

The End Is Near! -- But Where?

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In these times when the financial markets' divergence from reality has become a shameless insult to intelligent beings, we become increasingly certain that, with trumpets sounding, sense will conquer the financial field and clear air and mind.

But don't bet on it. Having a clear-cut challenge to the reverse Robin Hood policies of the Bush/Obama clique requires a strong force opposing the politics of both parties. So instead we, like slaves crouch in a corner, waiting for nature to remove our cruel master in hopes the new one will more closely resemble something human.

Just don't bet on the last part. Even chaos theory only claims to be able to predict a point, not what it will be. In our human world, it's the opposite. Absent a willful act we do not know when the next economic collapse will occur, but we do know that it will happen when someone takes the last ham off the table.

In the Czech film, *The Firemen's Ball*, a pageant and auction fundraiser are being held. A table of goodies prepared by the firefighter families is under guard by a lone fireman until it can be safely auctioned off. A fire briefly draws everyone away from the scene. When they return some of the items are missing. The chief addresses everyone in a stern manner - return those goods! But to free the perpetrators of embarrassment, he gives them ten seconds with the lights off. Lights back on -- more goods are gone. Sternness, anger, threats increase but after a few more attempts, the lights reveal fewer goods - and finally, just a lone ham. The chief makes one more attempt -- this time giving more attention to guilt -- the auction was to raise money for charitable needs, etc. The lights go out. When they return the fireman guard is seen creeping away with that last ham tucked under his arm. His thinking: If I don't act now I'll be the only one in the room not to get anything. He faints out of shame and is carried off. The 'auction' is as completed as if it actually happened.

Did someone take that last ham this week? Buying on dips has had an almost 100% success rate the last 2 years, but not on this dip. Are investors worried that a strong second quarter growth figure means higher interest rate? Well, 4% growth coming after a -2.9% decline means our growth rate the first half of the year is slightly slower than Spain's. Yes, I know that the National Bureau of Economic Research has decided to re-figure all GNP numbers from 1999 to the present, and so the second quarter is now only -2.1% rather than -2.9%. But -2.9% was officially declared the final figure; re-figuring is a different category. In any case, since the main boost last quarter was in inventory and trade, and June figures weren't in for those categories; estimates were used instead, it's likely the finished number will be less.

Maybe the 6th month in a row with new job numbers above 200,000 put the interest fright in investor's minds. Not with this elderly 209,000 jobs report. 159,000 of those jobs were in the 55-69 age group. The prime working age group,

25-54, actually lost 142,000 jobs. With 3.6 million fewer full time jobs lost during the collapse, and with household income down 36% over that period, this is not a healthy jobs picture.

The prime target is probably the so-called bond default by Argentina. 93% of bondholders were willing to accept Argentina's terms, but not the hedge funds. They wanted every penny even though they bought the bonds cheap. They held out and received the full support of the US government when the court system prevented *any* money being disbursed until the funds got their hunks of flesh. Now it's been revealed that Elliot Management Corporation and the other holdouts had probably had third parties purchase Credit Default Swaps for them. So these slimy characters don't just want one piece of flesh but the whole body. Argentina actually made its payment but the court ordered the trustee to hold it until Argentina gives into the lowest of financial speculators. Argentina is still being pushed to settle. Some think that the funds will now accept a cut since they have already profited by the technical default. For the government surrendering to the avaricious demands of the U.S. would not be weaken them in the eyes of their own people. They have frequently experienced the outrage of the masses. Perhaps standing firm will be the ham that finishes the financial feast.

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