

Happy Days Are Here Again: The Recent Stock Market Rally

April 20, 2009

There is a light at the end of the economic crisis tunnel, or so we are being told by our politicians and the media. The stock market is on an upswing, houses are selling, and governments are spending, spending, spending... We are told that recovery will begin in the 3rd quarter of this year (where have we heard that before?) And that soon we will be back to our free spending ways of the mid 2000's. SUVs will once again clog the freeways, starter homes will all have 4 bedrooms and 5 bathrooms, unemployment will be so yesterday that we will need another 30 millions illegals just to keep flipping Big Macs, and to keep our lawns manicured, and the granite in our bathrooms shined. Donald Trump is on Larry King preaching the gospel of owning real estate; what a good time it is to buy right now, and he means now, as in today not tomorrow or you may miss the opportunity of a lifetime; of several lifetimes according to the pundits. The stars are aligned and soon you will be richer than the queen if you only buy real estate and hold it for a while, so say the gurus on TV and on the internet and in print. O Joy! Let the good times roll. However, anyone keeping score might beg to differ slightly... Let's do a tally and see if this prognosis by Donald Duck Trump et al is feasible and / or believable.

- Official unemployment is 8.5%, real unemployment which is calculated by counting all unemployed folks is at least 15% and closer to 20% according to www.shadowstats.com.
- General Motors and Chrysler are both on their last legs; even with restructuring to become more efficient it will be years, maybe decades, before they regain the size that they once were, and employ anywhere near as many folks as they have in the past. What about all the parts suppliers and repair shops and service stations that depend on a certain number of automobiles being manufactured, bought and serviced in America? What about all the pubs and bars and Mickie D's and shopping malls and corner stores and home builders and handymen and cleaning ladies and landscapers and hairdressers that depend on steady employment by folks in their communities, such employment coming from the auto industry? No, the Japs will not pick up the slack!
<http://www.nytimes.com/2009/03/04/business/04auto.html> - auto sales across the board are down by as much as 50% in the case of GM, 40% for Toyota, 38% in the case of Honda and so the story goes for all manufacturers, American or Japanese. Though these figures are for one month, there is a decline in sales month over month over month. It maybe decades before Americans starts buying as many cars as they did in 2005-2006, if they ever return to those heady days of unbridled consumption. And can Ford be far behind on pulling the plug on itself?
- <http://www.reuters.com/article/newsOne/idUSLG52607220090416/> This story from April 16th informs those whose interests stretch beyond American Idol of the biggest real estate failure in US history. O Happy Days are here again – NOT! *NEW YORK (Reuters) - General Growth Properties Inc, the second-largest U.S. mall owner, declared bankruptcy on Thursday in the biggest real estate failure in U.S. history. Ending months of speculation, General Growth, along with 158 of its 200-plus U.S. malls, filed Chapter 11 while it tries to refinance its debts. 158 malls filing for bankruptcy, how many personnel*

does each mall employ: sales ladies, maintenance staff, security staff, cleaners, part timers, full timers, students, management and more? Who in their right mind can believe that all these freshly unemployed folks will waltz over to the next mall and land a job right away? Like the auto workers and workers in related industries, many of these newly unemployed will never work again in their lifetime and therefore become a permanent drain on the revenues of the States and municipalities even while their tax revenues are declining rapidly. But don't worry, be happy! Helicopter Ben is on the job; the Fed chair's job is no longer controlling money supply, it is now defined as 'Quantitative Easing' aka expanding the money supply infinitely. How this will not cause inflation or even hyper inflation, no one has satisfactorily explained to me. It's true that the unemployed auto worker sitting in his under 10K house (yes the median price of houses in Detroit is 7K), will get his unemployment check but will that check be enough to keep his family in Mac & Cheese when purchasing power of the dollar will be diminishing daily? Inquiring minds want to know the answer to such deep questions but sadly the answers are nowhere to be found on 'the most trusted name in news'.

