

## Pause for Refreshments

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World financial leaders certainly spent hours over the weekend and holidays for a coordinated boosting of the world (now bear) market. Asia started things off. First, Japan announced that its 4th quarter GDP fell a more than expected 0.4% in the fourth quarter (GDP - 1.4% on the year). That caused the yen to weaken (having lost years of weakening due to the weakening dollar), and the Nikkei to gain more than 1,000 points (7%). Sure, it's another nail in the Japanese financial coffin. Japan has had 5 recessions since the last big one. Whether the yen is at 124 or 114 hasn't helped, but the thing is -- it moved in a direction that is *supposed* to be good. For speculators data is not factual material to analyze in order to make an intelligent decision -- it is a thing with a quantity of mystical weight that causes human robots to buy or sell.

Then China reported that new lending in January totaled \$390 billion (more than half a trillion altogether -- 5 times more than December) -- the most ever recorded. The government pressured corporations to front load their annual borrowing. The economy needs them to spend now, not later. A Chinese financial daily reported that the government will soon announce a new package of stimulants for the failing economy. Both the HK Hang Seng and the Shanghai Composite halted their prolonged downward movement and cheered the good bad news with a rise. This despite the 7th month in a row of down exports, and a whopping 19% decline in imports for January. M2 money growth for last year was 14%. The yuan gained a rare increase in value for a day, but then started to sink with the loan report.

Chinese capitalists were caught once again illegally exporting capital through Hong Kong. Recall the overall major drop in imports in January -- well from Hong Kong they were 108% higher in January than the previous January. Chinese capitalists use a phony document gimmick. If they want to get money out they produce paperwork showing they bought something from HK, but they already have the thing, nothing is shipped. The process can be reversed to bring money in country. \$1trillion of capital was moved abroad last year.

After oil retreated near its low in the 20's, it got a boost up just by having the Saudis say they will meet to discuss cutting output. But they say cuts will also have to be made by nations other than OPEC.

Draghi did his duty again. First he said not to worry about EU banks because they are backed up by more than they were in the last crisis. He left out that they need even more than last time because now they have even more junk that needs backing. He also promised more monetary easing.

Mr. Milne of the Financial Times reported that AP Moller-Maersk (the world's biggest oil and container freight shipping company) is facing conditions worse than the crisis 8 years ago. World growth less than 1% last year while capacity has increased by 8%.

On Tuesday Russia and the Saudis agreed to freeze oil prices at January levels if other producers do the same. Strangely -- oil prices dropped -- proving that the than the possibility of something real can exhaust acceptance in the most rabid speculator if repeated too often in short period of time.

American markets were up on their first trading day following the holiday. The alleged reason was strength in tech stocks. Apple had a considerable gain because it announced that it would sell \$12 billion in bonds. The company that has more cash on hand than any other has had in the world -- ever -- is borrowing some more. Apparently it's cheaper to do business with borrowed money and leave the cash for dividends, stock buybacks, M&A's, and perhaps even some R&D so it can find a replacement for its fading products.

According to Serasa Experian, the Brazilian courts approved 5500 bankruptcies in 2015. The most since 2008. Brazil is experiencing its deepest depression, not since 2008, but in over a century.

Release of Fed minutes on Wednesday revealed major doubts about raising interest rates for 2016 (though they all voted for the December rise). This is stronger evidence that there will be no Fed rise in March and a slim chance for the rest of the year because of negative developments since the start of the year. That, plus Venezuela and Qatar talking to Iran, and the latter stating that a cut in oil production is good idea, contributed to an oil price rise and market rise. To clarify -- the realization by oil producers that maintaining high output until the world economy takes off from recession depths must cease now that economy appears to be in a fatal stall.

Japan's exports fell 12.9% in January -- 4th monthly decline in exports. Imports fell 18%. The Nikkei appears to be thrilled with the news. Though their real economy may be suffering from chronic fatigue syndrome, their financial sector isn't going to let that spoil their party. The late bad news has done little to weaken the yen which is still trading around 111.

The OECD cut global growth to 3% in 2016 indicating that none of the tried fixes have worked and that the false alarm recovery is now fizzing out.

Friday the market closed mixed apparently unsure of whether to be pleased or concerned about the latest CPI report indicating that core inflation grew last month at the fastest rate since August of 2011. That brought the annualized rate to 2.2%. Since 2% inflation was the holy grail the Fed prayed for as a sign of recovery, that might mean getting back on their planned 4 rate increases this year. The markets took a major dive before investors started thinking -- since the two main sources of the growth were the hugely wasteful Obamacare startup and the rapid increase in rents due to stagnant income growth making home purchases unaffordable -- both of them negative indicators of economic health -- then there was little risk of the Fed making a rate move anytime soon.

In an interesting Feb. 1 Reuters article by Brettell, Gaffen, Rohde - *The Stock Buyback Craze: How Corporate America is Cannibalizing Itself* - there is a truthful revelation that is rare in a mainstream news source. After detailing the damage done to their nominal reason for existence by corporations spending more on stock buybacks and dividend payouts rather than capital expenditure and R&D -- Itzhak Ben-David, a supporter of stock buybacks and a professor of finance at OSU's Fisher College of Business, clears the air of any liberal hand-wringing about the damage such practices have on the well-being of the human race. Ben-David says, "Serving customers, creating innovative new products, employing workers, taking care of the environment...are NOT the objective of firms. These are components in the process that have the goal of maximizing shareholders' value." In other words, those good things are merely means to an end -- to enrich capitalists to the maximum extent (in case anyone is thinking *Machiavellian* -- stop it, Machiavelli never supported such things, he was accurately describing the society that he lived in). Prof. Ben-David's statement will have to do as an extraordinary example of honesty coming from a supporter of this miserable system. Had he been a bit more forthcoming he might have said that the capitalist has no interest in producing useful products and services, or even ones that won't kill the consumer in the long run, rather it is to enrich himself and his associates by extracting the maximum value their employees labor has imparted in those products and services. Both the separation of the capitalist from the consumer/worker is clear admission that the capitalist (whose class constitutes most shareholders) contribute nothing of value themselves -- their *work* may be likened to a thief plotting his next heist.

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