



The Astrology Letter

November 25, 2023

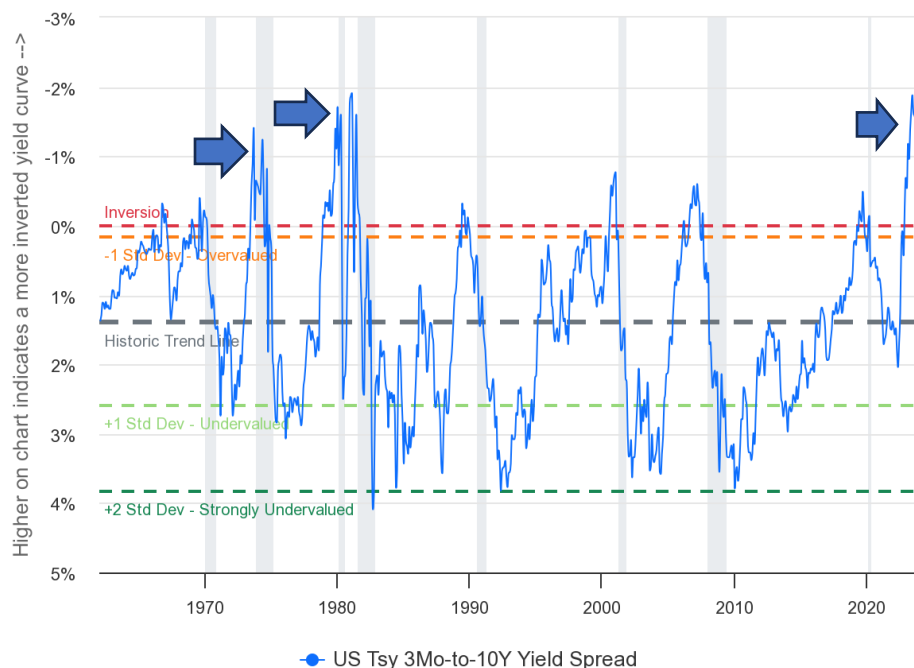
McWhirter, Curve Un-Inversion, and the Markets

This past week I happened to watch a YouTube video from Kitco News. The video segment was filmed at the New Orleans Investment Conference which was held Nov 1 to 4, 2023.

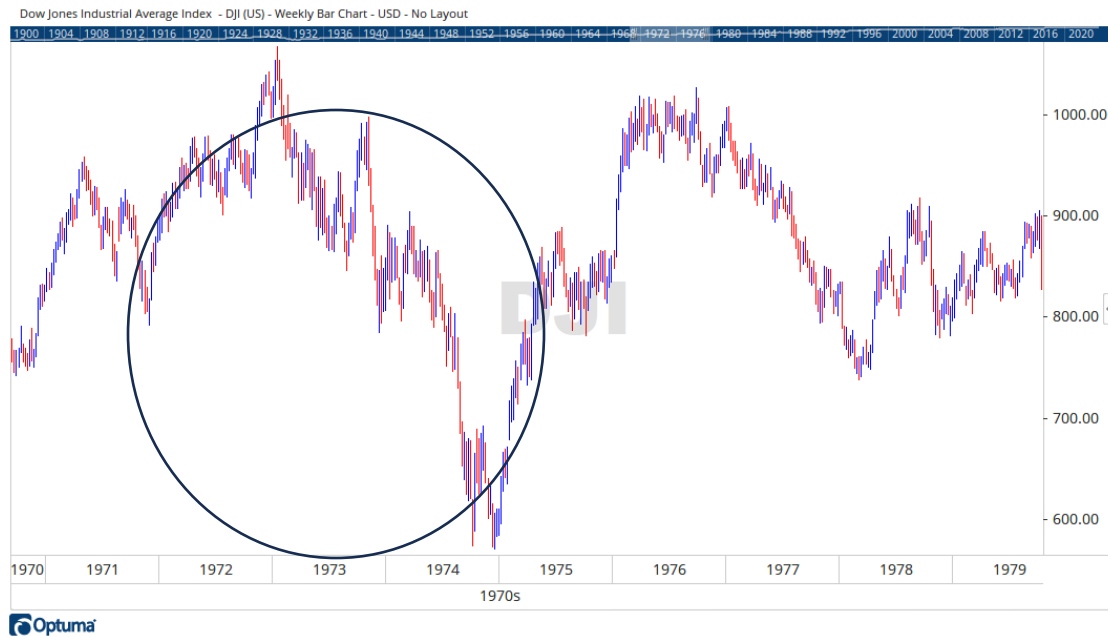
The gentleman being interviewed was commenting on the subject of yield curve inversion. His observation was that as a yield curve starts to *un-invert* itself, there is a high propensity for the economy to suffer.

