

## Whistling Past the Graveyard – Pitch and Volume Increase

2-28-14

So much baloney about weather being the cause of an evident downturn. Which is then forgotten when something positive rises to the surface. Today (Feb. 27) the market rise is said to be because of a couple of positive retail reports. But the big negatives – Walmart, the largest retailer; based on 62 reporting retail chains, profit growth is the slowest since the end of the nominal recession in 2009. Actually, the market was responding to Yellen backing the weather chimera.

New home sales 468,000. Higher than expected. But this is about the same annual rate as the first 6 months of 2013. Then it dropped to the 300's, then back to the 400's. The annual rate increased September 2012 when QE3 was initiated. All evidence points to easy money as being the driver. Meaning – stagnation and slowdown when and if it stops. Meanwhile, mortgage applications dropped the most since 1995. Might this mean that cash purchases of homes has now entered the new home market? That has been the dominant force in existing home sales. The problem here is that people who buy homes to live in them represent the final point of the home construction market. Purchases by middlemen are not necessarily a positive unless they can make the final sale at a profit.

Same with the positive PMI report. Shocked everyone that it went above 56. This indicates an increase in inventory and factory output. Until they sell the stuff it may just mean holding a larger losing bag.

Last week a good unemployment report – not weather related. This week the highest in a month (348,000) – now this is weather related. This is another figure that's pretty much stuck in the 300's as new housing is in the 400's.

Brazil had a surprisingly good 4<sup>th</sup> quarter. Actually, it was pretty bad for an emerging economy (0.7% - 2013 growth 2.3%). None of it was in the real economy – agriculture 0.0%, industry -0.2%. All services. Maybe preparations for the one-off World Cup.

Meanwhile – China's Shanghai Index has lost 60% of its value (\$2 trillion) since its 2007. It's economy continues to weaken – as does India's. Europe is in the doldrums. France has had 30 out of 32 months of increased unemployment. And today the US 4<sup>th</sup> quarter GDP was lowered from 3.2% to 2.4%. For some reason they still report GDP for the year at 1.9%.

S and P set a new record. Watering stock assets continues. This is water for absorption, not growth.

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