Worldwide Depression: Review of Global Markets

By Bob Chapman
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As you have already seen this is a worldwide depression and no one will escape. Europe's economy is already in a shambles as is the US economy. Inflation will rage all over the world, because every nation has created massive amounts of money and credit as demanded by US and British elitists. They have all overmedicated the patient. As the Broadway hit play of many years ago told us, we are going to have to go through a "Period of Adjustment." Some nations will get off easier than others. There will be no decoupling and many nations could have revolutions.

Government spending and increased debt has been taken on by all countries and to in part pay for that taxes will rise everywhere. Deficits will hit records as far as the eye can see. You can't have massive spending, massive debt and massive tax increases and expect to have growth. It is impossible.

Thus far government has been able to paper over the systemic meltdown in the financial area. They still haven't dealt with off balance sheet and derivative losses. Even with the trillions poured into these entities it has not been enough to solve their problems and over the next few years that will become obvious.

The Treasury plans of having the fox, the Fed, take over the chicken coop is pure insanity. These are the very people who caused the problem by encouraging mis-rating, securitization and lending that defied reality. Now the Fed is to become policeman. It is really insulting and removes any sense of security from the system.
The problem of protecting consumers lies in the hands of the Fed, raters, lenders and Wall Street. Greed overcame any semblance of prudence.

The Treasury, as stated under the Constitution, should have the authority to solve financial crisis, but they cannot because the Fed has the tools to do so. Those tools have to be put in the hands of the Treasury again. It is not a cure all, but it is a step forward. That has to be accompanied by ending the revolving door between banking, Wall Street and the positions appointed in Washington, especially the Treasury.

Giving the Fed more powers to regulate is not addressing the underlying problem and shifting private debt into public debt isn't an answer either. The main cause of the problem is leverage, securitization, and globalization and the massive use of derivatives. Free trade and globalization are the worst and have caused wage-price imbalance and stripping America of its ability to compete.

The advantages all accrue to transnational conglomerates and third world nations. This enriches the rich and takes the living standards in the US, Canada and Europe down to the levels of the third world.

Why would our president want the Fed to have day-to-day supervision over the largest bank holding companies, which own the Fed? This is the group that caused all these failures. The Fed would have a financial empire that would allow them to engage in greater corruption. It would control a financial colossus.

Then the FDIC would receive more powers to wind down whatever banks they decided would be eliminated. If large banks can be bailed out, why can't small banks receive equal treatment? That is because the big banks want to absorb the small and medium-sized banks eventually leaving us with 20 with a monopoly in banking. This is where this is headed. We are also told many more banks have gone under than we've been told about. Insiders expect 500 to 800 will go under this year, not the publicly announced 35 or 45.

Thus, the Fed and the FDIC are to be rewarded for failure. They didn't use their regulatory powers over banks in mortgage lending, rating and securitization.
The plan of the administration is a copy of the Paulson plan to concentrate more power with the Fed. They have eliminated the Office of Thrift Supervision and merged it with the Comptroller of the Currency.

They previously proposed a merger of the CFTC and SEC, which isn't about to happen.

The litany goes on and American waits for the other shoe to drop as it falls deeper into depression. As you can see this is a struggle to give the Fed total financial control over America. It can only end in disaster.

The Fed may revamp the repo market for they fear existing arrangements could put the clearing banks in a difficult position in a crisis. As securities' values fall, clearing banks have to demand more capital or collateral to avoid losses. In that process they could destabilize the market. Positions of investment banks are so large that a default could be fatal. The solution, of course, is that the Fed takes over the defaulted positions to keep its monopoly in tact. The two banks at great risk are JPMorgan Chase and Bank of NY Mellon, both shareholders in the Fed.

A quarter of US employers have eliminated matching contributions to employee 401(k) retirement plans since September. Most say it is temporary, but we don't believe it.

If exports don't pick up soon the IMF says the dollar will need to be devalued.

JPMorgan Chase & Co. is raising some balance-transfer fees on credit cards to 5 percent, the highest among the nation's largest banks, citing increasing regulations and costs after the United States put new curbs on the industry.

The lender starts charging more in August, just as the law to curb interest-rate increases, fees, and marketing practices begins to take effect.

The credit card law President Obama signed May 22 prompted warnings from industry executives that they'd be forced to raise fees, curtail credit, and restrict consumer rewards programs. Congress heard testimony yesterday on Obama's proposed Consumer Financial Protection Agency, which would have authority over increases like the boost JPMorgan is planning, said the chairman of the House Financial Services Committee, Barney Frank.

