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Views and Analysis on the Economy and Precious Metals

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GDP-B Doesn't Cut It Either

Alasdair Macleod

GDP is hyped-up to be an all-important measure of economic activity. It does not measure economic activity, instead recording meaningless money-totals spent in unsound currency over a given period. A bad statistic such as GDP is wide open to official manipulation, and there is always a desire to enhance it.

GDP-B, which includes an estimated consumer surplus, appears to conform with this desire. If it is successfully introduced, GDP would be substantially increased, making governments look good, and reducing their debt to GDP ratios. However, it is no more than a statistical cheat.

Gross Domestic Product-B attempts to capture the added value of things we don't pay for, such as Facebook, WhatsApp, Google and other digital services free to the user. B stands for benefits; the benefits consumers receive from free and subsidised services.

It was devised by Erik Brynjolfsson, a professor at MIT, and is a work-in-progress. He points out that according to the US Bureau of Economic Affairs, the information sector in GDP statistics has been stuck at between four and five per cent of GDP for the last twenty-five years. Yet, the importance of this mainly digital sector now dominates both work and leisure activities, benefits not recorded in GDP.

His solution is to quantify it by attempting to establish how much an average user of a free service would pay if it wasn't free. The thinking goes that this approach allows the statistician to estimate a "consumer surplus", defined as the difference between the consumers' willingness to pay and the amount they actually pay. This approach obviously throws up substantial surpluses, which added to GDP would boost it significantly.

It is one thing to say how much a service is worth and another to actually pay for it. Those surveyed are told that one in two hundred will be paid the cash-value for abstaining from the digital service for a month.

But surely, a reasonable person surveyed would say he is prepared to pay an artificially higher value for the service to maximise the potential payment for abstention. This potential for gaming the survey appears to be ignored.

Professor Brynjolfsson also points out that free stuff online probably reduces GDP, because we give up buying physical copy when we can obtain it for free online. There are many examples where this is undoubtedly true. Conceptually, he has a point; but it exposes confusion over the difference between a GDP money-total commonly believed to reflect an improving economy and the actual improvement to the human condition from economic progress.

The latter is not measured by a money-total, but by the market's unquantifiable but proven ability to satisfy consumers' demands. While the impact of not buying physical newspapers and instead reading them online reduces GDP, there is no doubt that consumers prefer it.

Discarding previous methods of delivering consumer satisfaction is, in fact, economic progress. Here we see evidence of economic progress while Professor Brynjolfsson regrets that GDP falls.

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When Overvalued And Dangerous Markets Meet Stagflation

Michael Pento

To put into perspective how overvalued and dangerous the US market has become; I often cite the figure of total market cap to GDP—currently 145% of the economy. How high is 145% of GDP? It is a full 30% higher than it was before the start of the Great Recession. The twin sister to this metric is the Household Net Worth to GDP Ratio.

Household net worth as a percent of GDP is calculated by dividing the current bubbles in home prices and equities by the underlying economy, which has been artificially inflated by interest rates that have been pushed into the sub-basement of history. This metric is now an incredible 535% of GDP, which is a record

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Will The Yuan Replace US Dollar…And Make Gold Shine?

Arkadiusz Sieroń

"The US dollar will collapse or it will be replaced by another currency" – we hear such statements all the time. Are they true? We decided to check these claims – so we invite you to read our today's article about the US dollar's international supremacy and find out whether the greenback's demise is likely in the foreseeable future. Let's also draw implications from the analysis for the precious metals market.

We have heard about the fall of the US dollar's significance for over half a century. In particular, the rise of China's economy threatens the greenback's dominance. Trump's unsound fiscal policy and the recent Powell's dovish turn only reinforce these fears. So, let's analyze whether such a scenario is likely in the foreseeable future and let's draw implications for the precious metals market.

