

The Dog Days of Financial Insanity

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New York City is in its worst heat wave of the summer with not only high temperatures but the dew point well into the sweltering 70's. Under these conditions it's hard to muster the energy to get much done. American markets on Thursday mirrored human conditions by setting new highs with a low volume euphoric yawn. The DJIA, Nasdaq and S&P 500 set simultaneous new highs for the first time since 1999. Shall we stand by for the aftermath of that eventful year?

As usual mainstream propaganda touts these highs (Nasdaq set a new one on Friday) as proof that the American economy now has established a sound footing for future growth, all based on the one positive statistic -- high jobs numbers (except for a few horribly bad months like May). Yet this claim of full employment nowhere manifests itself as something that actually exists. If there is an increased demand for labor it should be followed by significant increases in wages -- but wages are stagnant growing little more than inflation. More income would mean more consumer spending -- repeatedly described as 70% of the GDP. The disappearance of significant wage growth and spending is reflected in the miserable 1.2% GDP growth the first half of the year. As for retail sales, although slightly better this year than a terrible 2015, they are still weak with the first July reading coming in as one of the worst months in years -- 0.71% year to year including food and autos.

This week the third straight quarter of worker productivity decline was reported. Such a downturn often foretells layoffs -- per capita production is weak when you have more people than you need to get the work done. Yet -- officially we have "robust jobs growth." China and other economies most dependent on American buying continue to experience weak exports.

On the financial side the S&P 500 corporations have seen several quarters of declining earnings per share. Yet the US is growing its economy while the rest of the world is thrashing about. It's hard to argue that American market highs are a sign of strength when the markets in certifiably sick economies are also doing well. The FTSE 100 is at 6900, a 15 month high. Not only has the Brexit devolution converted a stagnant economy into one in harsh decline, but the UK no longer has the assistance of the EU to support its maintenance efforts. Brazil, a country that is falling apart both politically as well as economically -- an impeached president replaced by an even more corrupt administration, and an economy in the steepest crisis since 1901 -- exacerbated by a slump in commodities that matches the worldwide fade to black.

There's not much to say. Describing it's all do to central bank props that are themselves supported with lies seems silly. Speculators know that it's all a huge money making facade that at least helps the real economy wheeze itself into signs of life. It will eventually show what it really is -- perhaps when the weather turns cold enough for shivering to shake off the facade.