"What Chase is doing is strengthening the argument for the new entity,'' Frank, a Massachusetts Democrat, said yesterday before the hearing. Banks should be able to impose fees to cover their costs, not to create a “new profit center,’’ he said.

JPMorgan’s previous average fee for balance transfers was 3 percent, spokesman Paul Hartwick said. He declined to say how many customers will be affected. The increase also applies to cash advances, and fixed interest rates will become variable, the notice said. JPMorgan may choose to offer a lower transfer fee, the notice said; Hartwick declined to elaborate.

“In the current economic environment, our costs of doing business have been impacted by increased losses,’’ Hartwick said in an e-mail. “We are increasing balance-transfer fees to reflect the increasing costs.’

A 65-year-old Massachusetts investment manager pleaded guilty yesterday to securities fraud for running a Ponzi scheme that cost 70 investors, many from the Bay State, about $9 million.

Michael C. Regan, 65, faces up to 20 years in jail and $5 million in penalties after settling the criminal charges with federal officials in New York. He also settled similar civil charges with the Securities and Exchange Commission, in which he agreed to repay more than $8.7 million.

Officials have not yet determined whether Regan has money or other assets to repay his victims.

And he could face additional fines, SEC spokesman David Rosenfeld said. “We’ll try to find whatever can be recovered in order to [get it] to the investors,’’ he said.
Formerly of Wayland, Regan now lives in Quincy. He was released on bail, with a date for sentencing yet to be set, said a spokesman for the US attorney’s office in Brooklyn.

Like convicted swindler Bernard L. Madoff, Regan promised investors consistently high returns. He told them his River Stream Fund had earned about 20 percent a year since 2001, using a trading strategy based on short-term market trends, authorities said. In fact, River Stream lost money or had minimal returns most of the time, paid as much as $9 million in bogus profits, and returned capital to investors with money given to him by other investors, according to court documents. Meanwhile, Regan took more than $2.5 million in fees for himself.

Before his fund collapsed in April 2008, Regan claimed it held about $18 million, when in reality it had only $101,600, according to prosecutors.
Regan’s lawyer, Raymond Mansolillo, did not return calls seeking comment.

The Labor Department said the number of mass layoff actions — defined as job cuts involving at least 50 people from a single employer — increased to 2,933 in May from 2,712 in April, resulting in the loss of 312,880 jobs. [This is further evidence of the absurdity of BLS’s 225k job creation in its B/D Model.]

Household-products maker Kimberly-Clark Corp. said Thursday it plans to cut 1,600 jobs, or 3 percent of its global work force, as it slims down in the tough economy.

The maker of Kleenex tissues, Huggies diapers and scores of other household items employs 53,000 people around the world. It plans to make the cuts primarily among salaried and non-production workers and executives said the company doesn’t plan to close any plants.

The number of Americans filing claims for unemployment benefits unexpectedly rose last week, a reminder that companies will keep cutting staff even as the economy stabilizes.

Initial jobless claims rose by 15,000 to 627,000 in the week ended June 20, from a revised 612,000 the week before, the Labor Department said today in Washington. A report from the Commerce Department showed gross domestic product shrank at a 5.5 percent annual pace in the first three months of the year.
The Japanese government has told Citigroup to cease certain operations due to breaking money laundering laws.

China’s central bank renewed its call for a new global currency and said the International Monetary Fund should manage more of members’ foreign-exchange reserves, triggering a decline in the U.S. dollar.

“To avoid the inherent deficiencies of using sovereign currencies for reserves, there’s a need to create an international reserve currency that’s de-linked from sovereign nations,” the People’s Bank of China said in its 2008 review released today. The IMF should expand the functions of its unit of account, Special Drawing Rights, the report said.

The restatement of Governor Zhou Xiaochuan’s proposal in March added to speculation that China will diversify its currency reserves, the world’s largest at more than $1.95 trillion. Chinese investors, the biggest foreign holders of U.S. Treasuries, reduced holdings in April after Premier Wen Jiabao expressed concern about the value of dollar assets.

“Zhou Xiaochuan sees the current international financial system is flawed, putting too much emphasis on the dollar as a reserve currency,” said Kevin Lai, an economist with Daiwa Institute of Research in Hong Kong.

Consumer spending rose for the first time in three months in May as incomes jumped by the most in a year, a sign that government efforts to revive the economy may be starting to pay off.

The 0.3 percent gain in purchases followed no change in April, the Commerce Department said today in Washington. Incomes surged 1.4 percent, reflecting tax cuts and Social Security payments from the Obama administration’s stimulus and driving up the savings rate to a 15-year high.

The U.S. Senate proposal to impose taxes for the first time on “gold-plated” health plans may bypass generous employee benefits negotiated by unions.

