

Fear Everywhere

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Whatever happened to synchronized global growth? It never existed except as part of the standard confabulations myth-makers dream up when they are called upon to do their duty in defense of a system growing much in the manner of body that is barely breathing is said to be thriving.

The general assessment of where the locus of American ruling class stupidity is to be found most likely would be the head of our head of state and those that serve him or it. But might it be more accurately discovered in our own august Federal Reserve Bank system which has de-linked itself from the more or less united policies of the world's other major central banks?

We got Trump because a large proportion of Americans could not stand having the same old shit thrown in their faces while their experienced quality of life continued to deteriorate. Now the Fed is receiving a similar treatment by the financial class that it is dedicated to serve. Those folks do not believe the economy is in a robust state. Because of that they are not concerned about price or wage inflation. What does concern them is a policy that tightens when all else is weakening.

Their thought manifests itself in the flattening of the yield curve between 2 and 10 year bonds which is now merely 24 basis points. The stronger the demand for 10 year notes at auction means a higher price and lower yield. The five recent Fed rate increases should have been resulted in a higher yield because credit costs are up and inflation is predicted. When a 10 year bond matures, unless it's the type that includes inflation insurance (most sold don't), it will have lost considerable value.

Yield inversions almost always mean a recession. Investors are predicting a slowing economy and the data backs them up. Commodities are rapidly falling, the key being copper which has dropped 10% since May. Then we have a trade war which now includes a currency war. Idiot mainstream reporting has its own inversion. It says political actions, mainly those of Trump, are the cause when it really is the same structural decline that got Trump elected and brought about almost a dozen other political anomalies around the world: Capitalism is fighting the disease that has sickened its world economies. But not by working together. Capitalism is a greedy and selfish system. It can work together to control the classes beneath them, but among their own kind its a competition to have and consume the entire cake. First there are words and paper actions. Keep track of the hot and then cooling talk to determine if the net result is increased heat. At some point the heat can no longer be contained. Then the good ole boys of capitalism will settle matters the only way they know how.

The China economy deserves even more attention than the world's leader because its immense buying and selling of everything from and to the rest of the world

constitutes a third of entire world's economic growth. China accrued huge reserves in the good years. During the slump period it kept its home industrial capacity busy in massive Fixed Assets Investments, infrastructure, huge new cities, etc. That created a massive debt which they expected to burn off once world capitalism revived. But it didn't, and now it has to cut back on expenditures and channel assets toward debt relief. But it wasn't just the state that incurred giant debt growth, private corporations were also enthralled by the wonders of capitalism and now they also need state assistance.

Among the idiots are those who think China is still a communist nation, and that the party really owns everything and can just print money to cover debt if it needs to. But that would throw away forty years of its hard earned progression toward a capitalist economy. It has not quite reached the highest order of pure capitalism, only the US is close to that, but it's about 90% there and can no longer return to the past of its own accord.

Trump has charged China with manipulating its currency – making it weaker to improve exports. Previously it had spent billions of its reserves to purchase dollars and stabilize its currency at an almost fixed dollar rate. A weaker currency means capital outflow; those possessing yuan purchase stronger currencies. China is being whip-sawed, everything it does to improve conditions is balanced by an equal amount of damage. Industrial production has been stuck at 6% for almost 4 years. FAI's have declined 3 of the last 7 months. Including private FAI growth is at 6% over the last six months – the lowest since 1997.

Because of its growing distrust of the US and Nato nations China will likely reduce its interest in expanding foreign investment and in making adjustments to keep what they have in China. When under attack, defense means securing the homeland before all else.

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