THE FED, MARKETS, AND TERRORISM: 2001-2003

The impact of financial cycles on the economy, equity prices, bond prices, interest rates, commodities, currencies, and investment strategies

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Since 1977

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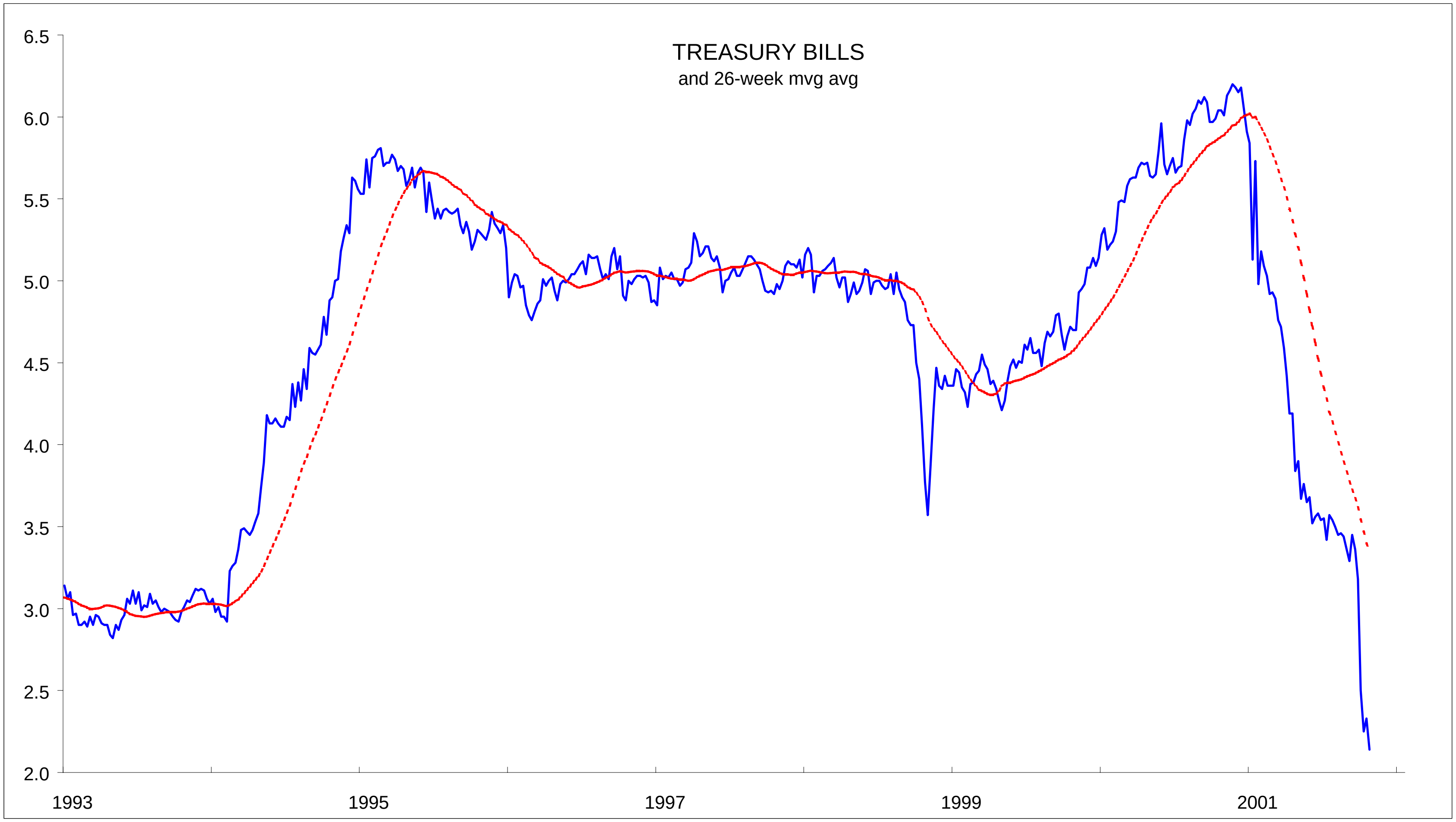
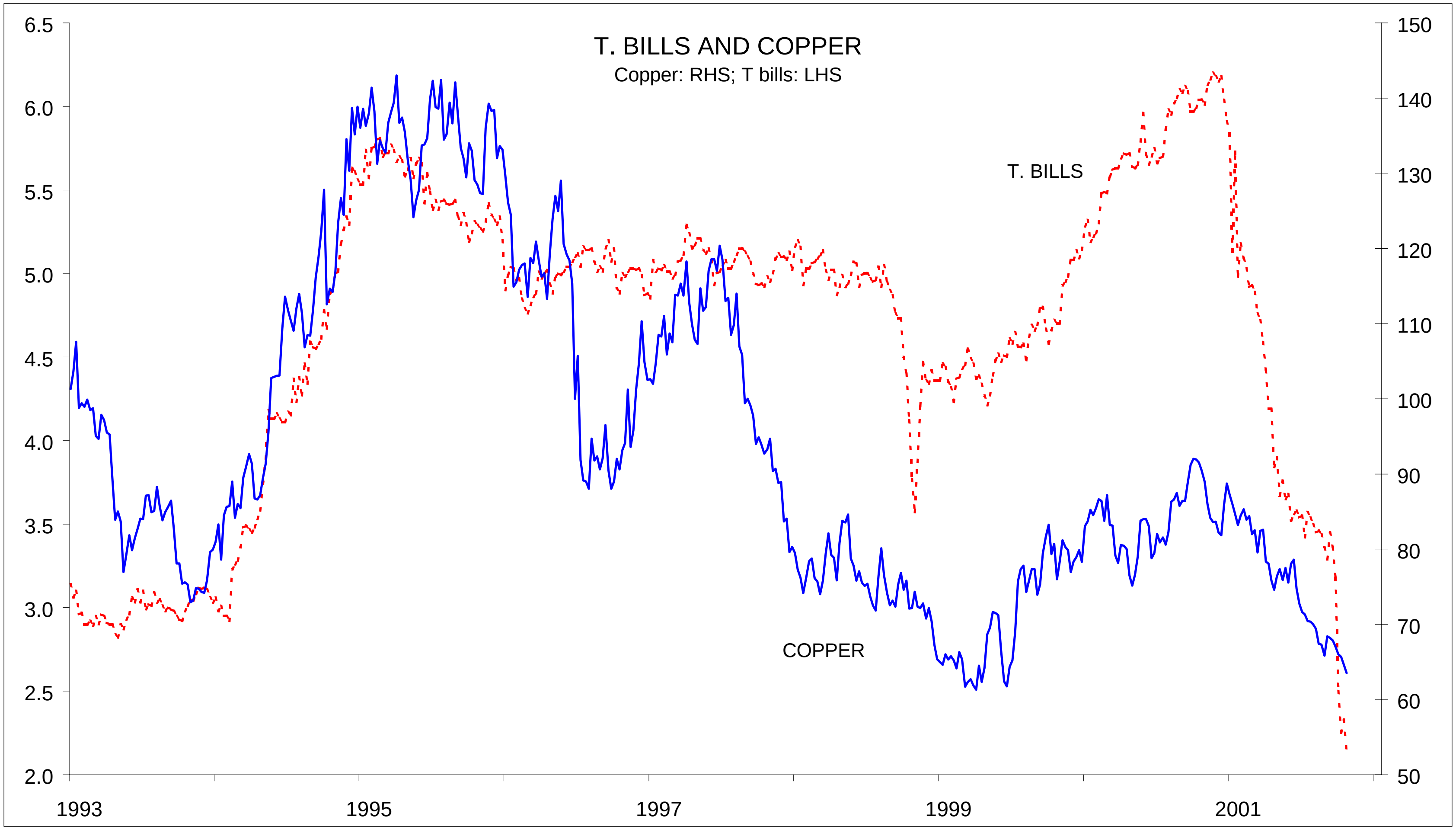
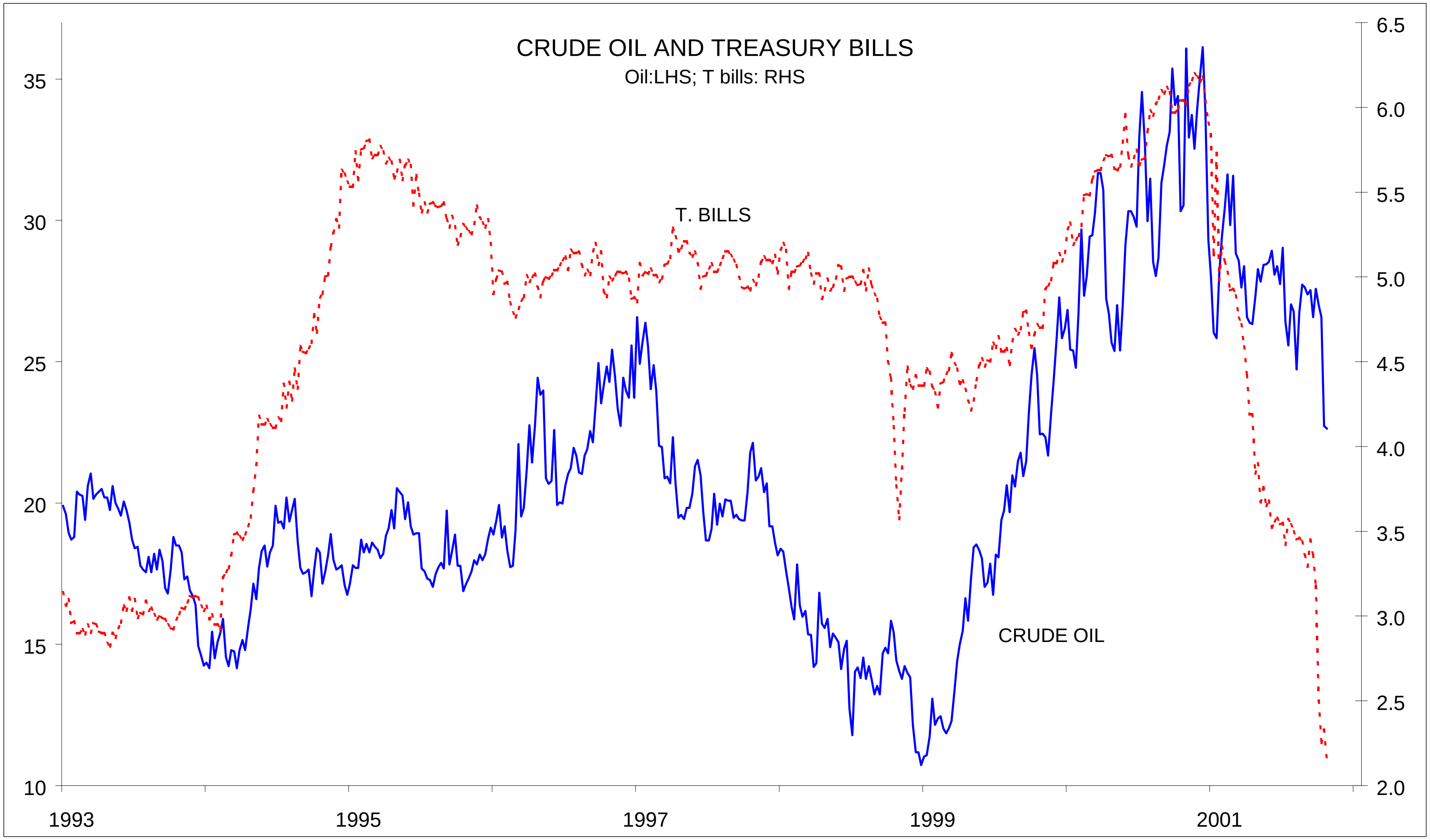


