

Highs and Lows

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Last week Nasdaq had a trading day in which there were only 12 new highs and 585 new lows, yet the total market almost broke even. A few days later it was 53 new highs and 137 lows, and the market rose 139 points. That's the sort of trading that occurs in a bubble economy. Sure, a few of the giants can pull up a multitude of relative shrimps, but if only a few are strong a crisis in one or two can cripple the whole economy. That's what happened in 2008. Because the Fed can only lend and not purchase, specially made fictional money was created to bail out keystone companies like AIG and Goldman Sachs. A new wrinkle for the modern financial era is that bailouts are constant, rising and falling, as the patient battles one illness after another. In the past 4 years the Fed has increased its balance sheet from \$4 trillion to \$8 trillion in the form of MBS's and Treasuries even though the economy is said to be healthy. Whatever the means used to acquire these assets the taxpayer is on the hook for 98% of the cost should there be no other payment means available.

No one can tell when a bloated market is about to burst. Japan set the record in 1989 when stock valuations reached 65 times earnings before they collapsed. The current bubble economy, probably the most extreme ever, is an anomaly because markets normally back off when inflation arises, as is the case now. That signifies a de facto weak economy over heating because of helicoptered government payouts to pandemic affected workers, and weakened ability to move commodities as needed. In any case the Fed is there to do whatever it takes. In 1929 they decided to let the economy revive on its own. It wasn't until 1954 when it completed its mission. In 2008 \$29 trillion in cumulative bailout funding returned the markets to their former state in a few years. Publicly traded equity stocks in the US are currently valued \$54.768 trillion, more than the combined GDP of the

United States, China, Japan, Germany, France, Italy, Spain, and the U.K. A new era of collapse and decay is on the horizon.

China Slack

China is experiencing many lessons in the rapid rise and deterioration of development processes. In moving a large part of its population from the country to newly built cities there was no way to determine how much housing would be needed. Population transfers depended on world and home trade. The new capitalist state was wildly optimistic as to the strength and growth of the economy. The result has left the country with 65 million vacant apartment units which is more than 20% of the homes in urban China. As in the US a great deal is purchased as investment – in China it's 100 million properties.

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