- Bank Failures continue apace: here's a list from the venerable FDIC's own website - <http://www.fdic.gov/bank/individual/failed/banklist.html>. The stat of interest in this list is that there have been as many banks failures in less than 4 months in 2009 as failed in all of 2008. 2007 saw only 3 banks fail and none failed in 2006. In spring 2007 we were told that the 'Sub-Prime' problem had been contained. In spring 2008 we were told that by throwing 30 billion at the Bear Stearns debacle the Fed had rescued the banking system. A year later when multiple trillions (but who's counting) have been thrown at the problem, we are told that recovery is just on the horizon, it will begin in the third quarter of 2009. I wonder what the reality will be in spring 2010? Happy Happy, Joy Joy – I think not!
- I can go on and on with more facts and figures not the kind pulled of thin air by MSM to support the case that the recovery is far from beginning because the crash is still on going. The Economy is crashing in slow motion like an airliner, right now the aircraft is still in the air although everyone on board knows that it is going to crash. Briefcases are falling from the overhead bins, the oxygen masks have been released, the plane is tumbling end over end, the engines have no power but it is still at 15000 feet in the air and has not struck ground yet. It is like a coming tsunami where the tide has receded and everyone is fooled into believing that new ground has been revealed for cultivation and development. The longer the tide stays out the more people are fooled into believing that a permanent recovery has been achieved; little do they realize that the longer the tide stays out the greater the force and higher the wave that will return to swamp everyone still close to shore and even far inland. Ask yourself this question, where will all the millions of recently unemployed folks get permanent well paying jobs that can support previous levels of consumption and tax revenues for the governments? <http://autos.canada.com/community/gallery/car-glut.html> / this is the new reality, unsold cars, and TVs and computers and jeans and...all manners of unsold merchandise piling up across North America that will take years to unload even at 2006 levels of consumption. Airliners are being parked in the desert because there are not enough passengers flying - *The number of planes in storage has jumped 29 percent in the past*

year to 2,302, according to aerospace data firm Ascend Worldwide. That includes 930 parked by U.S. operators alone. <http://www.msnbc.msn.com/id/30056112/>

- So what's really behind this recent stock market rally that has everyone singing Happy Days are here again? There are no fundamental reasons for the stock market to be rallying when the real markets where actual goods are bought and sold such as shopping malls and auto dealerships are shutting down by the thousands. <http://www.chicagotribune.com/business/chi-sun-car-dealers-0329-mar29,0,3084915.story> . Since none of us average Joes will ever be privy to the inner workings of the financial elite I can only surmise that this rally is being fuelled by inner circle banks working in collusion with the Fed buying up securities that no one in their right mind would touch. This is what is driving the stock market higher not your average Joe public or even smaller fund managers buying stocks. It is a rigged game, it has always been a rigged game and it will always burn the many and reward the few much as a casino does. A casino is a much fairer place to invest your money in, and the odds are much better than in the stock market.
- Be warned that the crash is yet to come, the tide is still out and the longer it stays out the higher the wave will be that will crash upon the shore whenever it comes ashore. What we have witnessed so far is a mere prelude to the main feature; we have been thinking that we are watching the movie when it is only the trailer. The powers that be can delay the inevitable to suit their plans but they cannot stop it; and personally, I do not believe they have any intention of stopping it. If they had the best interests of the average person, the American or Canadian public at heart these problems would not have happened in the first place. The proposed solutions are much bigger problems in the making for the little guys, and if we little guys can surmise as much, then I am convinced that the powers that be have already surmised as much.
- Ultimately what is confronting the world is judgment from on high; the 'elites' are only the puppets whose strings are being pulled by the Almighty. He it is that will determine when the final crash will occur not Goldman Sachs or the Fed or the Treasury or any other organization or person. Our God is gracious and merciful not sending judgment in one fell swoop upon the world but in waves that will keep getting higher and higher. When the judgment of Jerusalem came in the days of the prophet Jeremiah the judgment lasted decades; the inhabitants of the land were given ample opportunities to repent and change, and even at that late stage judgment would be withheld. The judgment which led to the destruction of Jerusalem lasted a period of time that spanned the reign of several kings. Do not be surprised if this judgment that is just beginning lasts a few administrations and Presidents or rulers. This so-called rally is merely another chance being given to the inhabitants of the world to repent and change but is anyone listening? The next shoe to drop will be more severe and may result in famine and pandemic in our nations but amidst it all our God alone has power over all plagues and all economic woes; look to Him not to the government. Believe in the Lord Jesus Christ and you shall be saved not to king Obama.