Feasting While Festering

11-12-13

The recently adjusted Dow Jones Industrial Average (removal of negative but more important companies for positive but less significant ones, i.e., Bank of America, Alcoa and HP for Goldman Sachs, Nike and Visa) has been setting new record highs. It loved the preliminary October jobs report. The first eight months of 2013 has averaged 187,000 jobs a month, a wopping 8 jobs a month more than last year!

But the real jobs news on Friday was predominantly a negative one. A net of 228,000 jobs disappeared in October (735,000 minus the 507,000 temporarily gone during the government shutdown) causing a slight increase in the unemployment rate to 7.3%. 720,000 workers left the labor force altogether bringing the percentage down to 62.8% of total available workers. The lowest figure since 1978. This is a strengthening economy.

What is notable here is the barely hidden desperation to make things seem better than they really are. A bunch of investment shills create a monthly jobs consensus. There is often an increase this time of the year because of the approaching holidays. They underestimate the number – which is only preliminary and likely to change because of the government shutdown period, as is the quarterly GDP report which showed no effect due to the shutdown. The second quarter GDP was cut by a quarter before it was finalized. None of this matters. Recent reports have corporations selling more stock than buying back. Could this be like the months prior to the last crash when insiders were selling off while hypeing the markets as the most sensible of investments?

Nothing is as it appears. The squabbles between the U. S., EU and China seem to be based on real issues, but it is the unreal that drives all major capitalist markets. It's not only some U. S. markets that have hit new highs, the STOXX Europe 600 is at its highest level since May 2008. The Indian stock market is even more surprising, it just hit a record high even though the Indian economy is officially in 'crisis' mode.

And meanwhile we keep hearing reports day-after-day of every segment of the Chinese economy on the upswing. Last quarter growth was 7.8%. The economy should make its annual mark of 7.5% (which is the lowest rate of growth in 13 years). But then the Financial Times (11-11-13) publishes a report that a high level Chinese informant says the rulers will set a growth rate of only 7% for 2014. Now apparently the growth of China's economy is not the issue, rather it's the mass of bad loans, many outside of the banking system, the property value bubble and corruption that has to be contained. Thus, it's a cooling, not a heating up that is required. But our shills need to point to strength in the Chinese economy as proof of a world recovery. Trouble is, if it really was a sign of strength, that would also be reflected in other Asian markets. But that is not the case.

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