The dollar's supremacy started around 1955 when reserves held in greenback exceeded those held in pound sterling. Since then, the US dollar is a king. To be clear, we do not maintain that greenback is a wonderful currency without problems and better than gold. No, it simply has no competitors among other fiat currencies. **It is a king of beggars.**

Initially, after the gradual demise of British currency, the only possible alternatives to the greenback were the Japanese Yen and the Deutsche Mark, as Japan and Germany noted impressive pace of economic development. However, both economies were much smaller and with less liquid financial market. Moreover, the US army stationed in both countries, which cast a shadow over their currencies. **The situation has not improved since then.**

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high and 19% higher than the NASDAQ bubble of 2000. To put that figure in perspective, the good folks at Daily Reckoning have calculated that the historical average is 384%.

These valuation measurements are much more accurate than Wall Street's favorite PE ratio valuation barometer because they cannot be easily manipulated by corporate share buybacks that have been facilitated by record-low borrowing costs. And, as hinted at already, the GDP denominator of today is much more tenuous because it has become more than ever predicated on the record amount of fiscal and monetary stimulus from the government.

This begs the question: why are asset prices at an all-time high when Japan and Europe are stuck at zero percent GDP growth, U.S. growth has been cut in half, and the growth rate of China is decelerating.

What caused these bubbles is no mystery: a decade's worth of Zero Interest Rate Policy and Negative Interest Rate Policy worldwide that led to a massive pulling forward of consumption through a record level of new debt, which in turn was primarily used to purchase (a.k.a. inflate) asset prices.

Global Central Banks have become the captains on this heavily overcrowded and doomed ship that has a woefully insufficient number of lifeboats; where investors have been forced onboard chasing risk because traditional bank deposits offer little no return.

However, this daunting game can continue skipping along until one of two daggers present themselves to annihilate these bubbles. The two catalysts are; intractable inflation or a recession/depression. I include depression as a likely outcome in the next economic contraction because the level of economic distortions has never been more manifest.

So how will inflation prick this bubble and what level will most likely accomplish this? First, it is crucial to understand that central banks cannot accurately create a certain level of inflation. Central banks are undergoing a process of trying to inflate asset prices by eroding the confidence in fiat currencies, which is ultimately what inflation is all about. They do this by printing enough money to ensure nominal bond yields are below inflation.

Therefore, it is impossible for a handful of academics that sit on the Fed Open Market Committee to accurately pinpoint where the rate of inflation will end up, much less be able to maintain it at a certain level. This is especially true given their professed knowledge of inflation matches that of an amoeba with a low IQ. One possible outcome is that inflation eventually brings the Fed back into tightening mode.

This would most assuredly occur if the core level of its preferred metric, core PCE price index, reaches above 2.5% in a sustainable fashion and then continues higher from there. And, even if the Fed did not react to this inflation by increasing the Fed Funds Rate, longer-duration yields would surely begin to spike to offset the increasing loss of purchasing power over time.

The already-embattled auto and real estate markets would then crater just as the consumer is crushed under rising debt service payments on the record amount of household debt.

In addition, the junk bond market would implode just as equity prices crash due to the increasing competition for cash--in other words, a replay of Q4 2018 that can't be so easily cut short and mollified just by another Fed pause. It would take rate cuts and a return to QE to have a chance at arresting the next economic and market downturn.

The other dagger is an economic contraction; which, given how far asset values have grown above the underlying economy, is virtually guaranteed to be a long and brutal one.

Surging government expenditures along with falling revenue will send trillion-dollar deficits soaring above $2 trillion in short order.

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The consumer surplus error

Econometricians have been thinking for some time about something they call "consumer surplus", so the concept is not new. Simply put, if a consumer is willing to pay $10 for something that costs $7, there is deemed to be a consumer surplus of $3. According to Professor Brynjolfsson, this is also the basis between a free Google service and what an average user would be prepared to pay for it.

This immediately flags up a problem with the concept. The precondition for an exchange of goods or services for money is that a buyer perceives the good or service to be worth more to him than the payment for it. Otherwise, the transaction does not take place.

The supposed consumer surplus is not an additional factor to the transaction; it is the reason for it. It certainly should not be added to GDP in an apparent attempt to boost the statistic.