US Treasury Yields: 10Year to 3Month Spread

www.currentmarketvaluation.com



The above chart (courtesy of the website currentmarketvaluation.com) serves to illustrate his point. In 1972, the yield curve inverted and shortly thereafter started to un-invert. The early 1970s were a tough time for the equity markets.



The early 1970s were a tough time for equity markets

In 1979, the yield curve inverted and shortly thereafter started to un-invert. This was the era of Fed Governor Paul Volker hiking rates to quash inflation.



Equity markets took a hit post-Paul Volker

Let's look at the two *un-inversion* events of the 1970s through the lens of the McWhirter model. (For recent subscribers, I suggest you obtain a copy of my *2024 Financial Astrology Almanac* to read more about the McWhirter model.)

- In March 1972, Saturn moved into the sign of Gemini. Not a very good development according to McWhirter.
- By October 1972, Uranus was 90-degrees square to the Node. Not a very good development according to McWhirter.
- In June 1979, Uranus was 90-degrees square to the Node. Not a very good development according to McWhirter. To add to the gravity of the situation, shortly thereafter Saturn was 0-degrees conjunct to the Node.

These astro-events were triggers for subsequent weakness of the economy and markets.

And more recently, the yield curve inverted as Fed Governor Jerome Powell started hiking rates to quash inflation. The yield curve now looks as though it wants to start *un-inverting*. Watch the spread between the 3-month T-bill yield and the 10-Year Note yield.

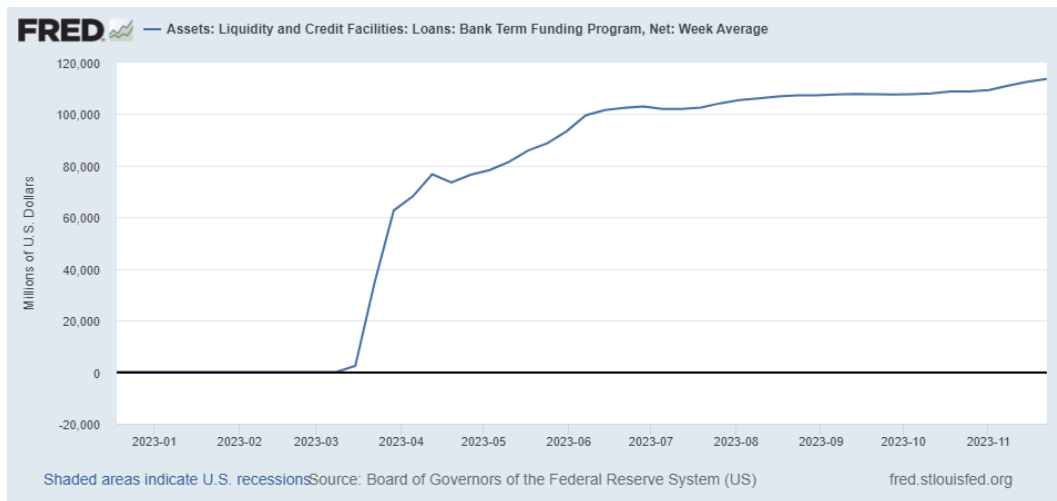
- In late 2022, Uranus was 90-degrees square to the Node.

This likely was the trigger point that will translate into weakness in the not too distant future. In fact, the gentleman being interviewed was warning that there could be a stretch of weakness ahead for the market if history repeats itself. He went on to point out that there tends to be a lag time between the un-inversion and the market reaction.

He suggested that the markets might start to respond to an *un-inversion* in March 2024 when BTFP program technically ends.

BTFP – what is that you ask?

Recall that earlier in 2023 the US Treasury and the Federal Reserve had to scramble to address the failure of Silicon Valley bank. Recall also that in Switzerland Credit Suisse failed. What the Fed engineered was the *Bank Term Funding Program* (BTFP) to lend money to banks using collateral investments that the banks had on their books. This program has now provided \$120 billion to the US banking system. This offers at least a hint of how *shaky* the banking system is.



The explosive growth of BTFP from \$0 to \$120 billion – how safe is your bank?

The BTFP program is due to wind up in March 2024. The gentleman interviewed by Kitco News suggested that the Fed will be forced to keep the program going past March 2024. The banking system in the US is just too shaky.