Senate Finance Committee Chairman Max Baucus, the chief congressional advocate of taxing some employer-provided benefits to help pay for a $1 trillion overhaul of the U.S. health system, says any change should exempt perks secured in existing collective-bargaining agreements, which can be in place for as long as five years.

The exception, which could make the proposal more politically palatable to Democrats from heavily unionized states such as Michigan, is adding controversy to an already contentious debate. It would shield the 12.4 percent of American workers who belong to unions from being taxed while exposing some other middle-income workers to the levy.

“I can’t think of any other aspect of the individual income tax that treats benefits of different people differently because of who they work for," said Chris Edwards, director of tax policy studies at the Cato Institute, a Washington research group that often criticizes Democrats' economic proposals. Edwards said the carve-out "smacks of political favoritism." – As you can see, some are more equal then others.

The nation's long-term budget outlook has darkened considerably over the past six months, and President Obama's plan to extend an array of tax cuts and other policies adopted during the Bush administration has the potential to "create an explosive fiscal situation," congressional budget analysts reported yesterday.

In a new report, the Congressional Budget Office found that extending the Bush administration tax cuts, reining in the alternative minimum tax and canceling a scheduled reduction in payments to Medicare doctors would dramatically slash tax collections at a time when federal spending would be "sharply rising." The resulting budget gap would drive the nation's debt over 100 percent of gross domestic product by 2023, the report says, and past 200 percent of GDP by the late 2030s.

Obama has not proposed to extend all of the Bush tax cuts, which are scheduled to expire in December 2010. But he would keep all cuts benefiting the middle class — a substantial portion of the total — and has advocated additional borrowing to cover the costs of that and other policy changes analyzed by the CBO.

Home prices throughout California and in the Las Vegas area fell from a year earlier in May as a glut of foreclosed property pushed down the value of single- family houses and condominiums.

The median price for an existing, single-family detached house in California declined 30 percent to $267,570, the California Association of Realtors said today in a statement. In the Las Vegas area, the median price for houses and condominiums fell 44 percent to $135,000, San Diego-based MDA DataQuick said in a separate statement today.

About 73 percent of all existing houses and condos sold in the Las Vegas-Paradise area were foreclosures last month, up from 56 percent a year earlier, and such sales accounted for 51 percent all existing-home transactions in California, MDA DataQuick said. Foreclosure sales represented 40 percent of California resales a year ago, the research company said.

"In California and the West and, really, a lot of the country, we have to be ready for more waves of foreclosures coming through for at least the next year," Andrew LePage, an analyst with MDA DataQuick, said in an interview. "And no one really knows how big those waves are going to be."

California is on target for 556,590 home sales this year, based on May's pace of transactions, the state's Realtors association said. That's up from a 411,770 pace in May 2008. May's sales were up 2.9 percent from April.

May PCE Deflator rises 0.1%.

The Federal Reserve's latest weekly money supply report Thursday shows seasonally adjusted M1 rose by $25.8 billion to $1.657 trillion, while M2 rose $15.7 billion to $8.369 trillion.

Confidence among U.S. consumers rose this month for a fourth straight time, reflecting signs that the worst of the recession has passed.

The Reuters/University of Michigan final index of consumer sentiment gained to 70.8, the highest level since February 2008, from 68.7 in May. Today's measure compares with a preliminary June reading of 69. During the expansion that began in late 2001 and ended in December 2007, the index averaged 89.2.

Households pushed their savings rate to the highest level in more than 15 years in May as a big boost in incomes from the government's stimulus program was devoted more to bolstering nest eggs than increased spending.

The higher savings rate is healthy in the long term, economists said. But without vigorous consumer spending, the government may have to do more to revive the economy, possibly through further tax breaks and spending.

The Commerce Department said Friday that consumer spending rose 0.3 percent in May, in line with expectations. But incomes jumped 1.4 percent, the biggest gain in a year and easily outpacing the 0.3 percent increase that economists expected.

The savings rate, which was hovering near zero in early 2008, surged to 6.9 percent, the highest level since December 1993.

The income increase reflected temporary factors relating to the $787 billion economic stimulus program that President Barack Obama pushed through Congress in February to fight the recession. That program included one-time payments to people receiving Social Security and other government pension benefits.

What we suspected would happen to California in the mid-1990s is finally taking place. Here we have a state that has lived in – in reality -for years. A state where 40% of the inhabitants live in a black economy and don't pay taxes. In addition, the state has been overrun with illegal aliens for many years. Of 38 million inhabitants ten million are illegals.

