The Bizarre History of Technical Analysis

AK here with this week's Macro Musings.

The February issue of our Macro Intelligence Report (MIR) is coming out in a few days. We're going to be covering our top stocks for the Asian S-Curve theme discussed in yesterday's email. **Some of these names have 10x+ potential over the next five years. And that's not an exaggeration.** With our 60-day money-back guarantee, there's no risk for you to come along for the ride. Don't miss your chance. Subscribe to the MIR by clicking here.

Recent Articles –

Asian Explosion – We reiterate the idea of the S-curve and how the Asian middle class will become the growth engine for the global economy.

The US Dollar – Wondering what's going on with this dollar drop? Be sure to check out our explanation here.

Credit Addiction – Part one of Fallible's series that digs into credit and debt cycles.

Article I'm reading –

Here's a great article from Winton on the history of technical analysis going all the way back to 18th century Imperial Japan.

> *"Night and morning attacks"; "advancing three soldiers"; "counter attack lines" – candlestick chart patterns with such names hint that technical trading first started at a time when the military held sway. And in Edo-period Japan,*

> *traders applied technical analysis as they sought to profit from Osaka's rice futures market.*
>
> *Munehisa Homma, a speculator and effectively an early behavioural economist, produced some of the earliest descriptions of technical patterns in writings such as The Fountain of Gold—The Three Monkey Record of Money. He attributed trends and reversals to the human emotions exhibited in market behaviour. In Japan, candlestick charts used by technical traders are known as Sakata charts, a fitting reference to Homma's hometown.*
>
> *Across the East China Sea, Confucian manuals published rules of thumb to help forecast price movements in the bustling markets of Imperial China. Essential Business, one such manual, explained how "no item will remain expensive for over one hundred days and no item will remain cheap for one hundred days". The same guides purported to show merchants how to identify market manipulation, understand relationships between price and volume, and handily how to develop a honed Confucian disposition.*
>
> *These are just two of the many precursors of modern technical analysis that academics and practitioners have traced; other examples date back to ancient Babylon.*

Podcast I'm listening to –

If you haven't listened already, LinkedIn co-founder Reid Hoffman's podcast [Masters of Scale]() is worth checking out. Here's a quick description:

> *How do companies grow from zero to a gazillion? Masters of Scale unfolds like a music-infused detective story as legendary Silicon Valley investor / entrepreneur Reid Hoffman tests his theories with famous founders. Guests include Facebook's Mark Zuckerberg & Sheryl Sandberg, Netflix's Reed Hastings, Google's Eric Schmidt, and Spanx's*

> *Sara Blakely.*

One of the most popular episodes is the series' very first with Airbnb's Brian Chesky:

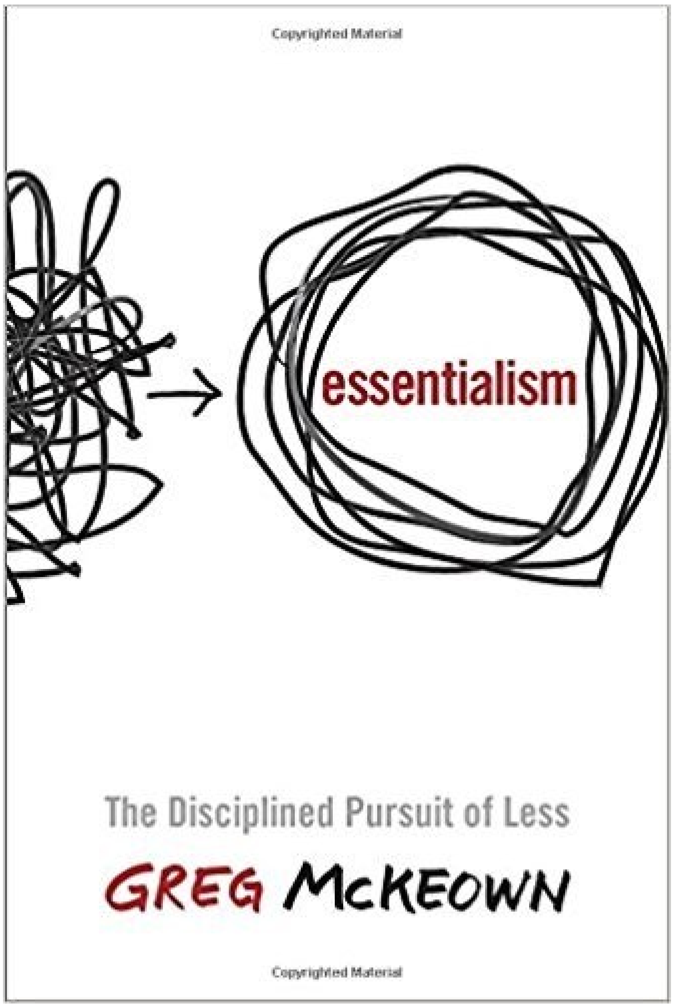
> *If you want your company to truly scale, you first have to do things that don't scale. Handcraft the core experience. Get your hands dirty. Serve your customers one-by-one. And don't stop until you know exactly what they want. That's what Brian Chesky did. As CEO of Airbnb, Brian's early work was more akin to a traveling salesman. He takes us back to his lean years – when he went door-to-door, meeting Airbnb hosts in person – and shares the imaginative route to crafting what he calls an "11-star experience."*

Video I'm Watching –

Here's a solid interview with JD.com Founder/CEO Richard Liu at Davos. In it he discusses a bit about how he started out and then moves on to describing what he sees as the retail industry.

JD is one of our highest conviction investments at the moment and Richard Liu is a big reason why.

Book I'm Reading –



Essentialism by Greg McKeown is an easy-to-read book that reminds you how important the 80/20 rule is.

It's very likely that just 20% of what you do each day provides 80% of the results you're looking for. The goal of an Essentialist is to cut out the extraneous stuff that only serves to sap your energy and time, and to redirect those resources to executing the essential 20% more effectively. The whole idea is to do "*less* but better".

Here's a description of the book from Amazon:

> *The Way of the Essentialist isn't about getting more done in less time. It's about getting only the right things done. It is not a time management strategy, or a productivity technique. It is a systematic discipline for discerning what is absolutely essential, then eliminating everything that is not, so we can make the highest possible contribution*

towards the things that really matter.

*By forcing us to apply a more selective criteria for what is Essential, the **disciplined pursuit of less** empowers us to reclaim control of our own choices about where to spend our precious time and energy – instead of giving others the implicit permission to choose for us.*

Trade I’m looking at –

Twitter is back on our radar again after completing a breakout from its multi-year base.

As regular users of “Fintwit” we can vouch for the value of the platform. Fintwit has done wonders for our business and has been instrumental in connecting us with all sorts of smart people out there in the world of finance.

