

There goes one! STOMP STOMP SQUISH

Written by Bruce Enberg

Wednesday, 20 February 2013 21:23

The stock markets were down sharply today on the release of the last Federal Reserve Board minutes that suggest they are losing their consensus on the continued printing of more money to plump up the bond markets. The Fed has been pumping out \$85 billion a month in the effort to hold deflation at bay. The math on what they've been doing is that this is roughly equal to a quarter of the Federal government's budget. Not that the taxpayer is funding this, the Fed just prints it, or rather they move electrons around in some computers to buy bonds from rich people and institutions so that they can show a profit and reinvest.

The worry isn't over the fact that the Federal Reserve is doing this, the panic is over the idea is they might stop. You can't let go of the tiger's tail until he's really, really tired. A lot of people on the right think we're just annoying the tiger, if we would only let go he'll be a good kitty and lick our hand. Does kitty want sauce with his finger snacks?

Senator Elizabeth Warren has just started holding her first hearings into the ongoing criminal conspiracy know as Wall Street banking. Needless to say she's not happy with the Obama Administration's lack of prosecutions, although she does acknowledge the lack of resources thanks to the Republicans...but feet are being held to the fire just the same.

With the Dow close to 14,000 the average company is valued at more than double its book value, that is what it's assets are really worth if they were sold off. Not so with Wall Street banks, their stock value is far below book value despite their tendency to make huge profits. That is, except for the occasional crash of course, but even then they didn't stop making money, at least on paper. That's the rub, it's just paper. A recent analyses of Wells Fargo Bank showed that the vast majority of the assets on their books are securities like derivatives and mortgage-backed securities which aren't really traded on any sort of competitive market. This means the bank is 'forced to estimate' the value of these 'assets'. If you take the worse case

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scenario (or what some of us call 'reality'), the big Wall Street banks put the 'bank' in bankrupt.

I haven't heard from the gold bugs lately, they were so dismissive of my suggestion that buying gold was like chasing the end of the rainbow, as in, "don't expect any return on your money". The gold bugs seem to be skittering for the refrigerator now that the lights have come on. George Soros got rid of much of his gold investment in 2011 and is now dumping the remaining instruments like so much ballast from a sinking hot air balloon. The gold market has dropped another \$90/ounce in the past week and maybe headed for the cliff.

The USD is suddenly en vogue again as investors must cover margin calls. This is driving down most commodities besides gold. Oil has dropped sharply, but don't expect gasoline to come down until Wall Street has sold a sizable number of derivatives to the actual users of petroleum products. Remember what I said earlier about the Wall Street banks 'assets' being heavily made up of derivatives. Wild price swings is how they get main street to buy them in order to 'buy protection' from bankruptcy, (aye, nice store windows yous got there mister). And speculators also use them to gamble on those same price swings, like any casino, lots of little guys lose big.

According to the right, this is like a crazy out of control 'natural phenomena', like another super storm that the right has 'no responsibility' for. Senator Elizabeth Warren knows better, roughly a hundred members of the Progressive Caucus in the Congress know better. Roll back Reaganomics, roll back everything the Republicans have done since 1947. All we need to do is actually make things work for America instead the trans-national billionaires.

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