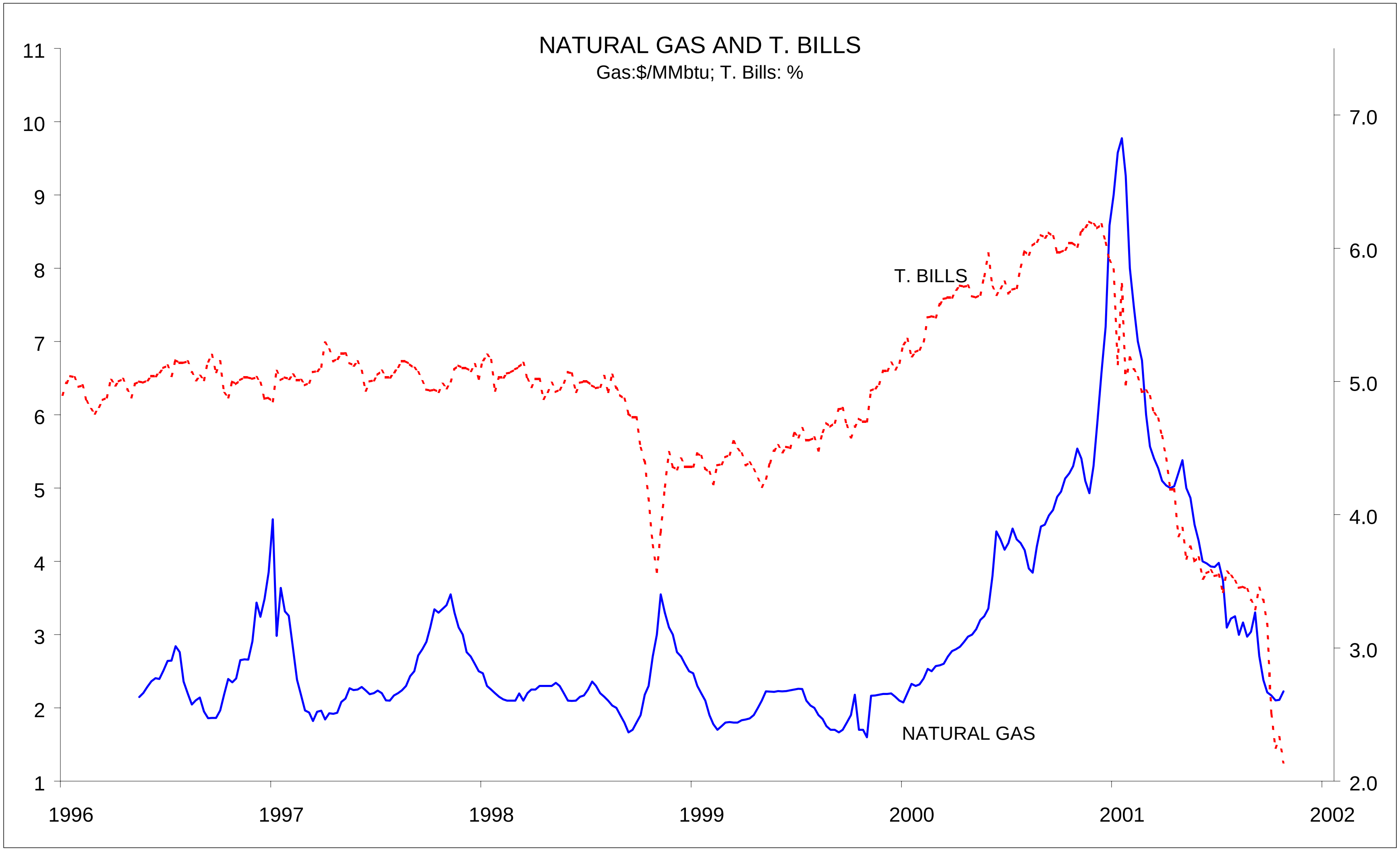
Interest rates rise as a result of a strong economy. They decline as a result of a weak economy.