California is in serious financial trouble. Mortgages 90-days past due average 7.6%. Foreclosures continue to climb, as residential and commercial real estate plunge in price. Unemployment is the worst since 1940. In almost two years close to 860,000 jobs have officially been lost, of which officially 740,000 were lost in the last year. Real U6 unemployment is more than 20% and 2-years from now could be 35% or more. Layoffs could reach beyond 100,000 state employees. The state's credit rating is headed lower. Next is the dumping of California's municipal bonds due to credit rating downgrades. Over the next two months the state may not be able to meet its payroll. It is probable that in time California will default.

All of these problems will affect the entire economy of the country. There is big trouble on the way.

Our resident geniuses in Washington are considering allowing Fannie and Freddie to refinance loans with current loan value ratios of 125% or more. They say they have to raise the limit level because buyers cannot qualify. Here we are back to the subprime syndrome. A move that proves Washington learned nothing from the real estate bubble. This defies all banking precedent and prudence, because few can qualify who want to be buyers. It also says that foreclosures are not being stopped or slowed down. As unemployment grows house prices will fall further. America is headed toward a debtors revolt, and it is not that far away.

Manhattan apartment prices have fallen 20% and will probably fall 25% more, perhaps even 30% or more. That is because the fall didn’t begin but nine months ago. The securities industry has cut 21,800 jobs over the last year with lots more to come. The industry accounts for 35% of all salaries and wages. Unemployment hit 9% in May, the highest since October 1997, and up from 8% in April.

Health care is a front-page issue and what liberal Democrats want to foist upon Americans could prove deadly for many.

Senator Ted Kennedy believes he has a universal mandate, a right, for all Americans, even illegal aliens, to be forced to have or buy health insurance. Any plan, any American has, will have to meet government specifications. If you do not have insurance, your employer will have to purchase it for you and you may have to pay part of the cost. If your employer refuses to participate he will be fined. The fine will be much less than the insurance cost, so the citizen will have to be covered by government or pay it themselves. You will have to pay for that. If you do not the IRS will fine you, garnish your wages, put a lien on your house and they can imprison you. The cost of this marvelous program is unknown and how it will be funded is unknown as well.

In addition, government will computerize all your most confidential medical records in a federal database, which will eventually be in a worldwide database. Oh, we forgot all bureaucrats in Washington would be exempted.

The bill doesn’t have a number yet, but start contacting all House and Senate members now and let them know you do not want Teddy Care.

We saw what is now happening in America in 1963. The Watts riots were a precursor to what has happened over the years. We lived near Wilshire, just one block away from where the rioters were looting. We were on the roof of our apartment building with our Gerands and Carbines, ready for action. Fortunately the police stopped the rioters before they hit Wilshire Blvd.

We new what was coming some 50 years ago. Few listened over the years, but today it is different. Today it is in your face. Mainline talk show hosts are now stealing our thunder and that is fine. We want the public to prepare for what is coming their way. We are already into depression, over 20% unemployment. Next is demonstrations, food riots, squatting in foreclosed homes has already began, there will be tax protests, gang warfare and unless we are lucky social chaos. We do not know when but it is coming, because the Illuminists have deliberately caused this and are in the process of losing control.

Those who have brains and can think and function outside the box are preparing. Most of the rest are not and they’ll suffer for it. The mainline media, which most of America believes in, will inform them of what is really going on when the shooting in the streets has already begun.

The Fed held monetary policy steady and said the US economic recession was easing, as it signaled its worries over a possible troubling downward spiral in prices were easing. That is another way of saying inflation is rising. They held interest rates at the zero to 0.25% range.

The FOMC said in a prior statement that the pace of contraction is slowing, the same observation they had at the last session. They realize they cannot raise interest rates, because if they do deflation will take over and the economy will collapse.

May durable goods orders rose 1.8%. This was the same as last month. Year-on-year orders are down 24%.

New home sales were 342,000 down from 344,000 in April. Median prices rose to $221,600 from $212,500 in April. Year-on-year sales fell 35%.
New houses sold were 32,000 down from 49,000 or down 34.6%. New home sales are at 1995 levels.

Default rates on mortgages in Colorado are now 19% and the state has a 4.4% unemployment rate.

The Treasury has again changed the way they tally demand at their bond auctions and are artificially inflating indirect bids, a category used by investors as a loose proxy for foreign demand.

As we have noticed they have reached 68% at Tuesday's two-year bill sale and 62% at the $37 billion in five-year note sales. Nothing is honest in Washington.
The annualized credit-card charge-off rate broke through 10% in May for the first time in 20 years.

Congressman Darrell Issa said the Fed engaged in a cover-up about the details of the Bank of America takeover of Merrill Lynch. The Fed deliberately hid concerns and pertinent details of a merger from government agencies. The Fed is privately owned.

