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Soaring Markets, Troubled Economies. Towards a Global Financial Downfall?

By Stephen Lendman
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Theme: Global Economy

Central banks run today's world. Money printing madness controls everything. Liquidity-driven markets reflect the power of bankers to do it.

They're more powerful than standing armies. They can levitate markets. They can enrich themselves at the same time.

They can do it while economies crater. The power of massive liquidity infusions combined with market manipulation generates huge profits.

What can't go on forever, won't. What's going on now defies reason. Disconnect barely explains it. US equity markets hit record highs. So did Germany's DAX. Japan's Nikkei reached a five and a half year high.

One recent headline read "Central banks pop champagne corks as stock markets soar." Another said "Which European Market Will Hit a Record High Next?"

Turkey's BIST-100 topped 91,000 for the first time. Switzerland's SMI has a ways to go. It's headed in the right direction. Sweden's OMX Stockholm 30 and the OMX Nordic are closer.

London's FTSE 100 looks poised for a record high. It could do so in weeks. Who said defying gravity's impossible? Markets are doing it with ease.

Record valuations bear no relation to economic reality. Today's disconnect is unprecedented. Paul Craig Roberts expects an eventual triple bubble explosion.

On the one hand, he says "rich elites are stealing everything for themselves." At the same time, he cites "three of the biggest bubbles in history."

> "The bond market, stock market and the US dollar" are levitating. (S)omething is going to go. This is possibly one of the riskiest years in Western civilization."

Combined with police state enforcement and imperial wars, it's menacing.

Australian economist Steve Keen's Debtwatch web site "analyses the collapse of the global debt bubble." He calls America's stock market a giant one. It's debt-fueled. Margin debt levels match 2000 and late 2007 highs, he says.

> "Nothing can accelerate forever. At some point the acceleration stops, and when it does the market breaks."

He believes trouble's coming in one or two years. He thinks America's stock market will burst the way Japan's did in the early 1990s.

The key Nikkei Index peaked near 39,000. It did so on 1989's last trading day. It fell 63% in less than three years. Rolling recessions and recoveries followed. It didn't bottom until February 2009. It closed at 7,163. On May 17, it closed at 15,138.

According to Keen:

> "I think we're (heading for) a long slow bleed, much longer and slower than the Japanese stock market crash. The dynamics are similar."

"In 500 years time," he added, "people will look back and see this as the biggest debt-financed bubble in human history and ask, 'why didn't we realize it?' "

Bruce Kasting worked on Wall Street for 25 years. He's no longer there. His blog site discusses financial issues. He calls Bernanke's policy "reckless endangerment."

He claims he can cease QE with no ill consequences. "It's never been done before. Not by the Fed. Not by any Central Bank."

"To think that such a daunting task can be accomplished without negative consequences is foolish," said Kasting.

PIMCO's Bill Gross sees bubbles everywhere. It doesn't mean they'll pop immediately.

Speculators assume Fed policy will remain accommodative "over the long-term and under the assumption that the US economy is doing better than most economies."

Lots of money is chasing lots of risk, says Gross. Central banks are "blowing bubbles. When that stops, there will be repercussions. Not just in the bond market but in the stock market as well and a developing one in the hous(ing) market."

Gross warned that the multi-decade US bond bull market ended. Higher interest rates will eventually follow.

A 1% rise means over $100 billion in more interest. It's negative for economic growth. Most developed countries have debt to GDP ratios above 100%.

They're manageable with record low interest rates. Higher ones risk default in troubled economies. European PIIGS countries are most vulnerable (Portugal, Italy, Ireland, Greece and Spain).

Marc Faber warns that "something will break very badly."

> "In the 40 years I've been working as an economist and investor, I have never seen such a disconnect between the asset market and the economic reality."
>
> > "Asset markets are in the sky and the economy of the ordinary people is in the dumps, where their real incomes adjusted for inflation are going down and asset markets are going up."

Graham Summers warns "It's official: Stocks are in a bubble." It's worse than anything he's seen in his career.

Stocks rallied every Tuesday for 17 straight weeks. Traders "are now conditioned to play for this move."

It's "POMO day." The Fed pumps markets with liquidity. Doing so drives stocks higher.