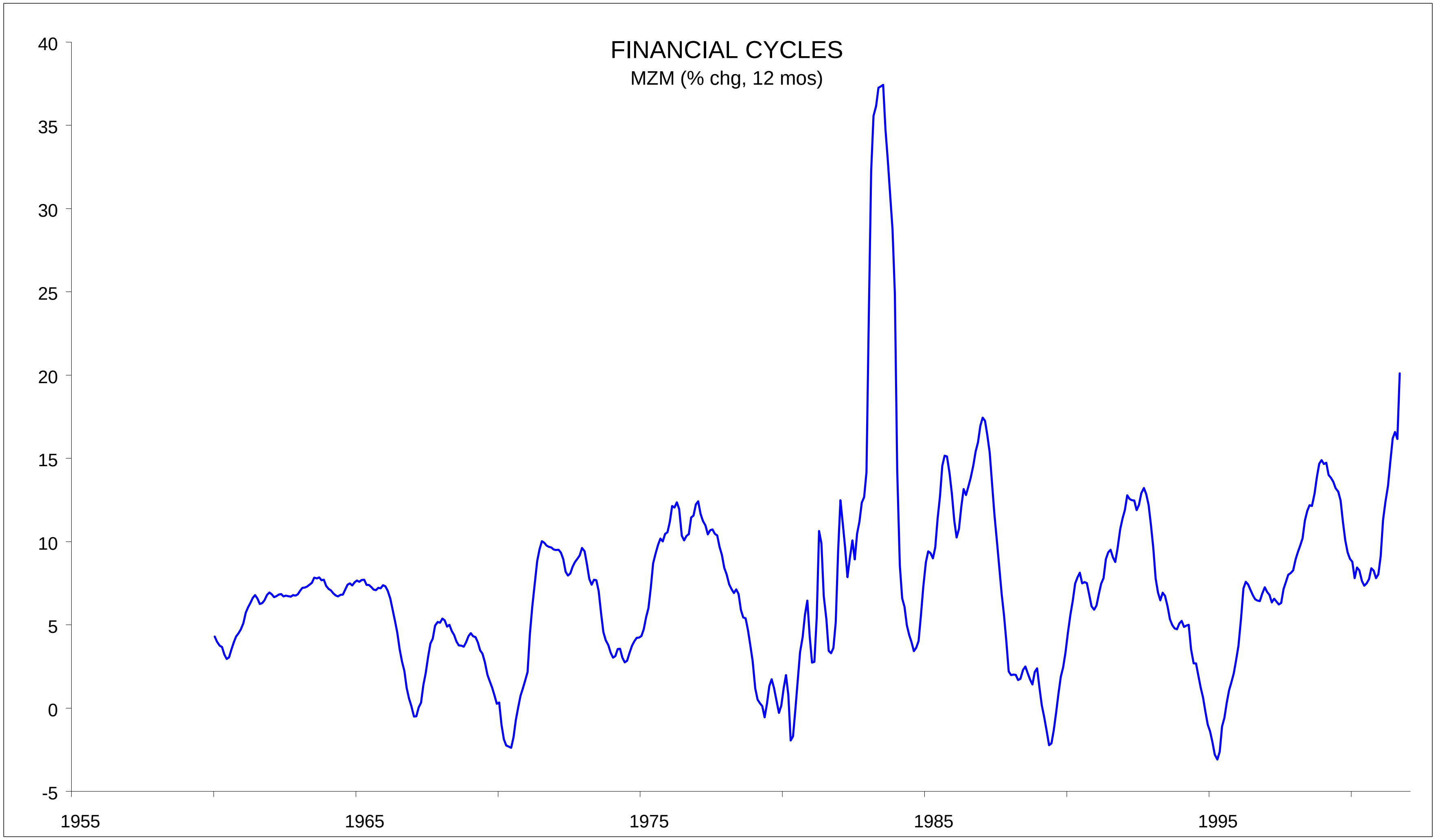
Copper prices rise and decline following a strong and weak economy.
Does the Fed control the price of copper?