He said Mr. Bernanke engaged in blackmail of Ken Lewis of Bank of America. As you know the House is calling for an audit of the Fed, Ron Paul's HR 1207, as Bernanke comes under fire for his Merrill Lynch caper.

The FDIC says it may temporarily extend a program guaranteeing accounts that do not pay interest. We can promise you if they do not there will be an exodus of funds out of the banking system into Treasuries, gold and silver.

Warren Buffett live on CNBC said. "There had been little progress over the past few months in the economic war being fought in the country." "We haven't gotten the economy moving yet. While the economy is in a shambles and likely to stay that way for some time, he remains optimistic that there will be an eventual recovery." We wonder if he has considered the year 2022. He said the nation should concentrate on jobs. Government cannot do that when their priority is to bail out Wall Street and banking,

As real U6 unemployment hovers at 20.4%, Citigroup plans to give salary increases of 50% to their bankers, traders and executives to halt an exodus of senior staff from the company.

They did such a great job of wrecking the company that they have to be given taxpayer funds to remain on the job.

Ben Bernanke spent four hours testifying before Congress on Thursday. He lied about his role in the Merrill Lynch scandal and as usual Congress was a disgusting hunk of putty, pandering again to the elitists. It was another puking exercise.

Someone turned the light on inside Senate Majority Leader Harry Reid's head. He says he thinks market manipulation is behind the spike in gasoline prices and that federal regulators should investigate. This has been happening to gold and silver for more than 28 years and no one in congress dares to talk about it.

The Banking Index looks like it is about to break down. Shorts are the order of the day.

The commercial paper market fell $47.5 billion last week. This is the biggest vital source of short-term funding for daily operations at many companies. It fell to $481.4 billion from $502.7 billion.

Unsecured financial issuance rose $18.2 billion to $564.5 billion.

Prime auto ABS delinquencies rose 22% in May.

The Fed tried to keep secret information about the Bank of America deal from the Office of the Comptroller of the Currency, the North Carolina-based bank's direct regulator and from the SEC.

This is the same lying Fed that is supposed to work collaboratively with other regulators.

The real question is why the Fed Chairman and his fellow criminals should not be prosecuted for criminal offences?

John Williams notes: On July 31st, the Bureau of Economic Analysis (BEA) will revamp GDP history going back to 1929…GDP reporting remains virtually worthless and is little more than political propaganda.

John notes that income contracted more in Q1 than Q2. GDI is the income-side equivalent of the GDP's consumption estimate. As estimated in last month's reporting, reflecting a sharp reversal in "statistical discrepancy," first-quarter GDI was reported showing an annualized real quarterly contraction of 3.64%, versus a fourth-quarter estimated contraction of 7.78%. Today's reporting and revision reflected something of a reversal in other trends, showing a deeper 4.31% annualized quarterly contraction in the first quarter. Year-to-year, first-quarter GDI declined by 3.11% (previously down 2.94%), versus a 2.16% contraction in the fourth quarter. http://www.shadowstats.com

The Fed's balance sheet declined $58.5B due to a $53.758B decline in the 'Term Auction Credit' and a $28.692 decline in 'liquidity swaps'. The Fed monetized $30B of securities.

The WSJ editorial believes Obama's climate bill, Cap & Trade, will be the largest tax increase in history.

The hit to GDP is the real threat in this bill. The whole point of cap and trade is to hike the price of electricity and gas so that Americans will use less. These higher prices will show up not just in electricity bills or at the gas station but in every manufactured good, from food to cars. Consumers will cut back on spending, which in turn will cut back on production, which results in fewer jobs created or higher unemployment. Some companies will instead move their operations overseas, with the same result.

The Chicago Tribune editorial on Cap & Trade: Remember that gargantuan climate change bill we told you about last week? It's gotten bigger. Over the weekend, the bill grew from

946 pages to 1,201 pages, according to the Sunlight Foundation. It's still changing, with important amendments in flux.

But Democratic leaders in the House say they'll push for a vote on the bill as early as Friday. They think they can pass it. This is an incredibly expensive undertaking. If anyone in Congress tells you that he has read and completely understands this bill, and can explain exactly how the system to reduce carbon emissions would work and what its effects would be, he's lying. [Don't waste a good crisis, indeed!]

The Baltic Dry Index has tanked 9% since last Friday. When it surged, the usual suspects trumpeted the rally as a sign of economic rebound, even though it was mostly China stockpiling commodities. Now that it has declined sharply, permabulls, Street shills and media hucksters are ignoring it.

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