The stock also has buyout potential. Rumors have been floating around the Street that Salesforce.com might put in a bid.

And to top it off there are other very smart people already long Twitter. David Einhorn from Greenlight Capital thinks 2018 is Twitter's year, and Andrew Left from Citron Research agrees.

Quote I'm pondering –

> *Without great solitude, no serious work is possible. ~ Pablo Picasso*

Just a friendly reminder to cut the noise and think for yourself.

That's it for this week's Macro Musings.

If you're not already, be sure to follow us on Twitter: @MacroOps and on Stocktwits: @MacroOps. Alex posts his mindless drivel there daily.

Here's a link to our latest global macro research. And here's another to our updated macro trading strategy and education.

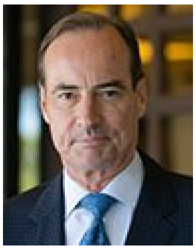
Your Macro Operator,

AK

The post The Bizarre History of Technical Analysis appeared first on Macro Ops.

Macro Ops

This Thanksgiving Goes to Corporations: Thanks for the Greatest Free Gift in History



It's no f'ing wonder!" I yelled to no one in particular the other day when my researcher, Dave Okenquist, shared with me a chart he'd just come across!

"We've died and gone to heaven thanks to these guys! They've given us the greatest free gift in history!"

The dog tucked its tail between its legs and made a hasty retreat.

"Thank you so much you a-holes! Now we're going to pay an even bigger price when the wheels come off this f'ing bus and everyone realizes we're not in heaven after all!"

The chart proved that this rally since 2009 is built on a whole lot of nothing! There are no fundamentals behind it. All that's happened is corporations have been buying back their own stocks with the near-free money the Fed and other central banks put on the table.

So, on this Thanksgiving Day, let's give thanks to the Fed and those corporations for this unprecedented bubble!

They've gotten the biggest "free lunch" in history.

And now they're eyeing Trump's tax cuts like cannibals at a human meat market, despite their corporate profits having hit as high as 11% of GDP. Those profits have been just 6%, on average, since the 1950s!

"Oh, if these companies that have been buying back their own

stocks with free money only got MORE free money," I continued raving to no one, *"then they'd expand their capacity and create new jobs!"*

I was being sarcastic, of course!

We're at 4.1% unemployment. That's about as low as it gets.

We've hired back all of the lost jobs from the great recession. Our workforce will actually *decline* for several years ahead and then only grow, at best, at 0.2% for decades to come.

Our productivity has dropped from 3% in the past to 0.5% now; and it's still falling… because we're aging as a society.

How many old people do you know who get more productive and innovative as they age past 50 or 60?

"Why didn't we realize earlier that we could just grow our economy by printing free money?" I was still yelling at the wall. I could hear the dog trying to bury itself under something in a room nearby.

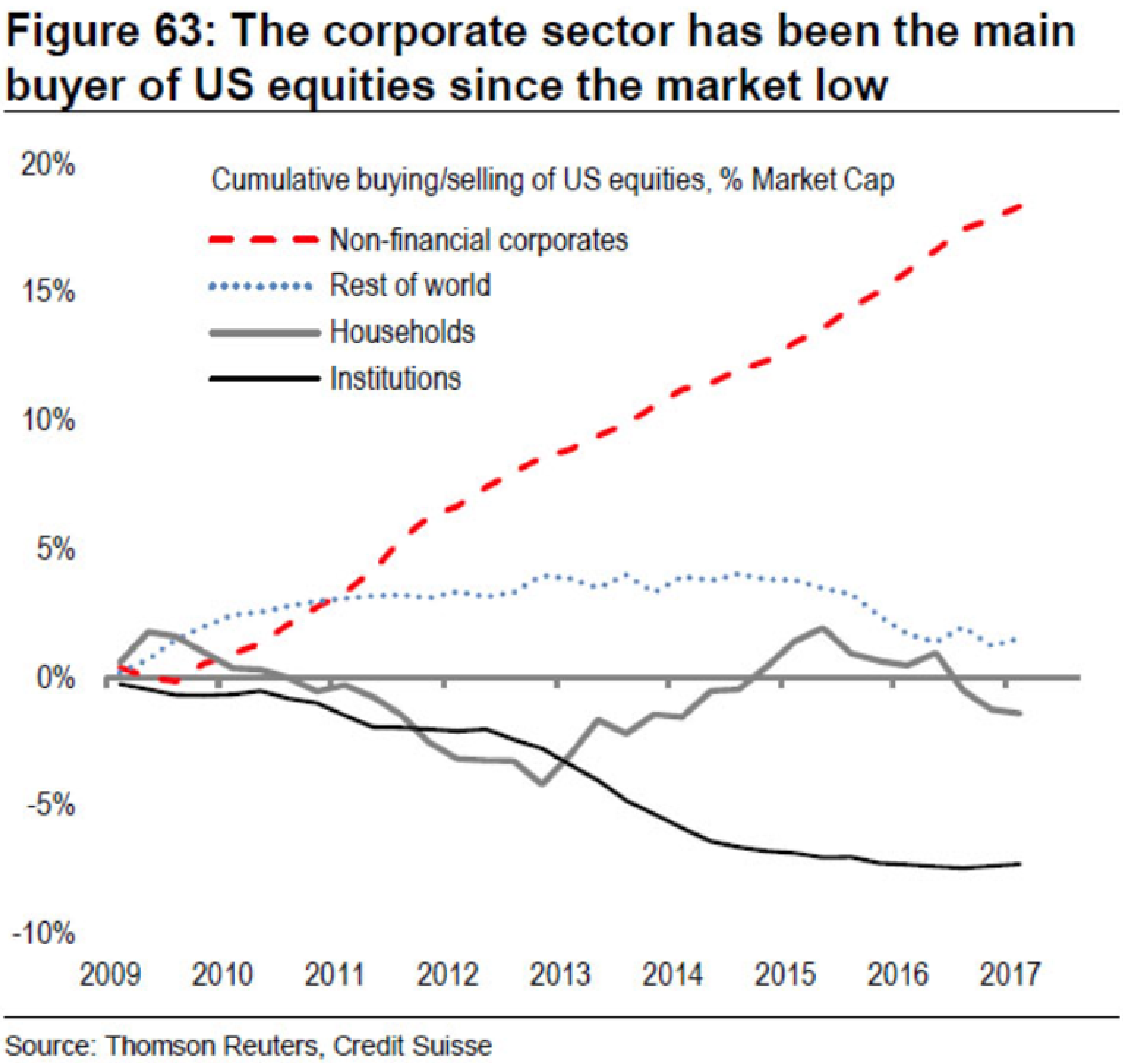
"Why should we have to innovate or work?! What idiots we were until John Maynard Keynes came along in the 1930s. Thank God for him! When there are downturns, the government can just run deficits or print money to offset them. We just grow without recessions and then retire and go to heaven! Couldn't get better!

