Gravitational Fears Jolt World Economy

02-12-16

A revealing update on Friday's 151,000 January jobs report. January shed itself of 3 million December jobs. The BLS makes a seasonal adjustment using made to order factors. Hidden are several revealing negatives -- The 3 million number for January was the highest since 3.69 million in January 2009 (the depths of the recession), and 173,000 more than January 2015. As for the types of jobs -- since December 2007 38% of the net new jobs have been in the waitress/bartender category. 53% of the jobs have been part time.

A correction on what HRC received from Goldman Sachs -- It was $675,000 for three speeches. Based on Federal Election Commission data, $21 million of the $157 million campaign fund donations came from banks, hedge funds, insurance companies and other financial services. According to the Center for Responsible Politics only $75,000 of the $75 million the Sanders campaign collected over the same period came from such organizations.

In January China used $99.5 of its foreign currency reserve to prop up the yuan and slow capital outflow. At $3.23 trillion from the good years it still is the world's largest, but with $420 billion used up in the last 6 months, the concern is that the yuan is in danger of a precipitous collapse that would severely destabilize the world economy.

According to Lee Adler's study of the Treasury's daily tax withholding report, the recent monthly total adjusted for inflation shows real growth at a negative 4.5% rate. If that is maintained for a year it will be similar to an almost 7 million loss of jobs that occurred from May 2008 to May 2009.

India announced a GDP growth rate of 7.5% for 2015. There has been much doubting commentary regarding China's claimed 6.9% growth rate, but India was nice enough to make the bogus nature of their report obvious to anyone with even a common sense knowledge of economic conditions. All major sectors of the economy have slowed during the year -- and all are well aware that the GDP was given a paper boost during the year when a new year was selected as a base line. According to a UN report (World Economic Situations and Prospects 2016) the growth rate of developed economies has declined from the economic crisis to the present by 54%. There are still 12 million more unemployed. It should remain fixed in everyone's mind that, should we now enter another nominal recession, it should not be judged a new one, but a failure to extricate those economies from the earlier one.

The MSCI - All Country World Index has the world markets down 18%. The world bear market may be delayed due to the Chinese New Year market closures. At Thursday's close it was below 20%. The bear is now officially present. Curious testimony by Yellen before Congress. She said the Fed did consider negative interest rates in 2010 and chose other measures instead. But they are still studying its potential and usage is still on the table. Meanwhile, Bloomberg headlined an article Racked Markets Hand Verdict for Central Banks on Sub-Zero Rates. Thursday's US markets started down, then rose when the UAE Sultan of Energy announced that OPEC may soon discuss a cut in output, then headed south once again when Yellen's notion of a possible solution scared the S--T out of any hope the Fed has even the capacity for having one. What's to know? Kuroda of the Japanese central bank went negative recently -- that boosted the Nikkei for two days until it was almost 18,000 and then promptly fell below 15,000. In Europe the ECB negative rate has accomplished nothing, and in Sweden, - 0.35 has worked so well that today their central bank lowered it to - 0.50. But what's uniquely strange about Yellen's testimony is that negative rates are intended to prevent banks from stashing assets with the central banks, preferring safe interest income rather than investment risk, and force them to get out there and be like banks. The Fed can start the ball rolling along that line by stop paying banks interest on their $1.6 trillion of deposits above insurance requirements. The truth is simple -- all are beginning to understand what unrealeconomy.org has been saying for years -- that the remedy the Fed and other world banks concocted after the crash was just a placebo to boost the financial sector and could not possibly rescue the real economy. If we are approaching another crash, then its start must be marked as 2008. And its ending? Quite possibly only with the demise of the system itself.

The WSJ headlined the Commerce Department's positive January advance retail sales report with -- Consumers Power Past Headwinds -- calling it a welcome counterpoint to the gloom that has gripped the world markets. Commerce's adjusted numbers were + 0.2% MtoM and 3.4% YtoY. The non adjusted YtoY was 1.4% down, as could be expected, from December's 3.0%. One would also expect the seasonally adjusted rate to be at least in the same ballpark -- all January's are part of the same season -- but the 3.4% SSA rate is massively higher. According to Zero Hedge (and one must take note that it comes from a bunch of hysterical crisis mongers) Commerce used a factor of 238.9%, more than twice what would be typically used, to conjure the big number. Since this is called an "advance report", maybe the next one will be a correction. What is most interesting in everyday terms is that, while the WSJ was touting the wonderful retail sales report as giving the markets today's boost, Bloomberg only reported retail sales down its page. Its explanation for today's markets was a 12% increase in oil prices because oil producers are finally giving up hope that the world economy and oil demand will improve anytime soon, and are beginning to talk about cutting production -- in other words, either the deepening doubts about the future of the world economy, or the 'made by Commerce' sweeping away of some investor gloom, explains the markets' daring to end the long weekend with a positive close.

http://www.unrealeconomy.org