Notes for 1/27/2018 Update: The Catalyst for the next rinse and repeat cycle.

I have no opinion on the QE programs. The USFed and USTreasury used them in the wake of last decade's crisis. The market accepted them as legitimate polices. They were enacted worldwide. Most nations are still using them to keep in business. They work as long as inflation stays low. The PIIGS in the EU are on QE life support.

Now, the USFed no longer contemplates QE programs. Instead of QE and dovish policies it is now embarking on tighter policy actions (unwinding balance sheet and raising fed funds)

In the US, the only way that Treasury debt can be issued and serviced is in an environment of low inflation. The high levels of debt issued via QE programs works to lower inflation as the servicing of this debt overhang handicaps inflationary forces as a larger percentage of national income goes to debt service.

The only way that inflation in the US can remain low is with a strong US dollar. The US has the reserve currency. A strong dollar policy is needed to keep up with debt issuance. (Triffin Paradox).

A weak dollar will overturn this whole mechanism now that QEs are being used worldwide. A falling dollar will be the catalyst for the upcoming crisis. Notice as cost of capital rises oil prices are rising.

Notice that the nations (EU as well) that are currently employing QE programs have rising currencies and lower inflation. The central banks provide enormous demand for sovereign debt and corporate issuances and keep cost of capital low. QE programs keep inflation low and keep their nations in business.

The USFed is embarking on the wrong programs at the wrong time. The USFed and other central banks should have not commenced QE programs and should have raised rates much sooner. The USFed should have raised rates back in 2012. Now it's too late to begin restrictive policies. The USFed is pulling the rug out on the monetary system.