But is this the case with free digital services? We have established it is not an additional factor to a transaction, so logically it cannot be an additional factor in free digital services. Indeed, Professor Brynjolfsson misses the wider reasons for an internet transaction.

Google acts as a marketing intermediary. In return for a user's data, Google's real customers in the advertising industry pay Google fees for highly targeted and accountable marketing. In effect, a barter takes place, where consumers swap their data for access to Google's services.

Access to this data allows Google to sell its marketing services to advertisers with additional analytical benefits not available using conventional media. It has nothing to do with generating a supposed consumer surplus.

In some instances, users of data services have passed on their data without it being used commercially. Facebook, for example, achieved a circulation of hundreds of millions before the company earned any income. It had the data and needed to find a way to exploit it. But in these cases, it is a mistake to think users get the service for free in the economic sense.

While swapping their data for a service, they are consuming the company's capital, which is spent on employing computer specialists and the hardware, together with all the other business expenses involved. Proponents of consumer surplus seem blind to these offsets, many of which are already included in GDP calculations.

The broader GDP fallacy

Econometricians have long been on a mission to measure things, and one way that always finds favour with the government is to unearth a method of enhancing GDP.

But other than for currying official favour these attempts are useless and misleading, being frustrated by a simple fact: the economic calculations of a population over a period of time cannot be measured, let alone be turned into a statistic masquerading as a measure of an economy's condition.

This is because people choose. If they buy anything it is in preference to something else. Choice, not money-totals, is the driver of economic advancement. Choice leads to the creation of wealth and is the basis behind all exchange.

Progress is the outcome of near-infinite numbers of binary choices, the result of individual judgements of relative values.

Through the medium of money, individuals exchange the goods and services they provide to others in exchange for the goods and services they themselves need and desire. It is the basis of the division of labour, the most effective way a society organises itself for maximising improvement of the human condition.

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Tariff War Rears Up, Spooking Traders

Rick Ackerman

Shades of Smoot-Hawley!? Stocks plummeted for the second time in less than 24 hours Monday when Trump signaled to China's trade negotiators that he means business.

A long-delayed, $200 billion hike in tariffs will take effect on Friday because the Chinese reneged on commitments they'd already made.

I don't say they allegedly reneged or that they reportedly reneged, since no one ever believed for a minute that the scumbags were interested in giving the U.S. an honest deal.

Why should they want to play fair when their goal is to cultivate trade with Europe, Asia and the rest of the world at America's expense?

It will simply taking them longer now, since, besides raising levies, Trump will take strident measures to thwart China's epic theft of intellectual property, and push back more aggressively against Beijing's generous subsidies to key industries.

Wall Street did not take the news well, and for good reason: Americans will pay a steep price as the trade war with China escalates as seems all but certain.

The Dow fell nearly 600 points when the initial story broke Sunday night that talks had taken a turn for the worse.

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Will The Yuan Replace US Dollar…And Make Gold Shine?

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In the 1990s, Germany struggled with the reunification, while Japan fell into multi-year stagnation after the burst of the enormous asset price bubble.

Actually, one may convincingly claim that Japan has not fully recovered yet, as the country still faces deflation, weak banks, adverse demographics, sluggish growth or even periodic bouts of negative growth, and negative interest rates Indeed, the Bank of Japan is running the most accommodative machine of any central bank that it systematically important. Hence, **yen is not likely candidate to replace the US dollar.**

Many analysts believed that 21th century will bring some changes, as the ECB launched euro – a new, common currency for several European countries. However, for almost every economist with some knowledge about the international monetary system, it was clear that a project based on a unified monetary policy and heterogeneous fiscal policy (each member of the Eurozone conducts its own policy) could not pose a serious threat to the US dollar. **The euro is too fragile, which was revealed by the Great Recession and the sovereign debt crisis.** The current Italy's problems are just an old shortcomings in a new disguise (I write more about the latest twenty years of the Eurozone in the February edition of the Market Overview).