It is also interesting to note that the loans the Fed is making to the banks are *recourse* loans. In the world of lending, there are two types of loans: recourse and non-recourse.

Suppose a borrower takes out a non-recourse loan to buy a car. Suppose he defaults on that loan. The bank would seize the car. End of story.

Suppose a borrower takes out a recourse loan to buy a car. Suppose he defaults on that loan. The bank would seize the car. If the market value of the car was less than the loan value, the bank would then pursue other assets owned by the borrower.

In the event that some more banks (despite having taken loans from the BTFP) run into trouble, the Fed will simply take over the banks. More correctly stated, the Fed would give the nod to an entity like JP Morgan to take over the troubled bank. The banking system would thus be consolidated. The big would get bigger. The small will perish.

Going with the notion of a lag time from un-inversion to market difficulty, the McWhirter model provides us with insight.

- Pluto was 90-degrees square the Node in July 2023. This was the trigger point that will lead to market volatility as un-inversion occurs.

Remember – the 18.6 year cycle is getting long in the tooth, so to speak. The current cycle will end in 2026-27. Having an all-out crisis now is *not* in the cards. **Instead, expect occasional bouts of market weakness and volatility (and likely some bank failure issues) in 2024.**

Heading into 2025, the situation will remain volatile.

- In February 2025, Saturn will be within orb of being 0-degrees conjunct to the Node. Not a good situation according to McWhirter. By July 2025, Uranus will be entering into Gemini. Not a good situation as well according to McWhirter.

The mitigating factor in all of this will be Jupiter in the sign of Gemini from June 2024 to June 2025 (a positive occurrence according to McWhirter). The bigger crisis event will come in 2026-27. More particularly, in May 2026, Uranus will be square the Node. The Node will enter Aquarius in late 2026. As this Uranus square aspect fades, Pluto will move towards a conjunction with the Node by mid-2027.

The McWhirter model aligns to past events of the economy and the equity markets in terms of yield curve un-inversion events.

The US banking system has been the recipient of \$120 billion in assistance from the BTFP. This is not an encouraging sign. The BTFP ends in March 2024, but no doubt the Fed will have to keep the program running. Failed/troubled banks will be quickly absorbed by bigger players in co-operation with the Fed and the recourse BTFP loans.

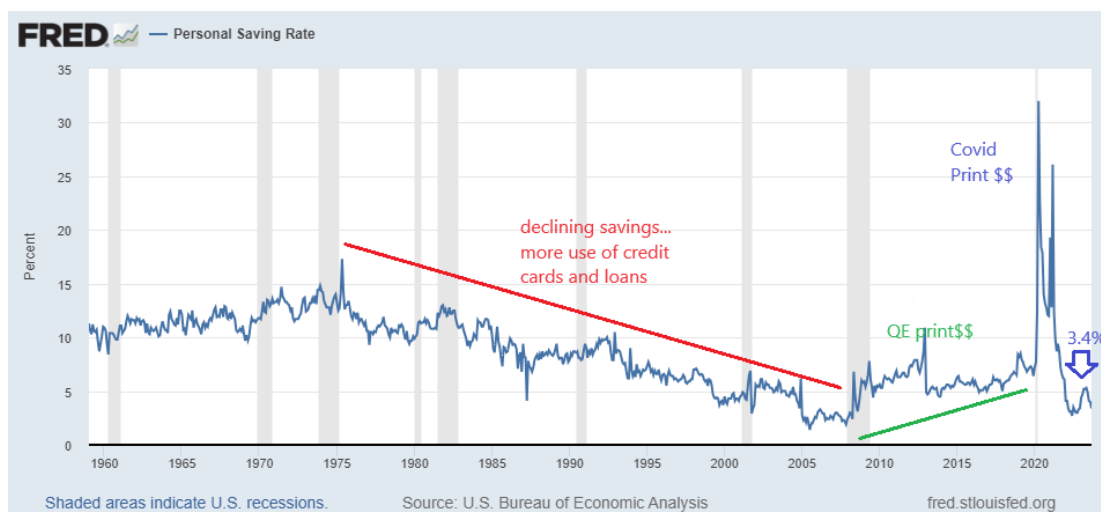
Expect ongoing bouts of market volatility in 2024 as the BTFP makes headlines.

