

## Financial Alchemy

10-19-18

The markets ended the week slightly on the plus side thanks to one trading day. The standard explanation for the booming market in which the Dow increased by more than 500 points and Nasdaq by an even higher percentage was the "blistering subscriber growth" of Netflix in the third quarter. And like what GM's boss Charlie Wilson said in the 50's, what's good for Netflix must be good for America. It's blistering growth is proof of our overheating economy and the Fed's decision to raise rates because of inflation expectations.

But Netflix doesn't make cars, trucks, buses, tanks, etc., it makes and distributes sitcoms and films. It is part of the secondary, discretionary, economy. It's not a necessity. I cancelled my subscription four years ago with no apparent harm, unless one considers eyestrain from reading of more concern than that from watching silly stuff move on a screen.

Just what is that blistering subscriber growth? It is all of seven million *worldwide*. That amounts to a total of 134 million worldwide out of an approximate possible 8 billion. An then there is the real kicker: This wonderful third quarter subscriber growth followed miserable subscriber growth in the second quarter. Netflix may very well be in a state of treading water rather than that which reflected a single day 10% valuation advance.

Speculators require a series of positive cues in order to keep this one section of the economy alive and growing, albeit artificially. For the rest it's a barely conscious irritant that depresses in mysterious ways.

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GE has been in the news lately, all of it bad. Low sales of gas turbines, hefty losses (\$23 billion charged), CEO dumped. It was one of the original components of the Dow Jones Industrial Average and had the highest valuation...and now it's been kicked off. But not to worry, in a capitalist society, the state looks after its own. And that American state discovered that Iraq, a country that it conquered in a series of one-sided wars at the expense of 2 million Iraqi lives, was about to approve a \$15 billion deal with Germany's Siemens to install 11 gigawatts of power generation over four years

A recent mass uprising in Basra to protest miserable electricity free living conditions drove the Green Zone government of US stooges out of the area. But that is of no concern to their faraway masters. Imperial order to Iraq: GE needs emergency assistance; forget Siemens and prepare to sign over the cash to GE before November 5th.

Hopefully this will at least draw attention to the fact that Iraq, and its other recent acquisition, Afghanistan, are always referred to as if they were independent nations, rather than American occupied client states. Meanwhile Crimea, the mostly Russian statelet within the USSR, was transferred as a gift to his fellow Ukrainians by Khrushchev in the 1950's. When Ukraine became an independent nation it overwhelmingly voted for a return to where it once was, a part of Russia. But for that the Western mainstream media continues to demonstrate its ignorance of what an independent nation actually is; to them the popular action of the Crimean people was a Russian annexation. For them it means nothing that for 17 years in Afghanistan and 15 years in Iraq the people have fought to drive out the foreign occupier while while Crimea has shown no interest in foreign ownership.

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Existing home sales fell for the sixth straight month in September; that was 4.1% less than the previous September. The media says it must be the rising mortgage rates, but that only grew from 4.0% to 4.6% in 2018 through September. Anything except the admission that the new and existing home sector has never recovered from the slump for the same reason that the entire economy has never recovered from the slump. The next best thing to solving an impossible problem is to deny its existence.

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It had been frequently stated that the Chinese economy is now the main driver of the world economy. It is the exporting manufacturer for the world and the importing buyer of commodities and advanced gear from the world. China's latest GDP report – 6.5% growth, the lowest since 2009. Industrial production 5.8%; first time below 6% in many years. The Shanghai Composite has fallen more than 30%.

In building up a protective layer of middle class capitalists to provide a barrier should the working masses rebel against the conversion to capitalism, the state would buy stock at the slightest hint of a downturn. The miracle of capitalism seemed too much like getting something for nothing and the government did not want them to cash out at the first sign of trouble.

It worked. They made a lot of money and used much of it for other investments backed by stock collateral, which is now providing momentum for the downturn because they have to sell stock to cover their debts. Since China is the leader, this must be where the world is going.

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