Market Meaninglessness

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American markets had another big week with the S&P 500 hitting a new high on Friday. And while much of the recent equity surge is acknowledged to be the promise of Trump largess – tax cuts, loosening business and banking regulation, and infrastructure expenditure of the sort that is so wasteful as to divert much of the taxpayers' money directly into the private management operations rather than the construction of anything – it's still promoted as proof of economic health and growth. But the giant fly disturbing the ointment is that the equity boom is a worldwide phenomenon; even the sickest economies are participants – like Brazil with an economy that's been in depression for years and a political state that's rotten to the core, and even bankrupt Greece, though that's now over as it resumes its next state debt crisis. According to the MSCI All Country World Index a new record high of 444.94 was reached on Thursday. What the central banks have managed to do since the great slump is to create a bubble gaseous enough to make the real economy slightly airborne, and when that bubble began to leak it's encased in another one purportedly made of different material, and so on, and so on, until –

But our freakish presidency has exposed it all as a giant lie. It could never have happened if there was any truth behind the claims of full employment and robust growth. America's tiny twin, Great Britain, began the trend, and it may soon be followed in the Netherlands along with France and Italy. The fact is that we have 15 million fewer workers of the prime age group in the labor force; that explains the low unemployment rate – they apparently dropped out of job hunting and then took up Trump promoting.

Using Congressional Budget Office Data and beginning January 2008 (and indexed to Q1 1999), potential GDP growth fell by 10% in the depth of the trough. It then was said to begin to improve, but using the same data to the end of 2016 it actually continued to decline reaching and is now a 13% contraction. Output is obviously down because of the trend to have most of it done offshore. Plans are in the works, and in some cases have already been implemented, to touch up the GDP's of major industrial countries by placing a greater monetary values on the intellectual development of a product which can then be inserted in the GDP in the absence of the product itself. But all that required for such projects cannot be localized and quantified because it's actually for the most part derived from the compendium of human knowledge. Still, it is a serviceable gimmick to artificially boost the GDP.

The CPI rose by 0.6% year over year in January, but much of it was due to the increase in fuel costs. Fuel costs are of course not rising because of increased demand by a robust world economy; it's because of a fairly effective production cuts by OPEC and about ten other oil producing countries. Prices rose but now have stalled between 50-55 dollars per barrel. The working off of the huge stockpiles that were accumulated before this other price control measure was instituted. Patience is wearing thin – production has begun to increase in the US. It should be remembered that oil costs were above $100 per barrel for years prior to their sudden fall in 2014. It's surprising that the production cuts have not succeeded in raising prices to that level. Failure to raise prices significantly will soon be a severe blow to the rampant optimism.

Practically all that now constitutes industrial production in this country comes from vehicle production. As they used up the stock of buyers with good credit, dealers began to drill down to the ever more impecunious buyer one million of which are now behind on their car payments. That's the highest since 2009. Perhaps now is a good time for a re-release of *Repo Man*, a great film from 1982.

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