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Before I dive into the meat of the article, our market model for today is a plus or minus .50% move until 2 pm and then a rally into the close. Two of our Fed Statement Day (today) models are live and are very bullish with a success rate of 80%. We'll see how that works out before long.

With the election just around the corner, it would be almost impossible to believe that the Federal Reserve would raise interest rates at the conclusion of their two-day meeting meeting today at 2 pm. And I do not believe they will move on rates. However, I would have thought the same thing about the FBI going public with their restarting the Clinton email investigation. It's just been the most precedent setting election season of all-time and it's not over. Who knows what else comes out between now and Tuesday morning?!?!

The surprise from the September meeting was that there were three public dissenters to the vote. That is the highest number I can recall and a shot across the bow for Chair Yellen that a move, likely in December, is coming. We'll see what the vote is today. It's been pretty amazing that there has been almost none of the usual chatter on Twitter or on the financial channels regarding the meeting. Normally, my feed would be lit up with prognostications and commentary and the media would have multiple segments an hour. Hillary and Donald are sucking up all of the media's bandwidth.

Looking at the employment picture, the economy created 156,000 new jobs in September and 151,000 in August. That's certainly not an overheating economy nor an economy on the verge of recession. It's just below warm. While our economy grew at a higher than expected rate of 2.9% in Q3, that wasn't enough to balance off a weak 1.1% number for the first half of 2016. Additionally, inflation has been well under wraps not only this year, but every year since the financial crisis.

Long time readers know that I have been in the deflation camp since 2007 and remain that way until we have another recession. I offered comments about the economic indicators not because there are any startling revelations, but as another way to support the position I have taken since 2007. At every single Fed meeting since mid-2007 I have been in the accommodative camp, which meant either lowering rates or keeping them as is after they essentially hit 0%. For the record, I am not in favor of negative interest rates for now.

While the crisis has long passed for the economy and financial markets, we are still in a typical post-financial crisis recovery which I have written about over and over and over. Our economy will remain that way until the other side of the next recession, which should be mild and occur by 2019. That means very uneven growth that sometimes teases and tantalizes on the upside and terrifies once in a while on the downside. It's very frustrating, more so now because we have complete, total and utter dysfunction in government that makes the Fed the only game in town.

As I have mentioned many, many times over the past few years, not only is Janet Yellen & Company taking into account the U.S. economy, but Europe and Asia as well as they debate policy. We may not directly care what happens abroad, but our currency certainly does. I believe the real reason that Yellen and the smart folks in the room are so scared to raise rates is that it would set in motion something I have been discussing since 2008. That is a tech-like blow off in the dollar only seen during the mid 1980s when globalization was only a fraction of what it is today. You can see this on the left side of the long-term chart below.

Fed officials rarely discuss currencies, but I believe this is something done a lot behind closed doors. Should the dollar take off above 100, which I think is a lock, 110, 120 and even higher become likely and possible. A shorter-term chart is below where you can see the big rally in 2014 and 2015 followed by an 18 month consolidation so far. Once the dollar breaks out to new highs and stays there for a few weeks, 100 or so will become the floor.

Most of you are probably thinking "so what". Stronger dollar should equal a higher standard of living. How bad could a strong dollar be? That is true. However, there are all kinds of chain reactions to understand.

A surging dollar would mean a collapsing euro, yen and pound. Along with my long-term dollar and Dow forecasts, I also have predicted the euro to parity against the dollar on its way to sub 80. The pound looks like it will see the 90s with the yen eventually declining another 25-50% from here.

With those central banks easing and/or accommodative, how could they fight back? While exports would benefit, their standard of living would further suffer. Much more importantly, I believe we would see massive capital outflows from much of the world into the U.S. First, this would manifest itself in short-term treasuries. I then believe money would flow into large and mega cap blue chip stocks along with real estate. That would make my longstanding target of Dow 20,000 seem bearish. I wouldn't rule out 25,000 or even higher under that scenario.

While a stock market melt up would be enjoyed for a time, these massive capital flows and currency collapses would likely lead to historic market dislocations around the globe ending worse than the crash of 1987. In other words, it's all good until it's not and then look out as the elephants all try to exit the room at once.

To Your Financial Success,

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