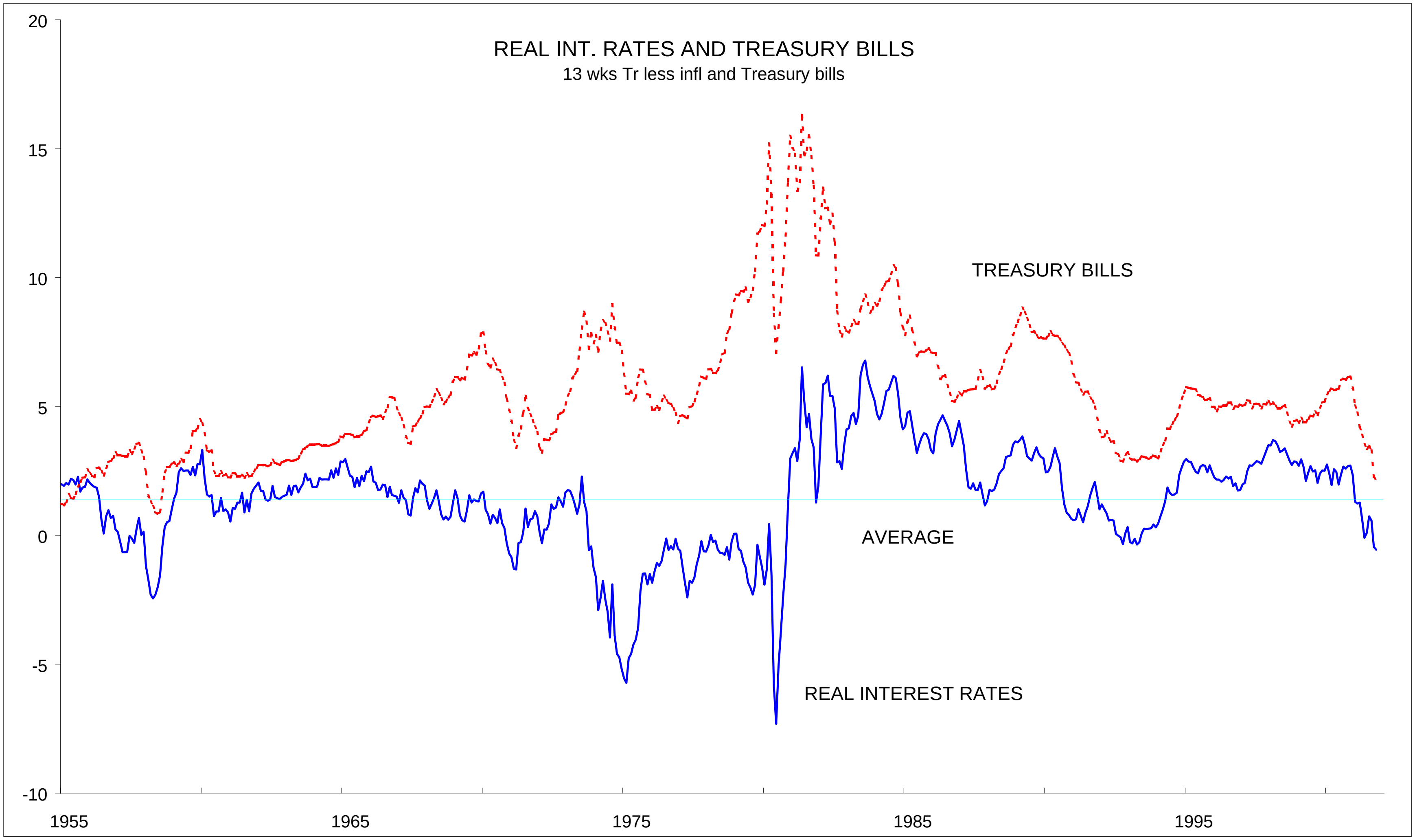
Crude oil prices rise and decline following a strong and weak economy. Does the Fed control the price of crude oil?



