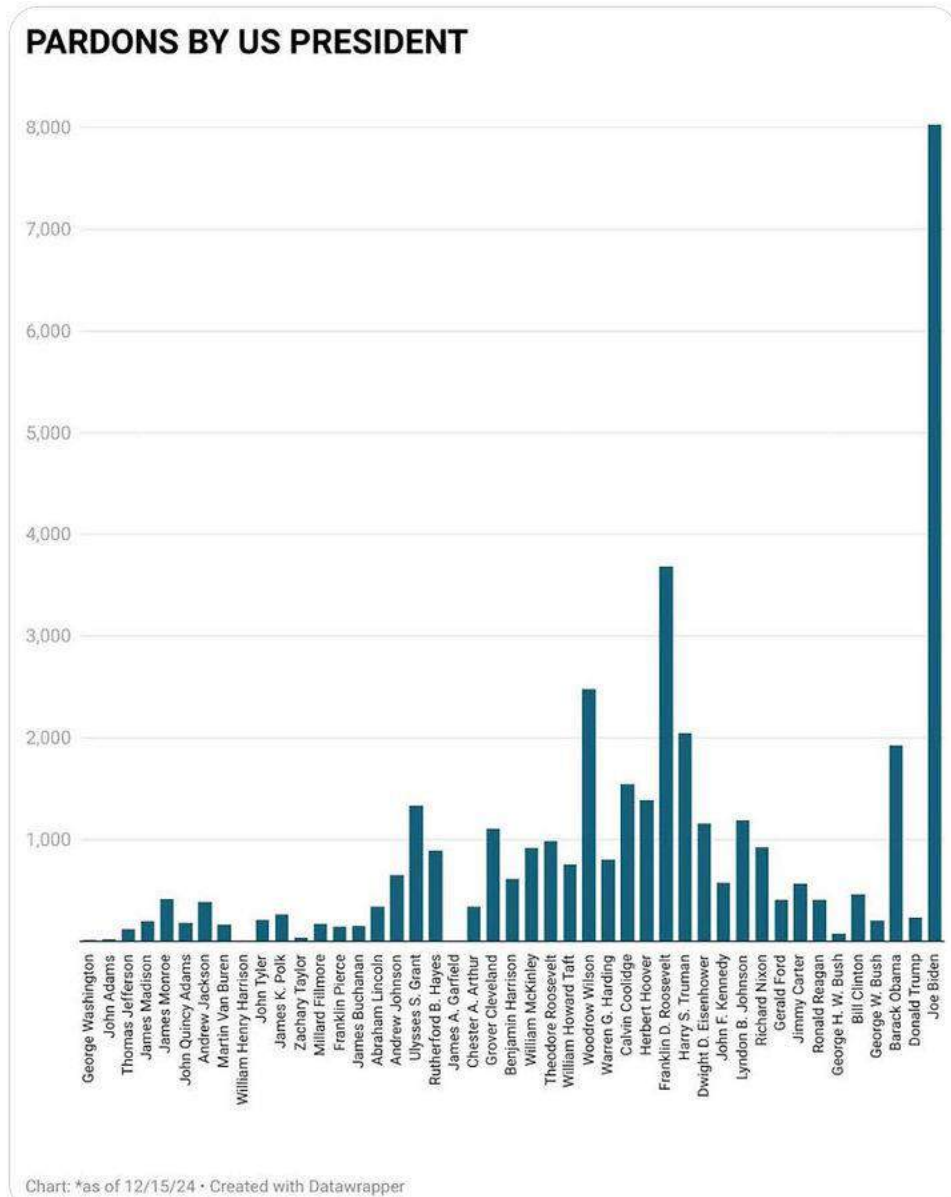
Short Takes

For our most recent date night, and for Christmas shopping, Beth and I went to one of Austin's major shopping areas - one of those mixed-use areas combining office, apartments and moderately upscale retail. We were struck with how un-festive the area and the stores were. Many stores had no decorations and others had a perfunctory wreath. The shopping area had decorations up, but they were minimal. Not sure what to make of it or to what extent it is just a one off. Lots of people, though.

