Stall Speed Boom

08-05-16

The head of the Bank of England announced a cut in the prime rate to 0.25. That's the lowest interest in the BOE's history -- in other words -- in 322 years. There also will be another burst of QE purchases totaling about $100 billion. Most in government bonds with a significant portion in non financial corporate bonds. With most economic indicators in full reverse and a recession likely around the corner the FTSE 100 ended the day at 6740 -- the highest it's been in almost a year. From sickness comes fever.

The US second quarter GDP did not come in at the consensus 2.6% or even the Atlanta Fed's 1.8%, but rather at 1.2% and with the first quarter cut back to 0.8%. Q 4 last year was reversed from 1.377% to 0.869%. That means the US economy has grown about 1% for the past three quarters -- adjusted for lies equals -- zilch. Corporate earnings were down for the 4th consecutive quarter yet all has been staked on the "all important" month jobs report for Friday as a measure of economic health. ADAP indicates 179,000. If the whole real economy is in a stupor, then the jobs number must reflect that condition or accept the fact that it's a bogus number. Then the big news on Friday -- 255,000 new "jobs" in July. The S&P 500 made a new record high. The shills said it was absolute proof that May was an anomaly. Given the many reports showing all the developed economies weakening, and the above GDP evidence, the report today had the US trade deficit increase by 8.7% -- at $44.5 billion the largest gap in 10 months -- there is little call for optimism. Both imports and exports are well down from last year and not just with respect to China but the EU and Japan. Factory orders and shipments, capital expenditures, durable goods have had long stretches of down months interspersed by a blip upward (especially for February because of the extra day). The hacks pumping the economy are working on a new language -- the dot.com bubble apologists invented the sort of model that must be used again -- they said their economy had reinvented itself -- profit and even revenue were insignificant compared to growing market share in the new economy. Now the line is something like -- the service economy is now the "economy." The problem with that is that human beings need a healthy economy in order to live decently -- the other "economy" is like a place to play in once a comfortable ground is assured. Next week a closer look at the data will probably temper the spirits -- one already in is that the non-seasonally adjusted jobs figure for the private economy in July was only 85,000 -- and the adjustment boosted it to 215,000. As for now we only need wait until September. If the Fed raises the fed funds rate then we know that at least ***they*** believe the mainstream account that that the US economy is on a solid growth path. But if it's another month of waiting for another month, then we know that the Fed governors are trying to at least avoid the appearance of being world historic fools.

http://www.unrealeconomy.org