World Economy Enters Laugh-Riot Stage

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American markets, and therefore official commentary on the economy, were positive all week despite the unrelenting deterioration of the world economy.

Japan's GDP declined 1.6% (expectations were +2.1%), and since the GDP the previous quarter fell 7.3% that means Japan is now in its third recession since the big one of 2008-9. It also reported its 28th consecutive monthly trade deficit. Nevertheless implementers and foreign supporters of Abe's crazed policies can see the light at the end of the tunnel. Trashing the yen will support export growth and while that also increases the cost of imports fuel costs are falling and Fukushima is waiting in the wings. As for high prices for other imports, Abe has managed to reduce median household real income by 6%, and the Japanese saving rate, 20% in the 80's, is now only 3%. The increasingly impoverished Japanese consumer will have to rely on goods from the home market without even the benefit of deflation to make up for the lost income. Thus the perfect confluence of export based autarky. Abe was so proud of his good work that he has dissolved parliament and called a snap election for December. The guy is despised by workers, but with little organized opposition and a hefty contribution from those who picked up $1,000,000,000,000 in speculative loot the last two years thanks to Abe's market acid trip, he will surely be able to continue his annual blessing of fascist war criminals as Prime Minister of Japan.

On the U.S. side, industrial production fell 0.1% in October because of falling auto sales. Third month in the row for auto sales. Perhaps rising defaults because of the many sub-prime auto loans (now at 13% - above the normal 10-12%) will continue the slowdown in one of the two drivers of consumer spending (the other being student loans). Total new housing starts fell 2.8%. The first report I read just said that single family starts were up and ignored that multi-family starts (mainly rental) were way down. Regarding single family housing, it's curious that starts were up but completions fell 7.4%, 585 thousand annualized. Might this mean that many "starts" aren't really a beginning of something? We really cannot put anything past the chefs that cook these figures.

On Thursday the markets once again hit new heights. The Wall Street Journal suggested it was due to a rise in oil prices. Oil illustrates a problem for the capitalist generators of a rosy outlook. Even with that rise oil was still under $80 a barrel and the decline had been presented as a positive thing. Savings on fuel costs meant more available cash for retail consumer spending. The trick is to make it seem that the price fall is due to an increase in supply and not a fall in a demand, because that would indicate that commodity prices are in lock-step with the failing world economy. Fuel supplies are up what with fracking and such, but the fossil fuel decline is mostly due to the weakening world economy, and that is supported by similar declines in other commodities like iron.

On that same Thursday HSBC's PMI report on China's manufacturing output showed the first decline in 6 months. Germany's PMI for the same was the lowest in 16 months. France also came in below expectations. But surprisingly the US, the typically proud exception to declines, also showed a slowdown in November to 54.7, the lowest in 10 months and the third decline in a row.

So will all of this negativity finally be reflected in Friday's close? Of course not. World Central Banks are always at their best when defending the backs of speculators. China announced cuts in two of its prime loan policies, and Draghi said he would be "stepping up the pressure" on whatever is weighing down the Eurozone recovery, which sounds a lot like he's willing to make things much worse as long as it only shows up in the bye and bye. Bloomberg said the markets were up because of the optimism generated by these two actions. But doesn't the repeated use of something that doesn't work indicate desperation if not insanity?

One has to feel a bit sorry for the central bankers, first signaling speculators one way and then its opposite, and always producing panics -- either fear that they will lose everything or fear that they will miss out on getting more. Now is the time to lower the rods and reduce the turbulence, but with Black Friday coming up and the all important need to grossly exaggerate holiday sales, they may try to hold their breathes til next year.

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