Last but not least, Germany is also an obstacle for euro to gain in importance. You see, Berlin favors the policy of a

balanced budget – for us it is a very sound policy, but it results in the small supply of German Bunds. So, **investors prefer to park their funds in the US Treasury market, which is the most liquid market in the world**.

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Therefore the money-total is irrelevant. GDP is the money-total which, if perfected, is nothing more than the sum-total of recorded and qualifying transactions over a past period, normally annual or annualised.

It assumes a make-believe world which does not change, neither progressing nor advancing. It tells us nothing more because it is just a sterile number, wrongly promoted above its usefulness. It has become a statistic that deceives both its compilers and users.

For a government its only real use is as a yardstick for maximising taxation. Increase GDP and you make the burden of tax appear less. Governments have an obsession with appearances and tax-raising.

From a catallactic standpoint the economic uselessness of GDP as a measure of the economic condition can easily be demonstrated by comparing the conditions of an economy that uses sound money, which cannot be manipulated by the state, with the conditions of an economy where the circulating medium is an unbacked fiat currency issued by the state.

Let us first assume an economy uses sound money, which cannot be tampered with by central banks and by commercial banks expanding money and credit out of thin air. Consumer choices are made within the confines of a fixed quantity of money in circulation.

Circulating money merely facilitates the exchange between all goods and services. In other words, the labourer labours so he can put food on his family table, clothe his family, take them to the seaside, and buy the conveniences of life as he and his kin so choose. The money he earns from his labour is the means by which he turns his labour into the goods and services he and his family need and desire.

Putting to one side for the moment changes in the level of physical cash, total supply and demand for goods and services, together with changed in the factors of their production, must balance each other.

No more money is required for the economy of this sound-money society to "deliver the goods". In our example, credit is provided from genuine savings at an originary interest rate set by the time-preferences of an economising society.

The role of trade balances in sound money

Imported goods are matched by exports, and any difference will be minor, because the credit required to bridge any difference will be provided in sound money, in practice confined to self-liquidating trade finance.

Changes in the levels of physical cash were briefly mentioned above. In our sound-money example these balances will include both cash and cash deposited for safe-keeping in depository banks which do not lend it out.

In the absence of fractional reserve banking (the source of credit expansion), physical and deposit money are personal spending liquidity, not to be confused with savings.

Together, changes in spending liquidity fuel minor imbalances in the balance of trade. A trade deficit is part and parcel of the export of money, the consequence of a general reduction of the quantity in circulation. The result is a fall in prices, reflecting an increase in the remaining money's purchasing power.

The conditions that lead to a temporary deficit in the balance of trade in one jurisdiction are balanced in other jurisdictions by conditions that lead to corresponding surpluses. A trade surplus is part and parcel of an increase in the quantity of circulating money, reducing its purchasing power and therefore increasing prices.

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These higher prices tend to reduce the factors that lead to an export surplus. Money-flows are an important factor in setting a common purchasing power of sound money in all economies where it freely circulates, and in establishing the quantity of money a society needs. The relatively minor differences in trade balances in a

sound-money economy will always lead to a price arbitrage, equilibrating prices between different trading centres.

For these reasons variations in a trade balance are trivial in an economy using sound money as the medium of exchange. Furthermore, it is a basic condition for a society that makes free choices, where all individuals can choose to spend the fruits of their labour as they please, using the money of their choice.

By exercising choice, consumers in aggregate will disadvantage some producers and favour others. Therefore, some producers will earn less and some more, but the total value of all transactions (the GDP) over the course of a year must be the same as the previous year, because without any change in the quantity of circulating money, there can be no change in the total proceeds of everyone's labour.

Admittedly, this is an idealised theoretical analysis, which ignores factors always present. Those who are unemployed or otherwise unable to contribute production to society have to be provided for by others, either charitably or through state welfare. However, the conditions are the same, so long as their needs are met fully from the surpluses of others. It also ignores the non-productive role of the state. Here again, so long as the state balances its finances (which tends to be the case when the option of inflationary financing is not available) our sound money conditions apply.

