

Systemic Economic Crisis: With Record Stock Exchange Highs, The Planet's Imminent Plunge into Recession

By [Global Europe Anticipation Bulletin \(GEAB\)](#)

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Despite a feeling of relative calm given by both the media and the American and Japanese financial markets going from record to record, the world economy is slowing down badly and a widespread recession is looming. The various players are fully aware of it and, in the face of the challenges of an imminent collapse, countries or regions are putting various strategies in place to try and limit the consequences. Whilst some seem dictated by desperation or last chance solutions, others on the contrary bear witness to a real adaptation to the world's current changes. And it's no surprise that, in the first category, we find the "powers of the world before" which no longer have any real options.

World recession in sight

In fact several signals show that a reversal in the economic situation is imminent. Indeed the term "reversal" isn't very fitting since the real economy has never really recovered from the 2008 shock: it is, therefore, rather a worsening which we will see.

There is no shortage of indices for that. Europe is already in recession. Exports from China, often considered "the workshop of the world", are falling heavily (see chart below) and the benchmark signals are contracting or slowing down dangerously (1) with, additionally, a major credit bubble (2).



Chinese exports to different countries. Red : contraction over one year, green: expansion. Source: Bloomberg.

Australia, which gives a good indication of the world economy's health due to its exposure to raw materials, is struggling (3). Consumers are also marking time. US wholesale (4) and retail sales are on the decline.



Retail sales in the US, 2005-2013. Source: Bloomberg.

The majority of US benchmark indices are swinging into the red, for example the Chicago PMI index (5), as well as the Goldman Sachs global index (see chart below).



Global Leading Indicator (GLI), growth and acceleration. Source : Goldman Sachs.

In short, a world recession is on the horizon (6). To protect themselves from its impact, the different players, beginning with the banks, use different strategies which we will now analyse.

The bank's doubtful business

It goes without saying that the financial sector is hardly a model of transparency. But with JP Morgan or Bank of America which “miraculously” succeeded in not having a single day of first quarter trading losses (7), or further, JP Morgan's gold reserves which have mysteriously emptied (8) whereas by a strange coincidence we saw a crash in the gold price in mid-April, without even mentioning the variety of manipulations effected by the top-tier banks, first and foremost JP Morgan (9) and others as well (10); these shady operations going increasingly unnoticed.

Nevertheless, all the banks know that a new storm is on the horizon and are using all the means at their disposal (more or less legal) to shelter themselves, and anything goes, including between the banks themselves. It's in this light that it's necessary to look at the various banks' amazing first quarter balance sheets making it possible to draw in investors, or at least to defer the debacle, or the mid-April crash in the gold price clearly caused by one or more of these financial institutions.

These rough battles in the middle of a full economic upheaval will leave their mark and the weakest or most affected banks will not come through the storm undamaged, especially as the financial centres are now facing a new adversary, countries themselves.

Emerging nations' strategy in gold

When certain countries must protect their economies to survive, going looking for tax revenues in tax havens and, at the same time, paradoxically let their banks use unorthodox methods to avoid bankruptcy, others have chosen to bet on gold. Whilst paper gold saw a scary crash in mid-April, the demand for physical gold has never been as high, which confirms the complete decoupling between the paper gold and physical gold markets. What happens when everyone realises that paper gold certificates have no physical counterpart? When the title document to an ingot can't be honoured? The paper in question has no value. We must therefore expect more volatility in the paper gold price. This is why some brokers won't allow any leverage on paper gold positions (11). This decoupling also shows that major problems are ahead because confidence has now been shaken.

However, physical gold itself has its best days ahead. China has clearly understood this and

buys gold en masse (12).



Chinese gold imports via Hong-Kong, 2012 and 2013 (in tonnes). Source : HK Census and Statistics Department.

This strong demand is not trivial: on the one hand it reveals China's strategy to exit the dollar and, on the other, its wish to protect itself from a coming shock and, finally, the anticipation that the possession of gold must accompany the internationalisation of the Yuan. In effect, the possession of gold gives the Yuan credibility at international level not to mention the assumption that gold would be an integral part of a new international monetary system.

Because this is the BRICS strategy: gradually building a world system where they would have greater representation, especially by moving from the dollar and using their own currencies for trade. And in stages, this movement which can seem slow but which in reality is extremely rapid on the level of the changes to be made, allows the centre of world gravity to be moved, and the emerging nations are becoming increasingly essential as the world moves forward. This is the essence of the "global systemic crisis" described and anticipated step-by-step by the GEAB for the last seven years.

Obviously, this movement can only take place having a corollary: the loss of influence in the West and in particular the United States.

Notes:(1) « The non-manufacturing sector contracted in April » (source [PeopleDaily](#), 04/05/2013), «fall in the Chinese manufacturing sector's PMI in April » (source [PeopleDaily](#), 02/05/2013), etc.(2) Sources : [Epoch Times](#) (01/05/2013), [CNBC](#) (26/04/2013).

(3) Source : [Atlantico](#), 10/05/2013.

(4) Source : [CNBC](#), 09/05/2013.

(5) Source : [ISM-Chicago](#), 30/04/2013.

(6) For other similar signs, read for example [ZeroHedge](#) (08/05/2013).

(7) Source : [ZeroHedge](#), 08/05/2013.

(8) Source : [ZeroHedge](#), 08/05/2013.

(9) The bank is being sued by the state of California (source : [New York Times](#), 09/05/2013) and soon by the FERC (source : [Financial Times](#), 08/05/2013) which has the commodities unit run by Blythe Masters in its sights. To believe [CNBC](#) (03/05/2013), this affair is just a settling of scores between friends...

(10) For example Deutsche Bank (source : [Bloomberg](#), 28/03/2013), RBS (source : [Telegraph](#), 03/04/2013), etc.

(11) Source : [ZeroHedge](#), 02/05/2013.

(12) Source : [Caixin](#) (10/05/2013) and [PeopleDaily](#) (03/05/2013).

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