

Perpetual Pendulum?

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In September China imports fell 17.7% compared to same month last year. This may stanch the bad news is good news run up.

Intel profits down 6% in quarter ending in September indicating a general slackening in computer and chip demand.

Treasury bills sold at zero interest since the financial crisis have topped the \$1.1 trillion mark – Meaning: You can give investors/speculators gobs of easy money, but you can't make them risk spending it – Because? You've given them gobs of easy money.

Walmart projected its profits will decline 6-12% in the next financial year because of hourly wage increases (to a measly \$9) and online competition.

With the worldwide avalanche of negative financial data the markets show signs of returning the boomerang. But leave it to wall Street's journal to do what it can to help out its street. It trotted out Jon Hilsenrath, the notorious official Fed leak, to write that it's now scarcely possible that the Fed will increase rates this year. This was published at about 7.40PM so it should be a good boost for the morning (it currently is abroad). Late news – the markets did rise through the remainder of the week assisted by two Fed governors doubting an interest rate rise in December, in fact, it's only 50% odds that there will be a rise in March of next year.

American corporations have taken advantage of low interest rates to increase their debt by \$9.3 trillion since the crisis. The top tier companies have accumulated a debt overhang (consolidated payment on interest) of \$119 billion. No wonder they insist on perpetual low interest rates. Isn't it strange that with such massive principle and interest debt to be paid off those corporations continue to spend approximately 35% of their revenue on stock buybacks and dividend payments. But their motives are not just greed. The Fed continuing a near zero prime rate for more than 80 months means that deflation is spreading and deepening. In other words, the world's real economy is weakening – and income and profits derived from it are falling, thus the necessity to close the gap through market manipulation and other forms of speculation supported by the Fed's cheap borrowing. Eventually the debilitating effect this has on the real economy will worsen to the extent that it cannot any longer be hidden with money. Then the pendulum will stop and the dead real economy will be ready for examination – like the dead swallow that made one swoop too many.

Goldman Sachs profits down by third in the 3rd quarter compared to the same the previous year. Banks in general have reported poor results due to continued low interest rates and a down economy.

Probably the most ridiculous gimmick the BLS uses to boost employment numbers is the so-called birth/death rates of companies. Supposedly it has added 5.3 million jobs to the economy since 2007. The birth/death numbers for companies have been monitored since 1977. Since that time there have always been more new companies born than old companies dying – until recently. In the last few years the graph lines have crossed. More companies are going under than being created. Perhaps in time the BLS will understand that this should be reflected in their calculations.

While speculators, those that leach off leaches, are engorged with Fed supplied easy money through zero interest rates, those living off fixed income, mainly the retired, get nothing from their savings and pensions. Since 1975 Social Security payments have received annual cost of living increases. Only three years have generated no increase – 2010, 2011 and 2016 – all depression years. Everyone must make sacrifices and tighten their belts – preferably around the necks of those that caused the crisis and are determined to perpetuate it.

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