We are led inexorably to a conclusion: the money required by a society is set by itself through trade. Furthermore, its increase obviously relates to the rate of increase of the population. If there is no population increase, then sound money in circulation need not increase at all unless society desires it. The concept of measuring economic progress by GDP then flies out of the window, because it cannot capture the improvements in economic conditions that go with sound money and is wholly irrelevant.

The above is an approximation of the monetary conditions that existed before the First World War, when much of the world was on a gold standard. No one can possibly claim that in Britain from the Napoleonic War to the First World War there was minimal progress, because this is what GDP over these decades would have indicated to today's historians.

At this point we must traduce the back-calculations of GDP for these years. There is no data upon which to base these calculations, because data collection of GNP and GDP only commenced in the 1930s, and even then, imperfectly. Consequently, all earlier statistical estimates are baloney, and must be disregarded. Instead, catallactic analysis provides us with a far better understanding of the relationship between economic expansion and exchange ratios under a gold standard.

A catallactic approach tells us that under a gold standard it was arbitrage which adjusted price levels into an approximate conformity, as described above. Furthermore, traders were suspicious of any variation in the policies of note and coin issuers from sound money, thus imposing monetary discipline on governments tempted to issue unbacked currency. Consequently, general price levels between different nations showed a high degree of accord.

However, general price levels were affected by variations in gold mine output. Monetary gold in global circulation increased, particularly following the Californian gold rush in 1848, and South African discoveries after the late-1880s. This led to a tendency for prices of goods and services to rise as the extra gold went into circulation.

Offsetting this was the rapid development of industrial production along with growing populations, which led to a counter-tendency for prices to fall. It so happened that the combination of these forces resulted in a general price stability for almost a century following the Napoleonic Wars.

Post-Keynesian economic beliefs are inconsistent with this sound money outcome. They defy the facts. Ignorance of economics, and particularly of the theories of exchange result in misunderstandings of the role and limitations of statistics such as GDP.

GDP growth only reflects the additional fiat money in the economy

Now let us assume an economy is based on unbacked fiat currency, and that an expansion in the quantity of currency and bank credit takes place. Obviously, this expansion in the money quantity is spent into the economy and is an addition to the money that previously circulated. If GDP recorded all economic activities, then the additional money simply adds to GDP as it is spent into circulation. Putting to one side any temporary distortions introduced by this extra spending, it is clear GDP increases precisely by the amount of extra money introduced.

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Will The Yuan Replace US Dollar…And Make Gold Shine?

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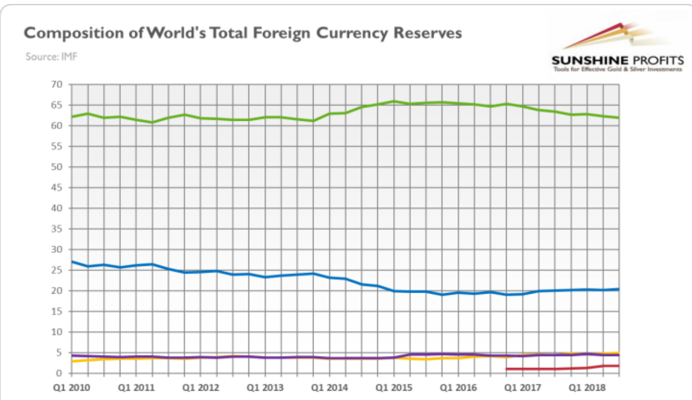
If not euro and not yen, so maybe yuan will dethrone the US dollar? This is what many analysts expect, based on China's economic potential. After all, the IMF included the Chinese renminbi into the SDR basket in October 2016. However, **the yuan is not likely to replace the US dollar anytime soon**. The main reason is shallow financial market in China. It still lacks transparency and it is controlled to large extent by the authorities. Do you remember August 2015, when the People's Bank of China devalued the currency? I bet you do.