"Damn, why did I even make the investment to go to college and business school?!

"And the next step in the endless something-for-nothing stimulus scheme is to just stop fooling around. Let's just start sending $ 10,000 or $ 20,000 checks to every household!"

At which point I'd finally wound myself down (although, as I typed this email to you, I did bang to keyboard harder than was entirely necessary).

Look at this chart that explains why the stock market has been so strong in a low growth economy. [Dave found this on ZeroHedge](#).



So, here's the new economy since demographics and debt tanked in most places from late 2007 forward:

Governments issue unprecedented amounts of debt – and buy their own bonds to keep interest rates low, to be able to issue more debt affordably.

Corporations use unprecedented low long-term interest rates – at near zero for risk-free rates adjusted for inflation – to buy their own stocks back and increase their earnings per share, even if their earnings are not growing.

Damn again!

We've been idiots for thousands of years to think we had to work and innovate and invest to create growth. All that suffering? When we just needed central banks!

Trouble is, it doesn't work that way in the long run! Eventually it all heads south.

History is going to look back at this period as a time characterized by the worst financial policies in history… and possibly the worst stock market crash. And we'll all be mortified, especially central bankers and economists!

History will show that the next several decades created the greatest political and financial revolution since democracy met free-market capitalism in the early 1700s.

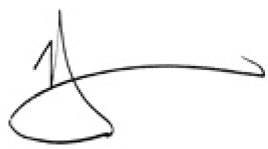
That's the new theme of my new book: ***Zero Hour***. Get it now.

In it, I prove that this dream world that the Fed and corporations have created won't last for much longer… and I show what will bring it crashing to the ground.

Ultimately adversity creates innovation and progress!

Now *that's* something we should truly be thankful for!

Happy Thanksgiving,



Harry
Follow me on Twitter ***@harrydentjr***

The post This Thanksgiving Goes to Corporations: Thanks for the Greatest Free Gift in History appeared first on Economy and Markets.

Harry Dent – Economy and Markets (Harry Dent)

The Federal Reserve Has Just Given Financial Markets The Greatest Sell Signal In Modern American History


Why have stock prices risen so dramatically since the last financial crisis? There are certainly many factors involved, but the primary one

is the fact that the Federal Reserve has been creating trillions of dollars out of thin air and has been injecting all of that hot money into the financial markets. But now the Federal Reserve is starting to reverse course, and this has got to be the greatest sell signal for financial markets in modern American history. Without the artificial support of the Federal Reserve and other global central banks, there is no possible way that the massively inflated asset prices that we are witnessing right now can continue.

The chart below comes from Sven Henrich, and it does a great job of demonstrating the relationship between the Fed's quantitative easing program and the rise in stock prices. During the last financial crisis the Fed began to dramatically increase the size of our money supply, and they kept on doing it all the way through the end of October 2017…

Unfortunately for stock traders, the Federal Reserve has now decided to change course, and that means that the process that has created these ridiculous stock prices is beginning to go in reverse. In fact, according to Wolf Richter this reversal just started to go into motion within the past few days…

> *On October 31, $ 8.5 billion of Treasuries that the Fed had been holding matured. If the Fed stuck to its announcement, it would have reinvested $ 2.5 billion and let $ 6 billion (the cap for the month of October) "roll off." The amount of Treasuries on the balance sheet should then have decreased by $ 6 billion.*

> *And that's what happened. This chart of the Fed's Treasury holdings shows that the balance dropped by $ 5.9 billion, from an all-time record 2,465.7 billion on October 25 to $ 2,459.8 billion on November 1, the lowest since April 15, 2015*

Does anyone out there actually believe that the immensely bloated balance sheet that the Fed has accumulated can be unwound without having an enormous negative impact on Wall Street?

And even more frightening is the fact that central banks all over the planet appear to be acting in coordinated fashion. I really like how Brandon Smith made this point…

> *An observant person, however, might have noticed that central banks around the world seem to be acting in a coordinated fashion to remove stimulus support from markets and raise interest rates, cutting off supply lines of easy money that have long been a crutch for our crippled economy. The Bank of England raised rates this past week, as the Federal Reserve indicated yet another rate hike in December. The Europeans Central Bank continues to prep the public for coming rate hikes, while the Bank of Japan has assured the public that "inflation" expectations have been met and no new stimulus is necessary. If all of this appears coordinated, that is because it is.*

When interest rates are low and central banks are injecting money directly into the financial system, that tends to promote economic activity.

But when they raise interest rates and pull money out of the financial system, the exact opposite is true.

At this point Americans are more optimistic about the stock market than they have ever been before, and it is at this exact moment that the Fed is pulling the financial markets off of life support.

And it isn't as if the "real economy" ever recovered in any meaningful way. Most American families are still living paycheck to paycheck, and a new economic crisis would push millions more out of the middle class.

For a long time I have been warning that the only reason why stock prices ever got this high was because of the central banks, and I have also been warning that they could crash the markets if they wanted to do so.

Hopefully there is nothing nefarious going on, but I do find it very strange that all of the major global central banks are moving toward tightening at the exact same time.

If things go south for the global economy in the months ahead, we will know exactly where to point the blame…

Michael Snyder is a Republican candidate for Congress in Idaho's First Congressional District, and you can learn how you can get involved in the campaign on his official website. His new book entitled "Living A Life That Really Matters" is available in paperback and for the Kindle on Amazon.com.

The Economic Collapse

Red Flag Warning: These California Wildfires Are

‘Among The Most Destructive Fire Events In US History’ And They Are About To Get Even Worse

The wildfires that are roaring through northern California are already “among the most destructive fire events in U.S. history”, and by the time it is all said and done this could be the worst wildfire season in the history of the state. So far, fires have scorched more than 250 square miles, and more than 3,500 homes and businesses have already been destroyed. The official death toll has risen to 21, but that is expected to rise dramatically because over 600 missing persons reports have been filed with authorities. The worst damage has been done in Napa and Sonoma counties, and you can see some deeply troubling photos of the devastation here and here.

Unfortunately, this crisis is far from over. In fact, the National Weather Service has just issued a pair of “red flag warnings”…

> *The weather forecast is not looking good for those living in wine country, and for those firefighters trying to get a*

> *handle on the 22 wildfires raging through Northern California, which broke out Sunday and are barely contained more than three days later.*
>
> ***The National Weather Service issued a red flag warning for the North and East bays starting at 5 p.m. Wednesday and midnight on Thursday respectively.***
>
> ***That means winds can gust from 20 mph to 50 mph in the higher elevation areas, fanning the flames down mountains and into the cities.***

So as bad as things are at this moment, the truth is that they are going to get even worse over the next 24 hours.

