The DJIA: An Index Made to Order

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General Electric, the last of the original set that constituted the Dow Jones **Industrial** Average, has been ejected and replaced by drug store chain Walgreen. What is **Industrial** about a pill pushing chain that also sells cosmetics, snacks, greeting cards, and other assorted crap? Nothing – no more so than Coca-Cola, McDonald's and other misbegotten occupiers of the index.

All major industrial nations have core industries that form the bedrock of the entire economy. From mining and steel comes a host of vital products to benefit a nation. And the same can be said for energy, transportation, technology, manufacturing, etc. Should the country suffer a terrible natural disaster, or find itself in a war, these industries would be expanded and placed on full time operation to see the nation through its difficulties.

That's what the original index displayed, but capitalism in its ongoing deterioration needed to fix its face by whatever means it could find, thus the more than 40 'adjustments' made since its creation. It's one thing to replace companies that have been privatized, or liquidated after a bankruptcy, but most of those alterations were made so that the nation's most watched and reported index will induce an aura of growth and strength that will hopefully obscure the reality of crises and decay.

The 40th switch included the removal of Alcoa – a company long known for its aluminum and with a large workforce – and replaced it with Nike – a sneaker company with 15,000 employees, none of whom make the product which is done abroad. Today Nike reported a 3% growth after a year of weakness and that was a major factor in the index's 55 point gain.

A couple of Boom/Bust cycles ago the economy was so hot that a number of stock analysts were touting a 30,000 DJIA in the near future even though at the time it hadn't even reached 10,000. Well now it's approaching that goal at 25,000 – made to order in the offices of Dow Jones.

The infamous bond yield curve reached a flatness not seen since August 2007 for 2 and 10 year bonds. Flatness means a growing shrinkage of the yield rate gap between the two types of bond. Apparently when investors catch a fright they flee to the safety of bonds causing the price to climb and the yield to decline. Very flat yields and inversions are most often signs of a coming recession. August 2007 happened to be the official beginning of the Great Slump.

The Shanghai Composite is now officially in Bear territory. Stock values have declined $1.6 trillion since its January peak. The amount is equal to the entire Canadian economy but it's still far from the $5 trillion rout in 2015.

The US has had its housing bubbles but China may be encountering the mother of all bubbles despite the efforts of its makeshift capitalist state to release some of the air before it's too late. Gone are the days when the old Stalinist model could adjust its half assed planned economy as it pleased. One silly current proposal is to induce housing speculators to rent instead of selling homes. But there is much less profit in that compared to the impossible to sustain sale price gains. According to the 100 City Price Index, from June 2015 to the end of last year valuations increased to almost $202 per square foot. That's 38% higher than the media square foot price in the US where per-capita income is 700% higher than that of China.

China is not alone in having it's mountain of debt ready to slide into a state of equilibrium. According to McKinsey Global Institute US non-financial corporations hold $29 trillion of debt – about the same as all US government debt. Over the next 5 years $1.5 trillion will mature each year. 22% of that debt is classified as 'junk' and another 40% is only one notch above junk. The developing economic weakness which may well mean a recession should make things interesting.

Japan thought it had finally achieved its goal of reaching 2% , or more, inflation rate when it rose from 0.5% in November 2017 to 1.5% in February of this year. But then it went into reverse and as of April it's only 0.6%.

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