Let's look at the chart below. The share of the yuan in global currency reserves amounted to 1.8 percent in Q3 2018. **It does not look like a great threat for US dollar, does it?**

Chart 1: Composition of World's Total Foreign Currency Reserves from Q1 2010 to Q3 2018 (green line – US dollar, blue line – euro, purple line – pound sterling, orange line – Japanese yen, red line – Chinese yuan)



Investors should remember that there are four things needed in order for a currency to play a global role: size, stability, liquidity, and security. **Although China's economy and trade payments are big, the yuan is not stable, not liquid and not secure.** The financial system is still heavily controlled by the authorities and it is not open and transparent.

Although the share of the US dollar in the world's total foreign reserves has declined somewhat since 2015, **it remained dominant, with share above 60 percent.** The euro, which is the second most popular reserve currency, has share amounting to 20 percent, or one third of the greenback's share. Moreover, although dollar's role as official reserve diminished slightly, its share in bank external claims has risen. Similarly, volumes through U.S.-based dollar wire transfer and settlement systems have also continued to rise.

To sum up, Tina says that the US dollar will remain the world's global reserve, despite all its shortcomings. Who is Tina? It is the slogan used by Margaret Thatcher: "**there is no alternative**". Yen? Let's be serious, Japan still cannot stand on its own feet after post-bubble recession, approaching the third lost decade. Euro? No way, as long as there are doubts about the Eurozone's survival. Yuan? Maybe someday, but not anytime soon, as the renminbi is not freely floating, while China's capital markets are not yet fully open.

The implications for the precious metals market are clear. The gold bulls should not count on yuan replacing the US dollar. It is not going to happen anytime soon. You may not like America and its currency, but the fact is **the greenback will remain the dominant fiat currency**. US dollar will remain relatively strong, which will be a headwind for the yellow metal. However, when China liberalizes and opens its capital market, the gradual reshuffle in the composition of the foreign reserves may occur, **which could support gold**.

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May 3, 2019

Tariff War Rears Up, Spooking Traders

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Traders spent Monday's session clawing most of it back with the crucial help of stalwart short-covering.

But after the close, the trade story took a turn for the worse when it was announced that new tariffs would actually be implemented by week's end.

Dow index futures dropped 200 points in a blink — a loss that will be more difficult to recoup a second time because the negotiations are now obviously kaput.

Watch 'Em Work!

Even so, don't expect the fund managers to simply throw in the towel. They still control a vast sea of Other People's Money that has few places to go other than into U.S. stocks.

Ten years of foie grass fattening has given DaBoyz an arrogant swagger, even with a threat comparable to the Smoot-Hawley tariff hanging over the economy.

Qe shouldn't be surprised if the broad averages resume their upward trek no matter what the news, at least for a while.

Remember, DaBoyz' livelihoods are at stake, and they will keep stocks afloat for as long as possible in order to distribute shares to the rubes until the very end.

They have done this brilliantly in Boeing, which continues to hold aloft no matter how ugly the news.

The latest is that the company knew a year ago about problems with a cockpit safety alert system before going public with it.

And even when they did, they didn't exactly come clean, since their explanations were inconsistent, obfuscating and incomplete.

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This is being deliberately simplistic to establish an axiom. In reality, statisticians exclude important categories of spending, notably money directed at financial activities and investment speculation. This is designed to focus the GDP statistic on the consumption of physical goods and services only. But if a consumer spends the fruits of his or her labour on acquiring something not in the GDP statistic, for example payments in cash, it is not recorded.

The most significant exclusion by far is money and credit expanded into purely financial and investment activities, where the only contribution to GDP is from the personal earnings and consumption of the individuals who provide financial services.

The exclusion of financial and unrecorded cash payments creates a disparity between changes in the quantity of money and credit and matching changes in GDP. It provides an explanation for why it is that monetary expansion drives up asset prices while an increase in the general level of prices in the components of GDP can appear relatively subdued, though this relationship changes over the course of the credit cycle.

The mistaken concept of inflation-adjusting GDP

Since they are aware that the purchasing power of a fiat currency has a tendency to decline over time, econometricians attempt to adjust GDP to take account of it. They reason that a true comparison between GDPs over successive years can only be made if price inflation is taken into account. In the process they pile error upon error.