And that is quite sobering to hear, because this is already one of "the most destructive fire events in U.S. history"…

> *The California Department of Forestry and Fire Protection said fire activity increased significantly, destroying more buildings and forcing more mandatory evacuations.* ***The wind-whipped, fast moving cluster of blazes ranks among the most destructive fire events in U.S. history.***
>
> *"This is a serious, critical, catastrophic event," Cal Fire Chief Ken Pimlott said. "It's pure devastation, and it's going to take a while to get out and comb through all this."*

Of course this crisis comes on the heels of several other major disasters. In recent weeks our nation has had to deal with Hurricane Harvey, Hurricane Irma and the Las Vegas shooting, and many have pointed out that the U.S. has not seen a series of disastrous events such as this in a very long time.

It would be hard to overstate the devastation that we have witnessed in northern California so far. In some areas, it literally looks like a war zone…

> ***'It looks like a bombing run here,'*** *said winemaker Joe Nielsen of Santa Rosa's Donelan Family Wines, speaking to the San Francisco Chronicle.* ***'Just chimneys and burnt-out cars and cooked trees.'***

What would you do if your home burned to the ground?

Perhaps you could use the insurance money to rebuild eventually, but what would you do in the meanwhile?

Everywhere you go in northern California the smell of smoke fills the air. At this point it is so bad that even San Francisco is reporting "the worst air quality ever recorded"…

> *"We are reporting the worst air quality ever recorded for smoke in many parts of the Bay Area," said Tom Flannigan, spokesman for the Bay Area Air Quality Management District. "This is similar to what you see in Beijing China in bad air days there."*
>
> *Soot readings in many areas have reached levels considered very unhealthy or hazardous, air quality regulators said.*

And the economic damage that is being done by these fires is going to be felt for many, many years to come.

As the quote below explains, California accounts for approximately 85 percent of the wine production in the United States, and Napa and Sonoma counties are the heart of the wine industry in the state…

> *Wine industry experts say that even if a winery's vineyards remain standing, they face steep challenges as their employees struggle with burned or damaged homes. The region counts wine and tourism as top employers, and many workers who pick grapes or work in hotels may be compelled to relocate after losing everything.*

> *Napa and Sonoma counties are home to around 900 wineries (of 4,600 statewide), with most boutique businesses making higher-end wines. The two counties represent 13% of the state's output. And the state itself supplies 85% of the nation's wine production, making it the fourth-largest producer of wines after Italy, France and Spain.*

Expect the price of wine to go up substantially in the months ahead, and this is going to be a huge hit for one of the most economically prosperous areas of the state. Many of the facilities that have been destroyed will never be rebuilt, and needless to say the tourism industry in northern California will not be the same for a very long time.

But the true extent of the devastation will not be known until the crisis is over, and it looks like the worst chapters may still be ahead. USA Today is reporting that no rain is in the forecast, and strong winds are going to continue to push wildfires very rapidly across the region…

> *"No rainfall is forecast for ongoing fires in California," the weather service said. "Strong winds behind the front will bring elevated-to-critical fire weather threats to active fires across northern California today into Thursday."*

Please pray for the people living in northern California. Normally, it is one of the most beautiful areas on the entire planet, but now it is literally being transformed into a complete and total nightmare.

For years, I have been writing about the alarming increase in the intensity of wildfires all over the country. One of the big reasons for this is the fact that the federal government is not properly managing the lands under their control, and so wildfires tend to burn more rapidly on federally-owned lands. It is time for the federal government to start turning over ownership of these lands to the states, and that is something that I plan to fight very hard to accomplish.

Michael Snyder is a Republican candidate for Congress in Idaho's First Congressional District, and you can learn how you can get involved in the campaign on his official website. His new book entitled "Living A Life That Really Matters" is available in paperback and for the Kindle on Amazon.com.

The Economic Collapse

The Equifax Hack Is The Most Disastrous Data Breach In History Because Now Hackers Have The Credit Information Of 143 Million Americans

Talk about a nightmare. It is being reported that criminals were able to hack into Equifax and make off with the credit information of

143 million Americans. We are talking about names, Social Security numbers, dates of birth, home addresses and even driver's license numbers. If this data breach was an earthquake, we would be talking about a magnitude-10.0 on the identity theft scale. We have never seen anything like this before, and to say that this will be "disastrous" for the credit industry would be a massive understatement.

What really disturbed me about this story is that this hack reportedly occurred between "mid-May and July of this year"…

> *Credit monitoring company Equifax has been hit by a high-tech heist that exposed the Social Security numbers and other sensitive information about 143 million Americans. Now the unwitting victims have to worry about the threat of having their identities stolen.*
>
> *The Atlanta-based company, one of three major U.S. credit bureaus, said Thursday that "criminals" exploited a U.S. website application to access files **between mid-May and July of this year**.*

So why didn't we learn about this until September?

Somebody out there really needs to answer that question for us.

And even though the "143 million" number is being thrown around constantly, according to USA Today we may never know the true number of victims…

> *When asked if there's a way to quantify how many people have been harmed, John Ulzheimer, a credit expert and former employee at Equifax and credit score firm FICO, said: **"There's no way to know, and there may never be a way to know."***

Personally, I don't see how Equifax can possibly survive after this. Their stock price is already crashing, and now it has come out that they had put a “music major” in charge of data security…

> *When Congress hauls in Equifax CEO Richard Smith to grill him, it can start **by asking why he put someone with degrees in music in charge of the company’s data security**.*
>
> *And then they might also ask him if anyone at the company has been involved in efforts to cover up Susan Mauldin’s lack of educational qualifications since the data breach became public.*
>
> *It would be fascinating to hear Smith try to explain both of those extraordinary items.*

Also, we are now finding out that Equifax has not just had security problems here in the United States.

According to the New York Post, data breaches have been taking place all over the globe…

> *Hackers had access to the names, dates of birth and e-mail addresses of nearly 400,000 people **in the United Kingdom**, said Equifax’s British subsidiary in a statement last week.*
>
> ***In Canada**, sensitive data belonging to 10,000 consumers may have been hacked in the breach, said a statement from the Canadian Automobile Association.*
>
> ***In Argentina**, one of the company’s portals was so easily accessible that it allowed quick exposure to the personal information of more than 14,000 people.*

As noted above, the public didn’t learn about any of this until September.

But once top Equifax officials learned what had happened, some of them started dumping their shares of Equifax very rapidly…

> *Three Equifax executives — not the ones who are departing — **sold shares worth a combined $ 1.8 million just a few days after the company discovered the breach**, according to documents filed with securities regulators.*
>
> *Equifax shares have lost a third of their value since it announced the breach.*

Needless to say, the SEC is going to be looking into this very closely.

