

Smorgasbord Recession

01-25-2019

Paul Krugman wrote an opinion piece about what the next recession might look like, should we have one. The recessionary meal serves up four dishes: 1) The Chinese economy suffers a major indigestion. As a huge importer of goods and commodities that large loss of exports will cause major exporting economies to lapse into recession. 2) The European economy is undergoing a rapid descent which will become much worse if dish #1 happens. As for the US, Europe as well as China is a major buyer of our stuff. 3) The Trump initiated trade war which everyone assumes will eventually be settled by sensible people may remain in the hands of fools so that it becomes more like a war. 4) This one demonstrates Krugman's lack of foresight. The government shutdown is no sooner cited as the 4th dish when Trump gives up and announces the return of government operations just in time to give Friday's markets a strong boost.

Elsewhere, Japan's economy is barely growing and may be fortunate to get 0.8% growth in the first quarter. After that, recession, especially if Abe increases the sales tax from 8% to 10%.

A Conference Board survey of CEO's found that threat of a recession was their main concern. Last year fear of a downturn was 19th on their list of concerns.

Gary Shilling, the investment advisor who in the run-up to 2008 repeatedly warned that a housing bust would drag down the whole economy, see's the main threat being a series of scares that unglue trillions of highly leveraged securities. More than \$3 trillion of investment grade corporate bonds are rated BBB. A crescendo of concern may lead to an avalanche of dumping.

Analysts' estimated Ford 4th quarter earnings to be \$1.27 billion. Instead Ford announced that the company lost \$116 million. Just a slight miss.

Markit's composite PMI (both manufacturing and services industries) for France in January is said to be 48.7. Below 50 means negative territory. Of course, they blame it on the Yellow Vests.

Markit's composite PMI for Germany was 52.1, but the manufacturing sector fell below 50 for the first time in 50 months

The composite for all of Europe fell below 51 for the first time in 5 ½ years.

Japan's manufacturing composite fell to 50.0 meaning the first non expansion month in more than a decade.

<http://unrealeconomy.org>