As shown above, GDP is simply a money total which has no further meaning. If it increases all it tells us is that the total money and credit spent in the part of the economy included in GDP has risen. Because it means nothing more, no further adjustment to GDP is appropriate. The inflation of a GDP number lies in the quantity of money introduced into the GDP statistics, not in the price effects.

If GDP was not just a money-total, adjusting prices by an honest estimate of monetary inflation might have some rationale. Instead, it has become the basis for inflation-adjusted payments, principally by governments. As a result, statistical methods have developed to reduce measures of inflation and therefore the cost to the state of inflation adjustments, and to supress evidence of price inflation. So, not only is the application of inflation-adjusting to GDP not theoretically justifiable, but in the hands of government statisticians it has becomes doubly meaningless.

Conclusion

GDP is of little use to practical economists. The only justification for it perhaps is so that the proportion of total transactions allocated to the private sector can be compared with those for which a government is directly responsible. If we know, for example, that a government is responsible for 40% of GDP, we will know the extent of the burden it imposes on the productive private sector.

The French government imposes upon its productive sector to the tune of 56% of total GDP. Take the government out, and you get a truer figure of GDP at only $1.22 trillion equivalent. Government debt stands at $2.71 trillion, so the implied government debt burden on the productive private sector is 220% of its GDP.

Looked at this way, a country like France is in deep debt trouble. Instead, econometricians, thee devisers and champions of GDP, would rather we take France's debt to total GDP ratio to be 97%. This is inconsistent with a proper estimation of loan risk.

It is hardly surprising that GDP is not used truthfully, but instead as a massive obfuscating cover-up of the role played by the state. This is why the state looks favourably at attempts to rig GDP by academics at institutions such as MIT.

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April 4, 2019

Tariff War Rears Up, Spooking Traders

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If Boeing were a Japanese company, the top brass would already have done the honorable thing by committing seppuku after the March 10 crash of a Boeing 737 Max in Ethiopia.

All 157 on board were killed, adding to the 189 who died in an earlier 737 Max crash in Indonesia.

Here in the U.S., however, the execs are undoubtedly continuing to live well, even as they align themselves with Wall Street and the news media to hold Boeing shares buoyant.

Expect them to succeed at this until the scandal widens beyond the scope of spin control and order cancellations start coming in.

Article by:
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May 7, 2019

When Overvalued And Dangerous Markets Meet Stagflation

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Annual deficits will be accretive to the $22 trillion National Debt just as the GDP denominator in the Debt to GDP Ratio heads sharply lower—causing the already dangerous 105% National Debt to GDP Ratio to surge.

The bottom line is the bubbles will break just as they have in the past. But investors must first become afraid of not only losing their profits but their ability to retire.

Falling GDP, and/or spiking interest rates will accomplish this. And, given the fact that both equities and bonds are in a bubble, there is a chance that bonds and equities will collapse in price together.

Today's market is trading at a nominal record high and record high valuations. But these prices exist in the context of unprecedented economic distortions.

To be specific; there is $10 trillion worth of sovereign debt with a negative yield, global debt has surged by $70 trillion—to $250 trillion--since 2008, central banks are stuck at the zero-bound interest rate range and have already permanently monetized $14 trillion worth of debt and have destroyed the free market and the middle class in the process.

Hence, the only prudent strategy at this time is to have a robust and proven model that will identify when the inflation or the growth slowdown has reached critical mass so you can protect and profit from the next air-pocket in equity prices.

As a reminder, during the last two recessions, investors lost half of their wealth. February and October of last year proved beyond a doubt how fragile this market is, and that tenuous state is the direct consequence of its artificial construction.

Wise investors will think about these facts and use this strategy to avoid getting sucked into the markets biggest black hole in history.

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April 29, 2019

The Outstanding Public Debt

National Debt:
22,296,465,307,588
The estimated population of the United States is **328,921,697**
US citizen's share of this debt is
$67,785.00
The National Debt has continued to increase an average of
$3.8 billion per day
Business, Government, Financial and Unfunded Liabilities Debt exceeds
$100 Trillion