

# Markets Screaming Global Recession

By [Stephen Lendman](#)

Theme: [Global Economy](#)

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*The longest bull market in US history began on March 9, 2009.*

*It ended on March 11, 2020 when the Dow average closed down 20% from its 29,551.42 February 12, 2020 all-time closing high.*

The same goes for the S & P 500 and Nasdaq — the former way down from its 3,386.15 closing high, the latter far below its 9,817.18 record high valuation.

According to stock market metrics used by most analysts, US equities reached bubble levels greater than before the 1929 crash and dot com peak.

Even after declining around 20% through March 11, plunging dramatically further on Thursday, the sharpest one-day fall since October 1987, valuations remain greatly inflated.

There's much more to go on the downside to revert to mean valuations that could take considerable time to reach.

COVID-19 was the pin that burst the equity bubble, not the cause of what's going on that's likely to take some time to play out and very much could affect US November elections.

Years of near-zero interest rates by the Wall Street owned Fed, its money printing madness, and put protection to intervene when prices drop below a certain level inflated the equity bubble to an unprecedented level.

As Nixon's chief economic advisor Herb Stein once said: "If something cannot go on forever, it will stop."

Fed policy under Greenspan, especially Bernanke and Yellen followed by Powell benefitted Wall Street, not main street.

Since the 2008-09 financial crisis, most ordinary Americans have endured protracted depression conditions.

Real unemployment exceeds 20%. Most US workers are way underemployed, needing two or more jobs to get by.

They're mostly rotten low-pay/poor-or-no-benefits jobs because millions of higher-paying industrial and other jobs with good benefits were offshored to low-wage countries.

Market analyst Marc Faber once said he expected Fed policy to "destroy the world." It just takes time.

He explained the fallacy of monetary for ordinary Americans, explaining that it's false "to

believe this money will go to the man on the street.”

“It goes to the Mayfair economy of the well-to-do people and boosts asset prices of Warhols.”

“It is difficult to tell what will happen. I happen to believe that eventually we will have a systemic crisis and everything will collapse.”

“But the question is really between here and then. Will everything collapse with Dow Jones 20,000 or 50,000 or 10 million?”

Fed chairmen since Greenspan have been and continue to be “money printer(s).”

“And so it will go on. The Europeans will print money. The Chinese will print money. Everybody will print money, and the purchasing power of paper money will go down.”

Last week, he said the coronavirus isn’t causing the selloff. It’s “a catalyst for a sell-off because the global economy was already weakening a long time before it occurred.”

“(F)or the last nine months, the economics statistics coming out of Asia have pointed out to a meaningful slowdown in economic activity.”

“In some cases, an absolute decline in many sectors and industries have been going down over the last nine months.”

“Coronavirus is the icing on the cake that really knocked the markets down...Today all markets are in the sky.”

Collapsing oil and other industrial commodities provide further evidence of economic weakness.

Fed policy bears most responsibility for inflating markets to their peak level.

It’s a huge misconception to believe Fed money printing flows to the economy, lifting all boats.

It goes to banks, other financial institutions, other businesses, investors and speculators at the expense of economic development.

Instead of capital investments to build their businesses in recent years, corporate America contributed to the equity bubble by large-scale stock buybacks.

Economist David Rosenberg said when the buyback craze ends, the bull market will die with it, what apparently happened.

In late February on Bloomberg News, he said “I think very strongly that (COVID-19) probably is going to cause not just a recession in Canada, but a global recession.”

“There’s going to be, I think, quite long-lasting economic impacts that are just starting right now. And the run rate on global growth was already anemic.”

Separately, he placed the odds of global recession at 80% before this month’s market crash.

Market turmoil is more likely at an early than a late stage. Years of excess may take considerable time to unwind.

Monetary policy elevated equities to unprecedented bubble levels. More of the same won't fix things.

What's needed is money going for healthcare to combat COVID-19 and to main street, not Wall Street.

When investors have money, they speculate. When ordinary people have money, they spend it — making a virtuous cycle of prosperity possible that can happen when today's excess is gone and things begin returning to normal.

Correcting 11 years of excess since the 2008-09 financial crisis won't happen quickly or at all without productive investments to create economic growth and good-paying jobs.

### **A Final Comment**

Plunging equity markets shouldn't surprise. What's been a long time coming was inevitable.

The more elevated markets become, the harder they fall.

A day of reckoning always arrives. It's just a matter of when.

Bull markets most often overshoot on the upside. The same pattern holds when going down.

The 1929 stock market crash began on October 24 Black Thursday.

When it ended, the Dow lost 89% of its value. It took WW II and a generation until November 23, 1954 to recoup market crash losses.

After the crash, Herbert Hoover reportedly said "(p)rosperity is just around the corner."

Weeks ahead of the March 2020 crash in his January State of the Union address, Trump called the US economy "the best it's ever been (and) the greatest in the history of the country."

The health of the economy and public is key to whether he'll be a one or two-term president.

If protracted global recession follow deflating equity prices, coupled with improperly addressing COVID-19 conditions at the federal level, his reelection chances may be doomed.

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Award-winning author **Stephen Lendman** lives in Chicago. He can be reached at [lendmanstephen@sbcglobal.net](mailto:lendmanstephen@sbcglobal.net). He is a Research Associate of the Centre for Research on Globalization (CRG)

His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for

*Hegemony Risks WW III."*

<http://www.claritypress.com/LendmanIII.html>

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### **About the author:**

Stephen Lendman lives in Chicago. He can be reached at [lendmanstephen@sbcglobal.net](mailto:lendmanstephen@sbcglobal.net). His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III." <http://www.claritypress.com/LendmanIII.html> Visit his blog site at [sjlendman.blogspot.com](http://sjlendman.blogspot.com). Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network. It airs three times weekly: live on Sundays at 1PM Central time plus two prerecorded archived programs.

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