> "The market is beyond overstretched. We have not had a 5% correction in six months. Stocks have gone almost straight up for 89 days (we haven't had a 3+day correction in that long)."
>
> "This is an all time record. The last time stocks rallied without a 3+ day correction was in the buildup to the Crash of 1987."

"Copper is great at predicting economic growth." It's trending lower. Stocks are poor predictors. Major divergences between them will be resolved sharply.

Rampant insider selling continues. Stocks are disconnected from reality. They're "totally out of control." Most days hit record highs. It's unprecedented.

> "At this point, no long term investor in their right mind should be buying. This is especially true given that the S&P 500 is now not only totally disconnected from economic reality, but is disconnected from every other asset class."

Stocks diverged from bonds, gold, copper and oil. They're last to react. "This bubble will end as all bubbles do: in disaster."

Main street conditions are worse than during the Great Depression. Europe's as disconnected as America. More on that below.

Paul Craig Roberts calls offshoring US jobs a greater threat than terrorism. It's been ongoing for years. It's most felt when jobs are scarce. Good ones are fast disappearing.

Politicians remain in denial. Millions more jobs remain vulnerable. Displaced employees "left unemployed or in lower paid work have a reduced presence in the consumer market."

Outsourcing jobs erodes US economic strength. China, India, Brazil and other developing countries gain at America's expense.

Instead of using the nation's resources for economic growth, Washington prioritizes militarism, permanent wars, and corporate giants' interests at the expense of ordinary people.

It's madness. It's self-destructive. It sacrifices longterm economic health for short and intermediate term gains.

WW III already started. So far, it's unlike WW I and II. It's international, unconventional, asymmetric, disruptive, anti-democratic, lawless, low to higher intensity, political, psychological and financial.

Financial schemes involve:

- massive wealth transfers from ordinary people to corporate giants and super-rich elites;
- bail in confiscation of assets;
- lawless sanctions, embargoes and blockades;
- schemes to control natural resources, trade and money;
- entrapping nations in unrepayable debt;
- manufacturing financial crises, and more.

On May 16, the Global Europe Anticipation Bulletin (GEAB) headlined "Systemic crisis 2013: with record exchange highs, the planet's imminent plunge into recession."

Prevailing calm is deceptive. It often precedes the storm. "(S)everal signals show that a reversal in the economic situation is imminent."

Economies never recovered from 2008. Conditions continue to deteriorate. Europe's in recession. More on that below. China's growth is slowing. It exports are declining.

Australia's export dependent economy makes it a good indicator. It's "struggling. Consumers are also marking time. US wholesale and retail sales are on the decline."

Most "US benchmark indices are swinging into the red." Major banks know a storm looms. They're using "all the means at their disposal (legal and illegal) to shelter themselves."

BRICS countries are some of the world's fastest growing. They have their own strategy. They're gradually moving away from the dollar.

They're "building a (multipolar) world system where they would have greater representation." They're doing so at the expense of America and other Western countries.

America's economy is troubled. Four years of QE haven't worked. Pushing on a string defines Fed policy. Money sits on bank balance sheets as excess reserves. Credit expansion's anemic. Manufacturing's contracting. Fiscal tightening exacerbates things.

Europe's in recession. Southern Europe's in Depression. Eurozone economic data are negative. In Q I, Italy contracted 0.5% from the previous quarter.

Seven straight quarterly declines reflect its troubled economy. It's been so longterm. From 2000 – 2010, it expanded an anemic 2.5%. The current trend is negative. Protracted decline appears likely.

It's not alone. ECB policy hasn't worked. Mario Monti's no more effective than Bernanke. Markets are disconnected from economic reality.

The Eurozone's in recession. Nine of its 17 countries have negative growth. They include Italy, France, Greece, Spain, Cyprus, Portugal, Belgium, Finland and the Netherlands.

So do EU members Hungary and the Czech Republic. Expect more to follow.

Slovenia's deeply troubled. It looks like the next Cyprus. Britain teeters on recession. So does Germany. Monetary madness achieved little. Force-fed austerity is self-defeating.

Confiscating bank deposits is the new normal. It's a diabolical plot. It's consolidating financial power. It's price is economic decline. Equities are the last asset class to react. When it does, watch out.

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His new book is titled "Banker Occupation: Waging Financial War on Humanity."

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