

## Okay To Worry

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Much has been written about the high risk of corporate defaults in the Emerging Markets due to huge debts and dead economies. Well, according to Diane Vazza's S&P analysts group there have been 111 corporate defaults world wide so far this year (highest since 2009 when there were 242), and 60% of them have been in the good ole USA.

Curious accounts of Tuesday's market rise. The BBC Business page said it was due to a rise in oil prices to \$38. But the sub-headline on Bloomberg noted a price retreat. It seems that the expectations were that the Department of Energy would announce a 2.5 million barrel draw down of inventory. Instead, just after the close it announced a 2.8 million barrel increase. Does that mean a market giveback tomorrow barring any authentic good news? Who knows, and in any case, it doesn't mean much if oil is a couple of dollars off its recent lows. Most likely explanation for an almost 200 point increase in the DJIA is that a few big HFT buys with close to matching algorithms kicked in at the same time and that made a bunch of fence sitters buyers.

American stocks had their worst annual performance since 2008. The DJIA was down - 2.2%. The S&P 500 was - 0.7%. The broader indexes ended the year significant lower. DJ total stock market - 6.51%. The NYSE composite - 6.42. Russell 2000 - 5.71.

Puerto Rico will default on \$37 million of its \$72 billion debt obligation New Years Day. Its first default was \$58 billion in August. \$1 billion in interest alone is due in 2016.

The last day of the year the WSJ published an article entitled *Why the Fannie and Freddie Scam Lives On Forever* by an unnamed author, hopefully because they could find no one willing to put their name on the same old lie due to its self evident idiocy. Prior to 2008 Fannie and Freddie owned or guaranteed more than \$5 trillion in mortgage debt. The crash led to an \$188 billion bailout. They have now gotten their mortgage debt obligations beyond the \$4 trillion mark and supposedly to ward off the public outcry from the next bailout it is selling CDO's (Collateralized Debt Obligations) at high yields. Since Fannie and Freddie are backed by the government, these CDO's are much preferred to those of a private sort. Ostensibly the Federal Housing Finance Agency is off loading risk by selling, at last count \$800 billion, of these unsecured unguaranteed 'securities' which everyone knows that the government will back up, as it does for all the paper it sells, for fear of the disaster that would follow a refusal. It reminds one of the Resolution Trust Corp. created after the 1990 crack-up just in order to shift bailout costs from the budget to this 'corporation.' At the time this particular ruse was expected to cost the government \$10 billion more than doing it the honest way. This new sham could be hugely more expensive. So far, so good -- then comes the big lie -- the author claims the government was responsible for the housing debacle and that the CDO selling reflects political pressure from public

bailout anger. Since when did the government ever give a damn about public thinking on critical matters?! This should be clear to all -- the system we live under is capitalism -- that means the entire society, both in the private sphere and, in the form of the state, its public ruling entity. Marx nicely described the capitalist state as the executive committee of the capitalist class. I like to think of it as the Big Mommy and the Big Daddy of all capitalists (the rest of us are orphans). And just like any devoted Mommy and Daddy they love to see them their children play -- running after butterflies, running after baseball -- even though they sometimes have to spank them for running into traffic. Carrying the analogy into the unreal economy, Mommy and Daddy capitalist state are devoted to their capitalist children and expresses their love by showering them with gobs of easy credit, so they can run into this or that investment, but investments are no fun unless they are pretty and have high yields, but high yields are ugly and a danger like running into traffic. Like any loving Mommy and Daddy they want their children to be happy and safe at all times. The solution? Another heap of safe high yields in the form of hundreds of billions worth of high yield CDO's. So if anyone should run into the fool that wrote this WSJ piece, tell him or her that CDO's were invented as a gift to its buyers, just like permitting mortgage issuers to sell to just about anybody, and then allowing them to be cut and pasted into junk triple A CDO's, was a gift from Mommy and Daddy to their disgustingly spoiled capitalist children.

Last week's initial jobless claims was 287,000. The highest weekly jump since February and the largest weekly claims number since July. 2015 is over -- Happy 2016.

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