> Feeble, humiliated and 82, without much of a future, my thought is that Biden is going to have several FU moments as he walks out the door. Long-range missiles in Ukraine, massive pardons. Let's see what comes next. Maybe a Twelve Days of Christmas kind of thing.

There are evidently more pardons coming.

He just forgave another \$4 billion in student loans. The atrocity continues.



> Pippa Malmgren on the drones - "The idea that the US government has no imagery and no idea what these unidentified flying objects are is beyond absurd. Maxar satellites have a resolution down to 2mms. The US has been placing warheads on foreheads in the Middle East from control rooms in the Midwest with great success

for decades. Yet, nobody knows who is flying over America's most secret military bases? They can't figure out what frequency these drones are operating on? The National Reconnaissance Office must know. They can spot a terrorist's license plate from space. Their operational capabilities have vastly improved after record investment in space assets by the Pentagon. The question is, how can the US Government be so calm and so seemingly clueless at the same time? Why are they not saying or doing anything?"

Her speculations are pretty radical and are behind a paywall. I'm too much of a skeptic to buy it, but you never say never.

Even she says there is nothing to do but wait and see. This whole thing is weird and an example of mass hysteria (I saw a post on X of a photograph of Orion's belt as three drones in a line). However, we have the smoke/fire problem. The truth is out there somewhere.

One outcome of all of this will be increasing cynicism about government and an increase in the fear that no one has your back.

> (From *The Morning Dispatch*) - Nicholas Carr, an author who's chronicled how the internet affects our thinking, has an interesting new theory for why modern technological progress feels so small-scale. Writing for his Substack *New Cartographies*, Carr argued that innovation feels less radical than in previous decades because our goals have changed. "Innovation's focus moves up through five stages, propelled by shifts in the needs we seek to fulfill. In the beginning came Technologies of Survival (think bow-and-arrow), then Technologies of Social Organization (think cathedral), then Technologies of Prosperity (think assembly line), then technologies of leisure (think TV), and finally Technologies of the Self (think Facebook, or Prozac)," Carr wrote. "We're no longer changing the shape of the physical world or even of society, as it manifests itself in the physical world. We're altering internal states, transforming the invisible self. Not surprisingly, when you step back and take a broad view, it looks like stagnation—it looks like nothing is changing very much."

> The British government has approved the £3.6 billion sale of Royal Mail's parent company, IDS, to Czech billionaire Daniel Křetínský's EP Group, under strict conditions to preserve its legacy, national significance, and workers' rights...

> This follows my views of the infectious/epidemic nature of human behavior - from fashion to heroin to trans. From *The Economist* on opioid deaths in the US - "Data published by the Centres for Disease Control and Prevention, a government agency, suggests that nationally, deaths peaked around August last year. In the 12 months to July this year, there were 90,000 deaths—still an appalling total, but a reduction of around a sixth," the report noted. An explanation could be related to law enforcement, the pandemic, and drug treatment. Or America may simply have reached

a natural peak in the number of people willing to use fentanyl. “The idea that an epidemic can rise and then burn out, almost independently of the resources that flood into treatment or enforcement, is an uncomfortable one. But it has happened before: the European heroin epidemic of the 1980s and 1990s has not returned. And if this is what is happening with opioids now, the fall in deaths might, most promisingly, be sustained.”

> Kamala is being wooed by Netflix and by book publishers, with rumored advance for the book at \$20 million.

> You know my "law" that humans take all trends to their extremes, which are often absurd. Well, Paris Hilton has indicated that she may have an interest in politics.

I think this goes with the times - Ohio Supreme Court rules boneless chicken wings can have bones in them.

> Bird flu is slowly getting scarier.

> New York Post -

White House aides covered up President Biden’s apparent mental decline from Day 1 of his presidency, shielding the aging commander-in-chief from the public and even rearranging his schedule after scatter-brained performances, an explosive report revealed Thursday.

