

What Now Coronavirus?

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Unfortunately the Coronavirus epidemic has grown by such leaps and bounds in the past week that the World Health Organization has declared an international emergency. Within China the outbreak came just at the time when many people preparing to celebrate the Chinese New Year travel from where they work to places that they regard as home. That quickly led to all regions of country being infected with the virus. Many industrial plants have been shut down, and people in the most seriously infected areas, are being told to stay home. While this is especially bad news for the Chinese economy, it also just might be the pin that pricks the world equities bubble just as the bluster of world synchronized growth is being undermined by data that indicates the opposite.

Even Fed chief Powell now seems to at least be sensing a problem when he said at this month's FOMC meeting: *"It's a bit surprising that with sustained levels of historically low unemployment, we haven't seen wages moving up above that level as we have in other long expansions and other periods of low unemployment."*

Next comes understanding -- After an economy slumps as it did in the crisis period it needs a strong industrial recovery to replace the good paying jobs lost in the depression. Virtually no effort was made by government to revive that sector of the economy. Instead interest rates were dramatically lowered in hopes that private capital would assume the public duty even though private capital exists to increase its wealth by the quickest and easiest ways possible, and that applies to both the lender and the borrower.

So the elite had huge easy profits in the market balloon -- 23% growth in 2019 -- which merely trickled down to the service section of the economy, the prime source of low paying jobs, and the even worse gig economy.

Friday was the worst day of the year for the markets with the Dow down more than 600 points. There seems to have been a sudden awareness that the US economy is no different then that of the rest the world now experiencing declining growth with some nations being on the verge of recession. The 2 month moving average for durable goods in December was - 0.7%. The same for core capital goods was - 0.8%. Existing home sales down 4.9% after a small gain the previous

month. The major shocker for Friday was the large decline in Chicago PMI from 48.9% to 42.9%.

There was one good market day in the week. The supposedly good fourth quarter GDP reading of 2.1%. Why should the reaffirmation of the same lousy previous reading be such good news? Because the professional guessers chose the number 1.8%. Wow! It stayed the same, and thanks to the promoters cued in a significant gain.

The curious thing about the GDP report is that the actual reading was 2.05%, slightly down from the previous 2.08%, and that most of what contributed to growth was a major decline in imports. Imports are subtracted from exports and the remainder added to the GDP. Thus the greater ratio of export growth held up the GDP figure while it actually signified a weakening in the retail and industrial sectors. Remove that assist from the GDP and the rate would be less than 1 percent.

And so we wait and watch as the diseases spread. At least we can expect one to be curable.

Economic Info

-- Today Eurostat reported that the first official GDP reading of the of 2019 4th quarter showed 0.1% growth for the 19 member country EU.

-- UK auto production last your was down 14.2 million compared to the previous year.

-- University of Cambridge researchers analysed peoples attitude toward democracy based on data contained in 3500 surveys of 4 million people. The US and the UK had the highest levels of dissatisfaction. The period examined was from 1995 to 2019 during which antipathy toward our alleged democracy grew from 48% to 58% in the 154 countries surveyed. That is a record high. Satisfaction peaked at the time of the collapse of the USSR when that event was thought to be proof of the superiority of capitalist democracy. No doubt there was something suspect about how quickly alleged rabid Marxist communist states transformed themselves into traditionally corrupt capitalist states. Then the Great Slump showed that perhaps an autocracy that works decently can't be much different than a fraudulent democracy that doesn't.

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