As we move forward, there is a tremendous amount of concern as to how much this data breach will affect the U.S. economy.

Only time will tell, but without a doubt it will have an impact. For example, according to Bloomberg this data breach could potentially have an absolutely disastrous impact on store-branded credit cards…

> *Equifax Inc.'s massive data breach could make an already tough market outlook even more daunting for the firms behind Gap Inc.'s and Ann Taylor's store-branded credit cards.*
>
> *Those retailers' banking partners, including Synchrony Financial and Alliance Data Systems Corp., could see fewer account originations as more consumers freeze their credit to avoid hack-related fraud. Consumers have to take extra steps — including calling the credit bureau, going online or paying fees — to lift a block and get a new card.*
>
> *"If people are defaulting to credit freezes, then if you're a Macy's retailer trying to sell credit cards, you can't get that done at the point of sale," said Vincent Caintic, an analyst at Stephens Inc. "It could become a regular thing, these freezes. It does slow down the origination process and it's probably going to increase acquisition costs."*

If you believe that your data may have been compromised in this breach, there are some things that you can do right away to help protect against identity theft. You can sign up for 24 hour a day credit monitoring, you can request fraud alerts, you can enable “two factor authentication” and beyond all of that you could go as far as to freeze your credit.

But if everybody in America suddenly started freezing their credit, that would slow down economic activity dramatically. So needless to say authorities are hoping that does not happen.

In this case, Equifax needs to step up and do the right thing. They need to inform all of the victims (even if that means reaching out to 143 million different people), and they should automatically provide free credit monitoring for all of those that were affected.

I seriously doubt that Equifax will take these measures, and I also seriously doubt that Equifax will be able to survive much longer.

When you bungle something as badly as Equifax has done, it is nearly impossible to restore faith in an organization. The credit information of 143 million Americans is now in the hands of criminals, and the potential damage that could be done is absolutely off the charts.

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The Economic Collapse

[Category 6? If Hurricane Irma Becomes The Strongest Hurricane In History, It Could Wipe Entire Cities Off The Map]

Meteorologists have been shocked at how rapidly Hurricane Irma has been strengthening, and they are already warning that if it hits the United States as a high level category 5 storm the devastation would be absolutely unprecedented. Of course we are already dealing with [the aftermath of Hurricane Harvey], and many experts are already telling us that the economic damage done by that storm will easily surpass any other disaster in all of U.S. history. But there is a very real possibility that Hurricane Irma could be even worse. According to the National Hurricane Center, at 5 PM on Friday Irma already had sustained winds of 130 miles per hour. But it is still very early, and as you will see below, next week it is expected to potentially develop into a category 5 storm with winds of 180 miles per hour or more.

I suppose that it is appropriate that such a powerful storm has a very powerful name. In old German, the name "Irma" actually means "war goddess"…

> *The name Irma is a German baby name. In German the meaning of the name Irma is: **Universal, from the Old German 'irmin'. War goddess.***

Irma began forming on Wednesday, and it intensified at a faster rate than any storm that we have seen in nearly 20 years…

> *Hurricane Irma formed early Wednesday in the warm waters off the coast of West Africa — and took just 30 hours to strengthen to a Category 3. That's the fastest intensification rate in almost two decades. By Friday afternoon, the storm had also grown noticeably larger in size with a well-defined eye, a classic sign of a strong hurricane.*
>
> *Though Irma poses no immediate threat to land, the outlook is ominous: In the Atlantic, Irma is expected to pass through some abnormally warm waters — the primary fuel source for storm systems. The official National Hurricane Center forecast says it will remain at major hurricane status for at least the next five days, and, **in a worst-case scenario, Irma could eventually grow into one of the strongest hurricanes ever seen in the Atlantic.***

So how powerful could Irma eventually become?

According to Michael Ventrice of the Weather Channel, Irma could easily become a "super typhoon" with "sustained speeds of over 180mph"…

> *Veteran USA forecaster Michael Ventrice posted the track model on Twitter overnight and warned it looked like the storm could be a "super typhoon", with sustained speeds of*

> *over 180mph.*
>
> *He wrote: “These are the highest windspeed forecasts I’ve ever seen in my 10 yrs of Atlantic hurricane forecasting.*
>
> *“Irma is another retiree candidate.”*

The scale we have right now really never envisioned storms that powerful. In fact, some have suggested that we need to add a “category 6” to describe the kind of “super storms” that are now developing in the Atlantic.

One of the reasons why Irma is so unique is because it is a “Cape Verde hurricane”…

> *There are a few factors that worry hurricane forecasters more about this storm when compared to the myriad other tropical storms and hurricanes that tend to form in the Atlantic.*
>
> *First, it’s a so-called Cape Verde storm, having formed off the west coast of Africa. These storms tend to be the ones that go on to affect the U.S., after gathering strength for many days during their march across the ocean. For example, Hurricane Andrew, which was the most recent Category 5 storm to hit the U.S. in 1992, was a Cape Verde-type storm.*
>
> *Because they begin at a relatively low latitude and move west rather than northwest, it can be harder for upper level winds blowing across North America to pick up and steer these types of storms away from the U.S. coast.*

Let us hope that this storm does get steered away from our coastlines at some point, but so far that is just not happening.

Many hurricanes are often weakened by wind shear, but that isn’t happening to Irma either. In fact, CNN is reporting that “Irma will remain in a low-shear environment for the next several days"…

> *A strong high-pressure ridge to the north of Irma, over the Atlantic, is steering the storm to the west and limiting the wind shear in the upper levels of the atmosphere, which has allowed the storm to grow so quickly. Wind shear is like hurricane kryptonite, and prevents storms from forming or gaining strength.*
>
> *Unfortunately, Irma will remain in a low-shear environment for the next several days, so there isn't much hope that Irma will weaken any time soon.*

Basically, conditions are nearly ideal for a "super storm" to develop, and if Irma does make it to the U.S. the destruction that it causes could be absolutely off the charts.

Of course at this point there is no guarantee that it will ever reach the United States. But if it does, and if it is still a category 5 storm when it arrives, we could be facing an event unlike anything that we have ever seen before.

Do you remember Hurricane Katrina? Well, scientists now know that when it hit New Orleans it had already been downgraded to just a "low category 3" storm…

> *To put this all in perspective, Katrina was a Category 5 hurricane out over some hot spots in the Gulf. But when it hit New Orleans, scientists now know, Katrina had winds at a low Category 3, and much of them Category 2, including the "left side winds" that then came down from the north and pushed the surge-swollen waters of Lake Pontchartrain over and through NOLA's levees. (Hurricanes spin counterclockwise in the northern hemisphere, so when Katrina came ashore just east of New Orleans, its winds hit the city from the north.)*
>
> *Only three Category 5s have come ashore in the United States in the past century – the 1935 Labor Day Hurricane, Camille*

in 1969 and Andrew in 1992.