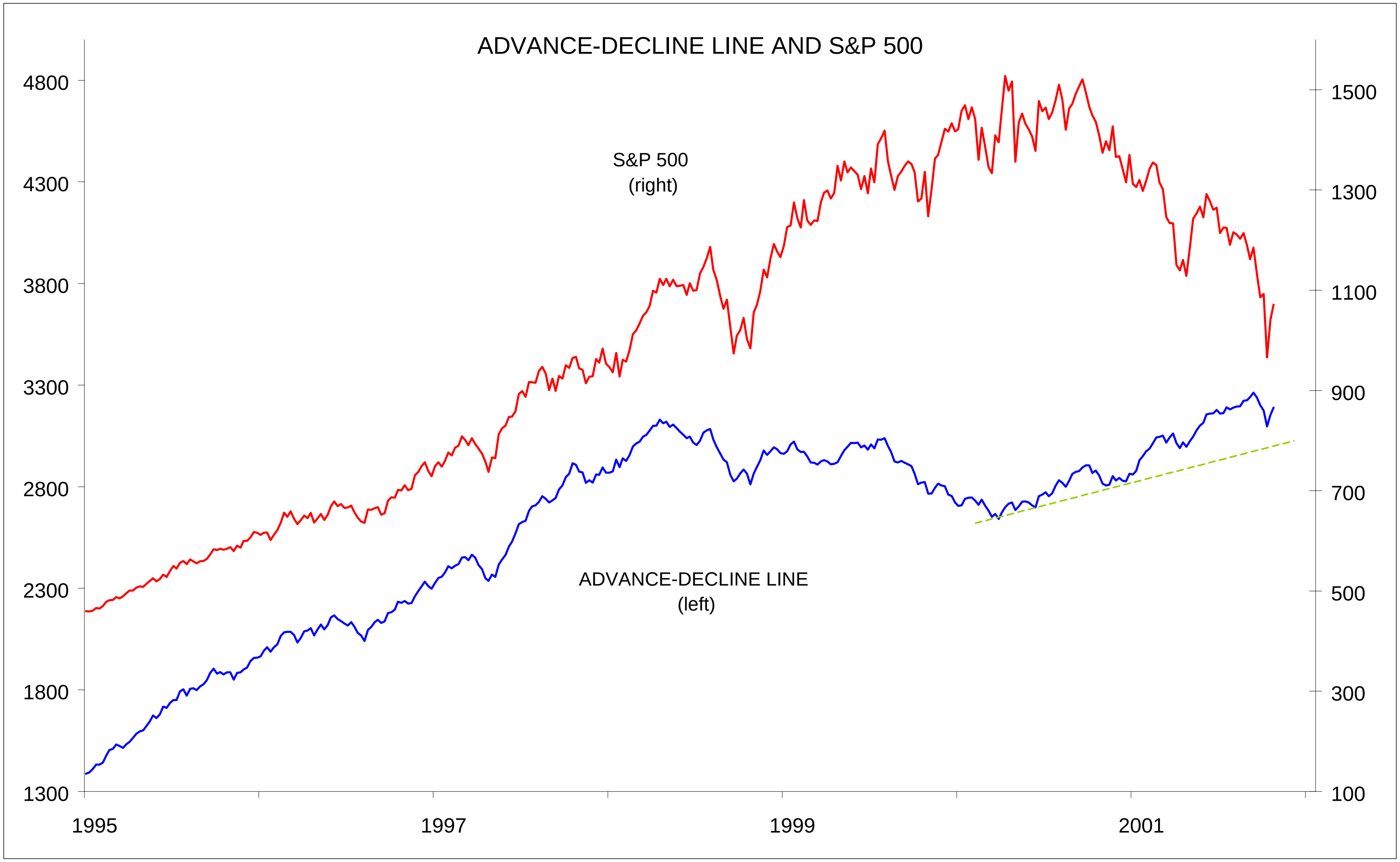
Natural gas prices rise and decline following a strong and weak economy.
Does the Fed control the price of natural gas?



The growth of the money supply is soaring.
Outcome: a very strong economy in 2002.



Real short-term interest rates are very low.
Implications: sharply higher interest rates (close to 6%) and inflation (close to 7-8%) in 2003.
See Chapter 6 of my book *Profiting in Bull or Bear Markets* for more details.



The stock market follows the growth of the money supply.

CONCLUSIONS

- **THE ECONOMY WILL BE VERY STRONG IN 2002.**
- **THE STOCK MARKET WILL BE STRONG IN 2001-2002**
- **INTEREST RATES, COMMODITIES, AND INFLATION WILL RISE IN 2003**
- **INFLATION HEDGE ASSETS WILL OUTPERFORM**