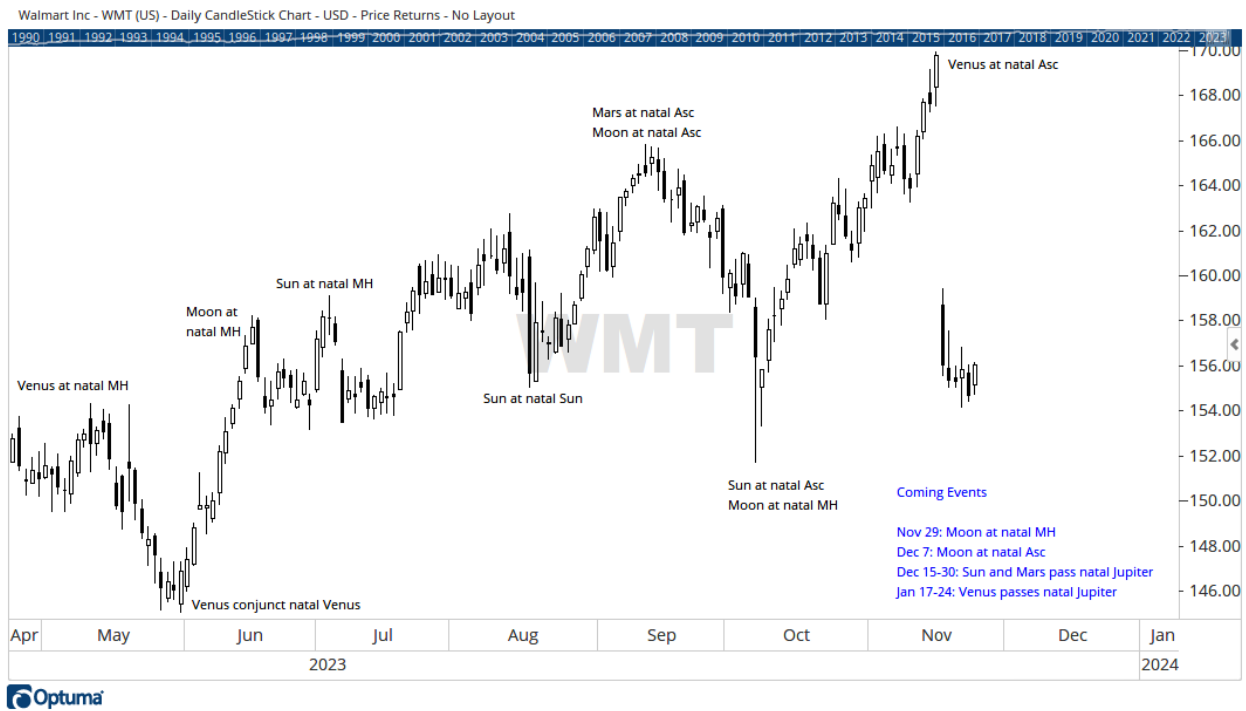
Meanwhile, China appears headed for another crisis as suggested by recent efforts to lend money to failing/ailing property developers. The numbers out of Europe are also not encouraging.

The State of the Consumer

In my recent writings (see the Nov 13 issue), I tried to make the case that the consumer is troubled. I based my argument on the declining savings rate in the banking system.

Some stock charts further add to my argument. And you can expect to hear more about the consumer situation on financial media outlets like Bloomberg. Stock charts of the big retailers are now warning of a pending economic slowdown. The media analysts are starting to clue in that there is a story here.





WalMart has an IPO date of August 25, 1972. Venus plays a key role in navigating the WalMart (WMT) price chart. This seems due to Venus having been conjunct the Mid-Heaven (MH) point at the IPO date.

The nasty gap down at the right side of the chart speaks to concerns expressed by senior management. Note how the various swing pivot points on the price chart align to celestial bodies passing key points of the 1972 natal horoscope. I have added (blue font) a list of dates to be alert to in the near future.





The famous maker of green-colored farm implements and machinery (Deer & Co) traces its IPO date to January 13, 1978. In all, 2023 has *not* been a good year for Deere (NYSE:DE). Share price declined into late May, rebounded into July and has been falling ever since. Commodity prices are low and the cost of obtaining financing to purchase crop input supplies is rising. (I recently had a farmer in my area here in western Canada tell me his crop input loan for 2024 will be at an uncomfortable 10.1% interest.) The farm operator is getting squeezed. When a farm operator is getting squeezed, he will not be buying new farm equipment. The chart of DE speaks to this reality.

I have overlaid the above chart with events of celestial bodies passing key points on the 1978 natal horoscope. If there will be a turning point for DE share price look to December when Mars and Sun pass the natal MH point. However, the general weakness could continue until the end of Q1 2024 when Saturn *finally* moves away from the natal Asc point and Mars passes the natal Asc point.





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