And Hurricane Harvey was just a category 4 storm.

If Hurricane Irma were to make landfall as a category 5 storm with sustained winds of 180 miles per hour, it would rip buildings and everything else in its path to shreds.

Next week we shall find out what happens. Let us hope for the best, but let us also get prepared for the worst.

Michael Snyder is a Republican candidate for Congress in Idaho's First Congressional District, and you can learn how you can get involved in the campaign on his official website. His new book entitled "Living A Life That Really Matters" is available in paperback and for the Kindle on Amazon.com.

The Economic Collapse

Hurricane Harvey Has Dumped 15 Trillion Gallons Of Water On Texas And May Be The Most Expensive Natural Disaster In U.S. History


Authorities are now telling us that Hurricane Harvey may end up causing more economic damage than even Hurricane Katrina did. We already knew that some parts of southeast Texas are going to be [“uninhabitable for an extended period of time”], but the latest forecasts are calling for about 10 more inches of total rain than had previously been projected. At this moment 15 trillion gallons of water have already been dumped on Texas, and the rain continues to fall. You can get some idea of the devastation that has taken place in Houston by watching [this drone footage]. Essentially, some communities along the southeast Texas coastline have been totally destroyed.

It would be bad enough if 15 trillion gallons of water were dropped anywhere in the continental United States, but for it to happen in the Houston area makes it a disaster of unprecedented proportions. Houston is our fourth largest city, and that means that millions upon millions of people are being deeply affected by this storm. As I mentioned above, some experts now believe that this could end up being [the most expensive natural disaster in our history]…

> *Tropical Storm Harvey has dropped* ***more than 15 trillion gallons of water*** *on Texas, triggering catastrophic, unprecedented flooding in the Houston area. The rains have*

> *broken all-time records, exceeding the rainfall totals seen during Tropical Storm Allison in 2001.*
>
> *There may be no parallel available to any other rainstorm in U.S. history, based on the number of people affected, amount of water involved, and other factors, meteorologists have warned.*
>
> ***Due to its wide geographic scope across America's 4th-largest city, the ensuing flood disaster may rank as one of the most, if not the most, expensive natural disaster in U.S. history.***

And 15 trillion gallons is just the current number. Meteorologists are forecasting that another 6 trillion gallons of water will fall on Texas before this storm is over.

Just yesterday, authorities were warning that some areas may see more than 40 inches of total rain, but now many forecasts are calling for "as much as 50 inches of rain" before Hurricane Harvey finally leaves Texas…

> *As the water rose, the National Weather Service issued another ominous forecast:* ***Before the storm is gone, some parts of Houston and its suburbs could get as much as 50 inches of rain****. That would be the highest amount ever recorded in Texas.*
>
> *FEMA's Long predicted that the aftermath of the storm would require FEMA's involvement for years.*
>
> *"This disaster's going to be a landmark event," Long said.*

If these forecasts are accurate, the rainfall levels will exceed any previous record.

In fact, the amount of rain that has already fallen on southeast Texas would be enough to completely fill the Great Salt Lake in Utah, and then fill it all the way to the top again.

FEMA officials are already saying that they are going to be in the Houston area for "years". Tens of thousands are already using temporary shelters, and it is being projected that 450,000 people will ultimately file for disaster assistance…

> *U.S. emergency management officials said on Monday they were expediting federal resources to Texas to help with rescue efforts after Hurricane Harvey swamped coastal areas of the state and forced 30,000 people to seek refuge in temporary shelters.*
>
> *Federal Emergency Management Agency Administrator Brock Long said more than 450,000 people were expected to seek disaster assistance due to flooding after Harvey made landfall during the weekend before weakening to tropical storm status.*

Of course whenever there is a disaster such as this, bad people are going to try to take advantage of the situation.

According to Houston police chief Art Acevedo, a number of looters have already been arrested…

> *Acevedo also said officers are focused on protecting the city from looters as floodwater recede.*
>
> *"We've already arrested a handful of looters. We've made it real clear to our community we're going to do whatever it takes to protect their homes and their businesses," Acevedo said. "And when people come from the outside to Houston, Texas, know we're going to be out in the city, we're not going to rest as a police department or law enforcement community until people restore their lives."*

I am proud of how the Trump administration and the authorities down in Texas are responding to this unprecedented crisis. The loss of life appears to be minimal so far, and thousands of people have been rescued from their homes and vehicles.

We never give emergency responders the credit that they deserve. Day after day they are saving lives in the most difficult of situations, and I am so thankful for all of the wonderful people that are working so hard to help Houston pull through this.

Please keep the people of Houston in your prayers, because this is truly the worst crisis that city has ever seen.

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The Economic Collapse

Former Fed Chairman Alan Greenspan Ominously Warns That The Biggest Bond Bubble In History Is About To Burst

Are we right on the verge of one of the greatest financial collapses in American history? I have been repeatedly warning that our ridiculously over-inflated stock market bubble could burst at any time, but former Federal Reserve Chairman Alan Greenspan believes that the bond bubble actually presents an even greater danger. When you look at the long-term charts, you will see that an epic bond bubble has been growing since the early 1980s, and when it finally collapses the financial carnage is going to be unlike anything we have ever seen before.

Since the last financial crisis, global central banks have purchased trillions of dollars worth of bonds, and this has pushed interest rates to absurdly low levels. But of course this state of affairs cannot go on indefinitely, and Greenspan is extremely concerned about what will happen when interest rates start going in the other direction…

> ***Former Federal Reserve Chairman Alan Greenspan issued a bold warning Friday that the bond market is on the cusp of a collapse that also will threaten stock prices.***

> *In a CNBC interview, the longtime central bank chief said the prolonged period of low interest rates is about to end and, with it, a bull market in fixed income that has lasted more than three decades.*
>
> ***"The current level of interest rates is abnormally low and there's only one direction in which they can go, and when they start they will be rather rapid,"*** *Greenspan said on "Squawk Box."*

And of course Greenspan is far from alone. In recent months there have been a whole host of prominent voices warning about the devastation that will take place when the bond market begins to shift. For example, the following comes from [Nasdaq.com]…

> ***Advisors and investors beware, the long-swelling bubble in the bond market looks set to pop. Major bond investors are as worried as they have ever been, mostly because of the reduction in easing that is finally coming to markets.*** *Central banks are letting off the gas pedal for the first time in almost a decade, which could have a devastating effect on the bond market. According to the head of fixed income at JP Morgan Asset Management, who oversees almost half a trillion in AUM, "The next 18 months are going to be incredibly challenging. I am not an equity investor, but I can just imagine how equity investors felt in 1999, during the dotcom bubble". He continued, "Right now, central banks are printing money at a rate of around $ 1.5tn per year. That is a lot of money going into bonds. By this time next year, we think this will turn negative".*

So how will we know when a crisis is imminent?

