

Crude Collapse

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As of November 24 American equity markets have traded above their 5 day moving average for 27 consecutive days. That is the longest such streak since March 1928. The official explanation for this particular bout of irrational exuberance is that it reflects investor confidence that the economy has indeed achieved "escape velocity", and that the real economy will now follow the lead of the record breaking financial sector. An alternate view is that the intent of the world liquidity tsunami is to create the illusion of a prosperous recovery in order to induce the victims of the worse economic collapse in 80 years to think it is now safe to take on debt sufficient to lift the real economy from its current subterranean levels. But they have only succeeded in making the easy money of equity speculation so attractive that many of the common folk have sunk savings or borrowed into expanding the bubble.

As world economic growth continued to weaken the Department of Commerce presented a surprise second reading of third quarter GDP growth. Instead of the expected cut to 3.3%, the department of big business found some missing pieces that boosted growth to 3.9%. We now have two quarters where the second reading boosted the figure when most expected a decline. I guess two quarters makes it an official lie.

New home sales were 458,000 -- significantly less than the expected 471,000, and considering that every monthly first reading since May has been cut in the second reading, it is becoming increasingly silly for homebuilders and realtors to feign optimism that this bedrock of the real economy will replace the gaseous bubble with a solid one as it did in 2 of the last three growth periods.

The retail business is weak -- Black Friday was a flop, and revolving credit in the form of auto sales has slackened with much of the new sub-prime debt likely never recovered. Student loans are growing along with tuition but reflect activity in a marginal sector of society/economy, not to mention an endless unresolved debt. Eurozone inflation contracted to 0.3%. It's worth remembering that it was as high as 3% in 2011. Italy now has the highest unemployment rate on record (13.2%). Europe is on a slow slide. Draghi and the ECB will meet on December 2nd to search for a positive word.

In Japan core inflation is only 0.9%. Retail sales fell 1.6%. Median household spending fell 4%. India GDP declined to 5.3% from 5.7%. Good news: Brazil is out of its recession - last quarter growth: 0.1%. That is like the big cheer we heard because of the rare growth of real American hourly wages. All of one penny to \$10.35 an hour. Imagine the roar if it went up a nickel.

Then we have the collapse in oil prices. Today Brent closed at \$70.51 a barrel - the lowest since May 2010. Oil, copper, iron ore and other commodities are sinking because of the slumping world economy. Much debt has been pumped

into expanding oil and gas shale, etc. These industries and many others will soon enter junk status making it more difficult to obtain financing because the plethora of money and credit in the hands of speculator is drying up, meaning the capitalist spirit of desperate investment in any available crap for fear of leaving something on the table will no longer be there to keep the crap originators afloat.

December 16 will mark the 6th year that the Fed set the target interest rate from Zero to 0.25%. That's 6 years with the economy officially at its rock bottom. They have now sensed they can stall the recovery fiction. Nonsensical repetition, even from the highest sources, breeds disbelief and the threat that a shock of truth may upset Potemkin's handiwork. Officially they have doctored the unemployment rate to an acceptable level. It must warm their hearts to know that the unemployed, at least those benighted enough to believe the figures, now experience the false comfort that a good job is waiting for them just around the next corner. The rest of us want to see front collapse and the truth revealed.

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