GlobalResearch
Center for Research on Globalization

Impending Financial Collapse? Declining Real Economy

By Bill Holter
Global Research, January 19, 2016

Region: USA
Theme: Global Economy

"Peddling fiction" …this is what Mr. Obama said of anyone who believes and says the U.S. has a weak economy.

How ironic he should say this when he did, the State of the Union address?

I mean the timing could not have been any better! In a week where oil prices hit a 14 year low, freight rates at over 30 year lows, equity, credit and FOREX markets all over the world crashing and derivatives blowing up. How do we know derivatives are blowing up? Simply because the Dallas Fed has given their banks permission not to mark energy debt to market. In essence, the Fed has instructed their banks TO PEDDLE FICTION!

http://www.zerohedge.com/news/2016-01-16/exclusive-dallas-fed-quietly-suspends-energy-mark-market-tells-banks-not-force-shale

One must ask the question(s), how can the Fed really do this as accounting firms must sign off on any audits or official financial reports? Do the accounting firms also get "special waivers" to lie or as our fearless leader says "peddle fiction"? Also, how can the Fed really do this with a straight face? Did they really believe the markets would not sniff this out?

http://www.zerohedge.com/news/2016-01-17/us-bank-counterparty-risk-soars-after-energy-mtm-debacle

Just as I was about to send this post out, the Dallas Fed responded to Zerohedge and said they did not "issue such guidance to banks", the follow up story is here

http://www.zerohedge.com/news/2016-01-18/fed-responds-zero-hedge-here-are-some-follow-questions

I personally hope this is true as "reality" will be pulled forward, …one can hope! (This is a very important revelation, I plan to write againtomorrow regarding the Dallas Fed's denial tweet).

Now, we await to hear individual names of "who" is in trouble. We have already seen Glencore and other commodity trading group bonds collapse. The credit markets have already discovered Citi and Wells Fargo have just "non" reserved for almost no losses in their energy portfolio. Is this credible? Somewhere $500 billion and $1 trillion has been lent into the energy industry over the last 30 months …with probably a minimum expected oil price of $70, is ANYONE profitable at $29? The rubber will surely meet the road in this market!

While on the subject of fictional accounting, foreign central banks have off loaded some $1 trillion worth of "reserves", specifically U.S. Treasury securities. There is only one problem with this, there has been no accounting anywhere publicly on the other side of these trades. Who bought these Treasuries to provide the cash? Where are they accounted for? Most probably the ONLY place where this size transaction could be done in the darkness of night would be the ESF (Exchange Stabilization Fund chartered in the 1930's). For $1 trillion worth of securities to go unaccounted is not small potatoes, the only other such "misplacement" was back in Sept. 2001 when it turned out the military could not account for $2.3 trillion but that was overshadowed the following day with the "other" news.

As for peddling fiction, if the BLS used the "old fashioned" unemployment numbers (U-6) they used to report, the U.S. would have 9.9% unemployment. If they decided to go entirely non fiction the number according to John Williams is 23%! In a nation of 330 million, we have 94 million "no longer in the work force" and 46 million unable to feed themselves …30% and 15% respectively. Are these 94 million, independently wealthy and do not need work? If we were living in a day of still photographs and radios, the food lines could mostly be hidden. Since we live in a world where everything you do is recorded, these "food lines" are erased by EBT transfer payments …problem solved (at least publicly)!

A little off subject but how about the timing of the Iran deal? They are now allowed to sell oil at what Wall Street has already called "bottom"? Are we now looking for another, future bottom? Also, they now get their hands on somewhere near $150 billion in previously tied up funds. What will happen to the institutions who will need to credit these funds and forward to Eastern institutions? Another question, one many have simply laughed off as not doable …what if Iran took a "small" amount, say $10 billion and bought gold with it? What if they had a "crazy" (and angry) man at the helm and decided to take those funds and bid for every gold ounce for sale on the planet? Might this be a financial nuclear bomb …? I am not saying they will do anything other than tend to their own business with these funds, what I AM saying is, we just handed them a very big and very loaded financial gun!

Folks, it is what it is and the global margin call is being issued with no hope of it being met. The real economy is now contracting with a financial economy more leveraged and in debt than ever before under any measurement. "Less income and less cash flow to service more debt than in all of history" … this is not fiction, it is stark reality. Now, we must watch to see what the responses will be as the markets overwhelm all plunge protection teams, central banks and sovereign treasuries. In plain street language, the markets are now far larger and far more disorderly than the smoke, mirrors, lies and abilities of the financial puppeteers to handle.

We will shortly be hearing individual "names" as we did back in 2008. Names like Fannie and Freddy, Lehman and Merrill, Citi and AIG. Once you begin to hear "names", we will be very close to the plug being pulled on markets. When you hear individual names it will be like blood in the shark infested waters of the speculators. These names will be attacked to the death. Counterparty risk will be back, first and foremost in decision making, NO ONE will be trusted. Credit markets will begin (they already are) to seize up and the only "policy option" will be to unplug the computers! I wish it were all fiction!

The original source of this article is Global Research

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: **Bill Holter**

About the author:

Bill Holter writes and is partnered with Jim Sinclair at the newly formed Holter/Sinclair collaboration. Prior, he wrote for Miles Franklin from 2012-15. Bill worked as a retail stockbroker for 23 years, including 12 as a branch manager at A.G. Edwards. He left Wall Street in late 2006 to avoid potential liabilities related to management of paper assets. In retirement he and his family moved to Costa Rica where he lived until 2011 when he moved back to the United States. Bill was a well-known contributor to the Gold Anti-Trust Action Committee (GATA) commentaries from 2007-present.