Some analysts are telling us to watch the 30-year yield. When it finally moves above its "mega moving average" and stays there, [that will be a major red flag]…

> *It’s still too soon to tell, but this could be the beginning of a realignment with both rates getting in sync again. This will not be confirmed, however, until the 30-year yield rises and stays above its mega moving average, currently at 3.18%.*
>
> *As you know, this moving average is super important.*
>
> *It’s identified and confirmed the mega downtrend in long-term interest rates ever since the 1980s. In other words, it doesn’t change often. So, if this trend were to change and turn up, it would be a huge deal.*

Today, the 30-year yield moved up to 2.83 percent, and so we aren’t too far away.

There are so many prominent voices that are warning of imminent financial disaster, but there are others that believe that we have absolutely nothing to be concerned about. In fact, Jim Paulsen just told CNBC that he believes that this current bull market “could continue to forever”…

> *The stock market “has an awful good gig going,” with the economic recovery reaching all corners of the globe and U.S. inflation and interest rates still at historic lows, Leuthold Chief Investment Strategist Jim Paulsen told CNBC on Friday.*
>
> *“We’ve got a fully employed economy, rising real wages. We restarted the corporate earnings cycle. We’ve got strong confidence among business and consumers,” he said on “Squawk Box.”*
>
> *“The kick is we can do all of this without aggravating inflation and interest rates,” he said. “If that’s going to continue, I think the bull market could continue to forever.”*

I think that Paulsen will end up deeply regretting those words.

No bull market lasts forever, and analysts at Goldman Sachs are warning that there is a 99 percent chance that stock market returns will be sub-optimal over the next decade.

But most people believe what they want to believe no matter what the facts may say, and Paulsen apparently wants to believe that things will never be bad for the financial markets ever again.

In the aftermath of the financial crisis of 2008, the powers that be decided to patch the old system up. Instead of addressing the root causes of the crisis, they chose to paper over our problems instead, and now we are in the terminal phase of the biggest financial bubble in history.

This time around, it is absolutely imperative that we do things differently. The Federal Reserve is the primary reason why our economy is on an endless roller coaster ride. We have had 18 distinct recessions or depressions since 1913, and now another one is about to begin. By endlessly manipulating the system, they have caused these cycles of booms and busts, and it is time to get off of this roller coaster once and for all.

Like Ron Paul, I believe that we need to shut down the Federal Reserve and get our banks under control. I also believe that we should abolish the federal income tax and go to a much fairer system. From 1872 to 1913, there was no central bank and no federal income tax, and it was the greatest period of economic growth in U.S. history. If we rebuild our financial system on sound principles, we could actually have a shot at a prosperous future. If not, the long-term future for our economy looks exceedingly bleak.

If you believe in what I am trying to do, I would like to ask for your help. I am running for Congress in Idaho’s First Congressional District, and since there is no incumbent running for this seat the race is completely wide open. Every time I share my message, more voters are coming over to my side, and if I am able to get my message out to every voter in this district I will win.

And I would like to encourage like-minded people to run for positions all over the country on the federal, state and local levels. Individually, there is a limit to what we can do, but if we work together we can build a movement which could turn this nation completely upside down.

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The Economic Collapse

Remember This Milestone: The Dow Jones Industrial Average Hits 22,000 For The First Time In U.S. History


The Dow hit the 22,000 mark for the first time ever on Wednesday, and investors all over the world greatly celebrated. And without a doubt this is an exceedingly important moment, because I think that this is a milestone that we will be remembering for a very long time. So far this year the Dow is up over 11 percent, and it has now tripled in value since hitting a low in March 2009. It has been quite a ride, and if you would have told me a couple of years ago that the Dow would be hitting 22,000 in August 2017 I probably would have laughed at you. The central bankers have been able to keep this ridiculous stock market bubble going for longer than most experts dreamed possible, and for that they should be congratulated. But of course the long-term outlook for our financial markets has not changed one bit.

Every other stock market bubble of this magnitude in our history has ended with a crash, and this current bubble is going to suffer the same fate.

But many in the mainstream media are still encouraging people to jump into the market at this late hour. For example, the following comes from a USA Today article that was published on Wednesday…

> *"It's still not too late to get in," says Jeff Kleintop,*

> *chief global investment strategist at Charles Schwab, based in San Francisco. "The gains are firmly rooted in business fundamentals, not false hopes."*

I honestly don't know how anyone could say such a thing with a straight face. We have essentially been in a "no growth economy" for the past decade, and signs of a new economic slowdown are all around us.

But even though price/earnings ratios and price/sales ratios are at some of the highest levels in history, some analysts insist that the stock market still has more room to go up…

> *On the flip side, investors with time to ride out any short-term market storm should not rule out getting in the market now. Economies around the globe are improving and are boosting the profitability of corporations in the U.S. and abroad, says Chris Zaccarelli, chief investment officer at Cornerstone Financial Partners in Charlotte, N.C.*
>
> *Zaccarelli won't even rule out Dow 25,000 by the end of 2018.*

Personally, I believe that it is far more likely that we would see Dow 15,000 by the end of 2018, but over the past couple of years the bulls have been right over and over again.

But the only reason why the bulls have been right is because of unprecedented intervention by global central banks.

Today, the Swiss National Bank owns more than a billion dollars worth of stock in each of the following companies: Apple, Alphabet, Microsoft, Amazon, Exxon Mobil, Johnson & Johnson and Facebook.

So where does a central bank like the Swiss National Bank get the money to purchase all of these equities?

It's easy – they just print the money out of thin air. As

Robert Wenzel has noted, they simply “print the francs, exchange them for dollars and make the purchases”.

If I could create as much money as I wanted out of thin air and use it to buy stocks I could relentlessly drive up stock prices too.

Our financial markets have become a giant charade, and central bank intervention is the biggest reason why FAANG stocks have vastly outperformed the rest of the market. The following comes from David Stockman…

> *Needless to say, the drastic market narrowing of the last 30 months has been accompanied by soaring price/earnings (PE) multiples among the handful of big winners. In the case of the so-called FAANGs + M (Facebook, Apple, Amazon, Netflix, Google and Microsoft), the group’s weighted average PE multiple has increased by some 50%.*
>
> *The degree to which the casino’s speculative mania has been concentrated in the FAANGs + M can also be seen by contrasting them with the other 494 stocks in the S&P 500. The market cap of the index as a whole rose from $ 17.7 trillion in January 2015 to some $ 21.2 trillion at present, meaning that the FAANGs + M account for about 40% of the entire gain.*
>
> *Stated differently, the market cap of the other 494 stocks rose from $ 16.0 trillion to $ 18.1 trillion during that 30-month period. That is, 13% versus the 82% gain of the six super-momentum stocks.*

If global central banks continue to buy millions of shares with money created out of thin air, they may be able to keep this absurd bubble going for a while longer.

