This Could Be The Start Of Something Big

01-15-16

According to a Bank of America report, American rail carloads declined each of the last 11 weeks more than 5% year to year, the last week being - 10.1%. And it's not just the decline of the coal and shale oil business, or industry shipments. Carloads of consumer goods fell 1.7% last quarter.

Crude oil down to $31 a barrel on Monday. Below $30 on Tuesday. Ended week at $29.

In the December jobs report those persons holding more than one job grew by 324,000 making the total 7.738 million.

Suddenly Apple is no longer the perfect company for investors. In February 2015 it had a market cap of $775 billion. Now close to a year later it is approaching $500 billion.

The off shore purchase of over a half trillion dollars worth of yuan has stabilized the currency for the present at the cost of a greatly diminished dollar reserve. That plus a surprise small gain in December exports (with - 4% fall in imports -- fourth month in a row) led to a positive market day on Tuesday.

Wednesday was a major down day in US markets, partly because yesterday's positive news from China was apparently the result of a negative reality. According to Mark Magnier and Wei Gu of the WSJ, Chinese corporations have been using import/export trading via Hong Kong as a way to evade state efforts to stem the massive outflows of capital. Today China reported a tiny - 1.4 decline in exports last year. The consensus expectation was 8%. Given the obvious significant decline in Chinese industry, the latter is closer to the truth. The journal gave an example of a trade in which the goods never physically left China, the only thing being exported was a made up value disguising a capital outflow. The other significant bad news was the surprisingly high stockpile of American gasoline. That sent crude briefly below $29 a barrel.

A report in the Financial Times described a new international standard for financial reporting. Previously long term leasing contracts did not have to be included in balance sheets as a debt. Now they must, and that will raise corporate debts by $3 trillion. An estimated 2/3rds of that is in the US.

Through Wednesday the FANG (Facebook, Amazon, Netflix, Google) companies have lost 28% of their 2015 market value increase.

The government negotiated a $5.1 billion settlement with Goldman Sachs for fleecing their customers immediately prior to the last collapse. Good to get one obligation away since the next one is just around the corner.

Thursday was a plus day in the markets. The major indexes fought off falling below floors: the DJIA at 16,100, S&P 500 at 1880, NASDSQ at 4500 and the Russell 2000 at 1000. Following Friday's major decline only the S&P at exactly 1880 and Russell at 1007 are still hanging in there. The S&P is down 12% from its May peak making it officially in correction territory. The situation is worse abroad with Stoxx Europe 600 down 20% (officially bear territory) and the Shanghai composite also sharing the category. Meanwhile, US manufacturing is 48.2 after its largest monthly decline in 6 years. Also in December construction fell 0.4% its first decline in 18 months. Retail sales came in at 2.1% growth for the year – the lowest rate since 2009.

The American economy is revisiting the August-September market dive. At that event empty words with some heft to them were still available. The Fed could make assurances that it wouldn't do anything about interest rates. Draghi could promise anything and everything. China and Japan could announce their umpteenth stimulant program. But like the boy who cried wolf and then was ignored when he came upon a real problem, now that the world capitalist economy may be close to its next collapse, nobody that matters dares bring attention to themselves only to suffer the ignominy of being scorned and blamed for having brought it to the precipice. The talk now from the powers that be is CYA all the way. It's the fault of the damn Chinese! But make no mistake – the creators of the next financial disaster are, first, the US, and second, the EU -- plus their international financial agencies. While they engaged in their best efforts to return to the financial speculators all that they lost in driving the economy into its last collapse, they were expecting the vibrant and newly capitalized Chinese economy to use their massive revenue surplus to at first hold the line and then drive them all back into what passes for prosperity. But this long-in-the-tooth economic system is beyond ever achieving anything that can be honestly termed *'health.'* It's degradation can now only produce chaos. According to Bloomberg China experience 400 strikes and protests in December -- the most in any month. Last year there were 2,774 of those avatars of future conditions from the Chinese masses -- twice the number generated in 2014. In the US the rot is currently being showcased from the top -- a classic proto-fascist shit head named Donald Trump screeches blatantly racist demands while at the same time making populist pronouncements like punishing Wall Street -- and most interestingly, engages in the very Mussolini-like conduct of insulting and ridiculing his fellow members of the ruling class. On the Democratic side we have a fellow who sometimes calls himself a socialist running neck-and-neck with the officially approved candidate. Similar developments are revealing themselves in Europe where millions of victims from already dead capitalist nations seek out any place that shows the slightest sign of life. It's time for the cheerleaders to throw away the pom-poms and run for cover.

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