Afraid of Heights

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When nothing seems to be able to halt a slow-motion trains wreck, the people who thought they constituted the leadership begin to panic. Every bit of positive developments, like the slow decline to total world cases and deaths, was bought into by the markets. The first steps toward an opening of lock downs becomes *the end* of lock downs. The fact that nations have opened somewhat see a rise in cases; that testing is far from being accurate; that many people marked as recovered promptly return to the symptoms; that there are very serious secondary complications to the disease -- incidences of blood clots; and that children thought to be immune from the disease itself have developed possibly fatal illnesses related to toxic shock syndrome. All the respectable experts calculate at least a two year time span for the development of an effective vaccine and its implementation. And even that has a gigantic hole in it -- the virus may mutate so rapidly that soon a new vaccine will be needed.

But the markets have the mental equivalent of the genius in the White House. Both idiots seem to be unstoppable. This week the business media went further in describing the economic and human horrors yet to come in the foreseeable future. Even Powell came forward and dispensed with the illusion that he has an infinite number of tools to contain the economic avalanche and restore it to normal mediocrity

It seemed like this week it was working. The markets would finally read that worsening data means things are getting worse. The CPI was -0.8 in April (-0.4 in March). Core CPI (minus autos) -0.4 (-0.1 prior month). PPI -1.3 (from -0.2). Note that deflation can have catastrophic consequences because at a certain point it becomes unstoppable. Also, another 3 million workers filed for employment bring the total in 4 weeks to almost 40 million.

The worst data was on Friday. Retail sales -16.4 a huge drop from -8.3. Retail sales ex-autos -17.2 from -4.0. Industrial production -4.2 from -4.5. Capacity utilization 64.9 from 73.2. It looked like a big loss would soon be on the books for the week when a saviour arrived to reverse course. Consumer sentiment – the most worthless indicator of anything, came in at 73.7 from 71.9. A great burst of upward movement failed to make it a winning weak, but ending on a positive note gives the movers and shakers the weekend to work on a fresh scheme for Monday.

I guess we shouldn't be surprised. Capitalists on the winning side achieved massive profits during wars. But a war is a massive happening while a pandemic stops things from happening. The source of real economy profit ceases, and the fact the financial sector could care less shows that it is as destructive to human well-being as Covid-19.

Economic Info

– Germany's first quarter GDP was -2.2%. The fourth quarter of 2019 was revised down to -0.1, thus a technical recession. French GDP was – 5.8%. Italy – 4.7%. The Eurozone as a whole -3.8%, and the EU – 3.3%.

– Saudi oil revenue was down 22% the first quarter. The regime raised its VAT tax from 5 to 15% beginning in July.

– It's assumed by many that foreign trade is the dominant sector of the Chinese economy. That's not true. It made up 19.51% of China's GDP last year. So a possible 10% reduction in trade will only take 2% off its GDP. The disastrous consequences of globalization have been revealed by the pandemic. Many critical elements for the maintenance of advanced economies were unavailable because of national lock downs. Nationalists like Trump wanted jobs to return home. Covid will contribute more to that than political strife.

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