But if the Fed and other central banks start pulling back, we could see a market tantrum of epic proportions. In fact, almost every single time throughout history when the Federal Reserve has attempted a balance sheet reduction it has resulted in a recession…

> *The Fed has embarked on six such reduction efforts in the past — in 1921-1922, 1928-1930, 1937, 1941, 1948-1950 and 2000.*
>
> *Of those episodes, five ended in recession, according to research from Michael Darda, chief economist and market strategist at MKM Partners. The balance sheet trend mirrors what has happened much of the time when the Fed has tried to raise rates over a prolonged period of time, with 10 of the last 13 tightening cycles ending in recession.*
>
> *"Moreover, outside of the 1920s and 1930s, there is no precedent for double-digit annual declines in the balance sheet/base that will likely begin to occur late next year," Darda said in a note.*

President Trump is going to get a lot of credit if the stock market keeps going up and he is going to get a lot of blame if it starts going down.

But the truth is that he actually has very little to do with what is really going on.

This stock market bubble was created by the central banks, and they also have the power to kill it if they desire to do so.

And once this bubble bursts, we may be looking at a crisis that makes 2008 look like a Sunday picnic.

Goldman Sachs and others are already warning that this stock market rally is on borrowed time. Let's hope that it can continue at least for a little while longer, but in the end there is no possible way that this story is going to end well.

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Idaho's First Congressional District, and you can learn how you can get involved in the campaign on his official website. His new book entitled "Living A Life That Really Matters" is available in paperback and for the Kindle on Amazon.com.

The Economic Collapse

The Worst Financial Nightmare In Illinois History Erupts As State Comptroller Declares 'We Are In Massive Crisis Mode'

Margaret Thatcher once said that the big problem with socialist governments is that "they always run out of other people's money", and unfortunately we are witnessing this play out in a major way in the state of Illinois right now. At this point, the Illinois state government has more than 15 **billion** dollars of unpaid bills. Yes, you read that correctly. They are already

15 billion dollars behind on their bills, and they are on pace to take in 6 billion dollars less than they are scheduled to spend in 2017. It is the worst financial crisis in the history of Illinois, and State Comptroller Susana Mendoza sounds like she is about ready to tear her hair out in frustration…

> *"I don't know what part of **'We are in massive crisis mode'** the General Assembly and the governor don't understand. **This is not a false alarm**," said Mendoza, a Chicago Democrat. "The magic tricks run out after a while, and that's where we're at."*
>
> *It's a new low, even for a state that's seen its financial situation grow increasingly desperate amid a standoff between the Democrat-led Legislature and Republican Gov. Bruce Rauner. Illinois already has $ 15 billion in overdue bills and the lowest credit rating of any state, and some ratings agencies have warned they will downgrade the rating to "junk" if there's no budget before the next fiscal year begins July 1.*

Would you continue to do work for the Illinois state government if you knew that they were this far behind on their bills and that it is doubtful that you would be paid any time in the foreseeable future?

Of course the answer to that question is quite obvious. As contractual relationships break down, social services are starting to suffer, and there is not much hope that things will take a turn for the better any time soon.

At this point things have gotten so bad that the Illinois Department of Transportation is planning to cease all roadwork starting on July 1st, and even the Powerball lottery is threatening to cut all ties with the state…

> *As reported previously, the state Transportation Department*

> *said it would stop roadwork by July 1 if Illinois entered its third consecutive fiscal year without a budget – the longest such stretch of any US state – while the Powerball lottery said it may be forced to dump Illinois over its lack of budget. For now, state workers have continued to receive pay because of court orders, but school districts, colleges and medical and social service providers are under increasing strain.*

So what has caused this unprecedented crisis?

At the core, the problem is political. A tense standoff between a Republican governor and a Democratic legislature has resulted in the state going 700 days without a budget…

> *On May 31, Illinois will have gone 700 days without a budget, an unprecedented political failure. Also on May 31, if a budget is not passed, it could mean that the state could go until 2019—an unimaginable idea, except that senators have already imagined it.*
>
> *How does a state, led by a successful businessman as governor, a brilliant political strategist in the House, and a consummate dealmaker in the Senate, end up in this kind of political disorganization? Bad political errors led to bad political incentives, and as the problem worsened, so did the political risk of solutions—and what politicians had to ask of their constituents.*

This is another example of how deeply divided we are as a nation right now. Democrats hate Republicans and Republicans hate Democrats, and it is getting to the point where the two parties cannot work together on even the most basic things.

In the end, the state of Illinois is either going to have to cut spending dramatically, raise taxes substantially or some combination of both. And since the Democrats have very large majorities in both chambers of the state legislature, I wouldn't count on spending being cut that much.

This is the thing with big government – it always has a tendency to get even bigger. And the bigger government gets, the more of our money and the more of our freedom it takes away.

That is why I am a huge advocate of dramatically shrinking the size of government on the federal, state and local levels. Like Rand Paul has often said, I want a government so small that I can barely see it.

When you let government get out of control, what you end up with is a ravenous beast that has an endless appetite for more of your money. In Illinois, the money is all gone and the beast is desperately hungry for more.

Sadly, what is happening in Illinois is just the tip of the iceberg. If stock prices start declining from these massively inflated levels, state pension funds all over America are going to be in crisis mode very rapidly. And a new recession would greatly accelerate the financial problems of a whole bunch of states that are already dealing with huge budget shortfalls.

Unfortunately, experts all over the country are warning that the next major downturn is coming very quickly. For example, just consider what Bernard Arnault just told CNBC…

> *A financial crisis could be just around the corner, according to the chief executive of LVMH, who has described the global economic outlook as "scary".*
>
> *"For the economic climate, the present situation is…mid-term scary," Bernard Arnault told CNBC Thursday.*
>
> ***"I don't think we will be able to globally avoid a crisis when I see the interest rates so low, when I see the amounts***

> ***of money flowing into the world, when I see the stock prices which are much too high, I think a bubble is building and this bubble, one day, will explode."***

There is always a price to pay for going into too much debt.

A financial day of reckoning can be delayed for a while, but eventually bad financial decisions are going to catch up with you. The state of Illinois is learning this lesson in a very harsh manner right now, and the country as a whole is on the exact same path as Illinois.

I am often criticized for endlessly warning about America's coming day of reckoning, but you can't pile up the biggest mountain of debt in the history of the world without paying a price.

Just like the state of Illinois, we will pay for decades of exceedingly foolish decisions, and unfortunately this is going to cause severe economic pain throughout our entire society.

The Economic Collapse