The lack of access to the nation’s oldest-ever president has been well known in Washington — with Biden hosting the fewest large press conferences in modern history and frequently descending into gaffes at the podium when he appeared — but how much the White House made up for the haziness had until now been hidden, according to aides, Democratic lawmakers and donors who spoke with the Wall Street Journal.

Presidential staff formed a tight shell around Biden, 82, right after he took office amid the COVID-19 pandemic, with staff immediately limiting his in-person interactions in January 2021.

> Putin said he looks forward to negotiations to end the war in Ukraine with “no preconditions.” Except for one: Putin won’t speak with Volodymyr Zelensky, because Putin doesn’t consider him Ukraine’s “legitimate” president.

Can modern life hold together in the face of strikes at Amazon and Starbucks?

> Life expectancy in the US increased last year for the first time in years! From 77.5 to 78.4. Attributed to declining rates from Covid, heart disease and drug overdoses. Of

course that still puts us around 55th, globally, with Hong Kong leading the way at 85.5 and Japan next at 84.7.

It Ain't Easy Being Green

> Given Trump's election, I may have to retire this section for a while.

>The International Energy Agency has revised their predictions for coal demand. Last year they said global demand would peak in 2023. This year they expect no peak in the next few years.

> The Paris Agreement on global warming allows each country to establish their own goals. The US established goals (never ratified by Congress), but Biden wanted to virtue signal on the way out the door.

The White House announced a new nationally determined contribution (NDC) of reducing U.S. emissions 61 percent to 66 percent from 2005 levels by 2035, after previously pledging to reduce them by half by 2030.

The NDC also includes a commitment to cut methane, which remains in the atmosphere for less time than carbon dioxide but is more potent at warming the atmosphere, by 35 percent.

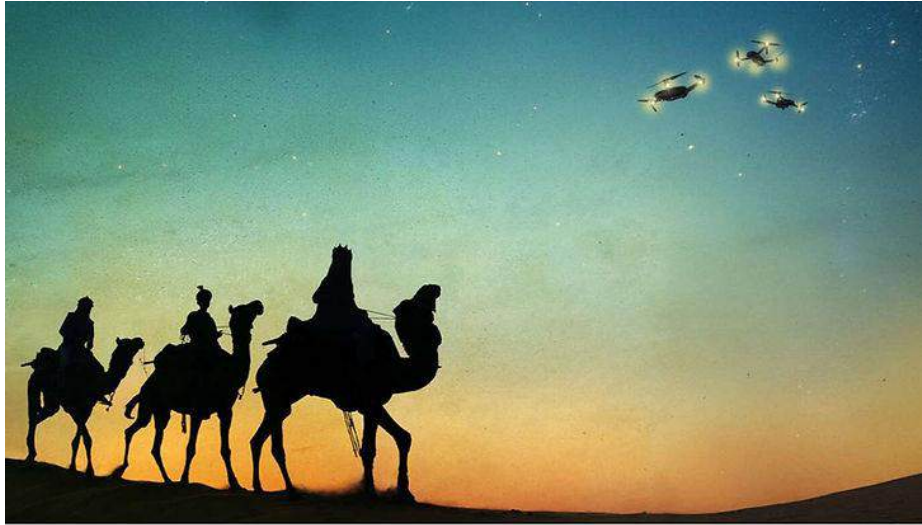
Trump will likely reverse it, but we shall see.

From a World Economic Forum discussion: "Climate effects gender and gender effects climate."

Miscellany

Hattip EP - [Be Nice To Robots](#)

In the Christmas spirit - from The Bee



Wise Men Get Off Course After Accidentally Following Unidentified Drone Over New Jersey



The Babylon Bee  @TheBabylonBee · 18m



'Elon On The Shelf' Installed In All Congressional Offices To Remind Lawmakers To Be Efficient buff.ly/3P3BrB4

