

A Day in the Life of the Market~ Significant Implications for All

This steroid stock market recently broke a major uptrend line in force since the March 2009 bottom.

Big news today: News perhaps only to be reported by government monopoly media in passing. As this is written, earnest Senate Debate on confirming a widely expected Ben Bernanke Federal Reserve Board of Governors Chair reappointment around 3:20 ET before market closing has begun.

Watching the debate puts to rest the headline myth there is unanimity in Congress about the destruction of the American economy. Even Chuckie Schumer admitted the Fed Chair made mistakes. Other Senators, presumably our wisest deliberative body (after the market itself), admitted BB contributed to the bubble crisis with systematic strategic mistakes with mortgages that did not fix Medicare and Social Security promises. Another BB, Barbara Boxer, facing Fall Elections against the former woman CEO of Hewlett Packard, Carly Fiorina, came out strongly against the other BB not supporting Main Street after leading US to the Bush Crisis.

<http://www.c-span.org/Watch/C-SPAN2.aspx>

[ad#article]

Today before the Bernanke vote, our elected Senate voted to increase the Debt Ceiling to \$14.3 Trillion. They were in a hurry before newly elected MA Senator Scott Brown was seated and could break their 60-vote supermajority.

What may be significant about this is our American economy now owes as much as it produces, maybe more. Our GDP contracted -13% over the last five quarters, another significant fact not widely reported by the GMO media.

http://www.bea.gov/newsreleases/national/gdp/2009/pdf/gdp3q09_3rd.pdf

We are not alone, as the IMF prepares to bail out Greece, which the Euros cannot or will not do. Greece has the second highest debt to GDP economy ratio in the EU. (Recall Switzerland, whose currency the Big4 are short, has the highest in Europe.)

Euro President Trichet said Debts on both sides of the Atlantic are unsustainable.

The next significant item to report today is that although the Big4 are currently short the US Dollar, commercials have been covering their shorts.

[ad#article]

A short-lived dollar carry trade (borrow dollars close to zero percent to buy stronger currencies or riskier assets in emerging markets) may be reverting to the Japanese yen, which after two lost decades, is beginning to be hit by falling trade and budget surpluses.

The seven-year Treasury auction today closed at 3.127%, higher interest rates competing with big tech stocks.

In related vital credit solvency news, Standard and Poor's today stated We No Longer Classify The U.K. Among The Most Stable And Low-Risk Banking Systems.

S&P cited the country's weak economic environment, the reputational damage we believe has been experienced by the banking industry, and what we see as the high dependence on state-support programs of a significant proportion of the industry. After declining bonds, real estate and stocks on both sides of the Pond, can America be far behind?

Nobel Laureate Economist Joe Stiglitz commented today on the State of the Union address citing the end of government stimulus. He noted banks on welfare without requirements to lend had a zero if not negative return. Dr Stiglitz noted banks borrowed at close to zero rates to invest overseas in emerging markets, further damaging the American economy and jobs. Of course we like the idea of centrally planned economies less than most, noting their poverty enhancing results in East Germany, Japan, North Korea, the Soviet Union, and the People's Republic of China before it became a Rockefeller Trilateral ward at the expense of the American State.

Of particular interest as the NYSE reported price data outages for several hours, meaning stale quotes. The market discounts uncertainty, usually lowering prices to increase returns.

The media time to sell a home increased 50% over last year to a record 13.9 months. Meanwhile, initial claims for unemployment, a leading indicator, hit a record high in California, itself the 8th largest economy in the world, a leading indicator for the rest of America, if not the world.

This may not be the stuff of bull market rallies and adequate debt servicing. While the majority expect Helicopter Ben to inflate the dollar out of existence for Wall Street business as usual, we think the less popular view may be more accurate:

Widespread debt defaults may trigger a cascade of lower asset prices while government red tape and taxes continue to raise the nominal cost of living. It's tough for the disappearing middle class to pay bills and mortgages or even taxes when out of work facing rising bills.

We can all hear the Vermont Senator claiming he is tired of getting calls from constituents complaining about 30% credit card interest rates while bankers get bailouts and bonuses for running a gambling casino for their own benefit: If they are too big to fail, they are too big to exist.

As the Alabama Senator on the opposite border of the country suggested, our free markets did not fail. Our financial leaders did. We increased debts and decreased employment by rewarding failure (and punishing success.)

Hopefully, at least a few of our elected leaders get it. One of them, Senator from Kansas, said we are in a huge government bubble, the biggest of all. Toto, we are not in Kansas any more.

A BB reappointment may mean a lower market, if not today, then later.
Enjoy the debate and root for prosperity:

<http://www.c-span.org/Watch/C-SPAN2.aspx>

[ad#article]

Trees do not grow to the sky unless we believe in fairy tales.

Regards*Rich

JubileeProsperity@gmail.com

