

HAS WALL STREET GOTTEN RELIGIOUS?

WEB BUZZ 2010.05.10

It appears as though Wall Street is finally coming to the realization that the government's intervention into the economy is only papering over our problems rather than correcting them. As we have repeated many times - where does it say that one can solve one's debt problem by borrowing more money? The trillions of dollars spent only delay and increase the consequences of what ails us. Private debt is being replaced by public debt, which ultimately has to be paid by the private sector. Think of it - they are spending our money, without our say, on things that only benefit a select few, certainly not us.

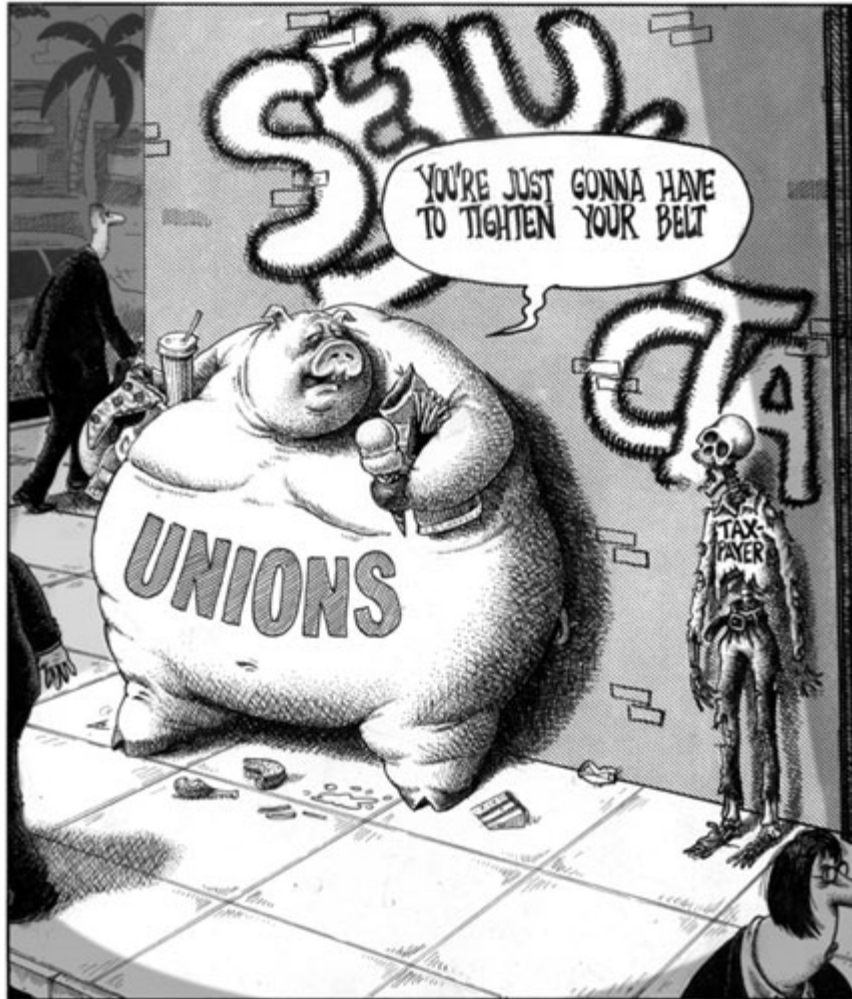
As we have said before, the United States is the best of a bad lot. Have you noticed the goings-on over in Europe? Their brand of socialism is breaking down, country by country. Greece is the first, but most certainly will not be the last. The so called PIGS of Europe (Portugal, Ireland, Greece, and Spain) are all overleveraged and in serious economic trouble. The U.K, Italy, and the Baltic states are on the edge. To top it off, even Germany, which is the strongest country in Europe by far, is showing signs of possible weakness.

Also keep your eye on China. Their stock market has been down for seven months in a row. They are tightening their monetary policy for fear of accelerating inflation. We would not be surprised to see their growth slow down precipitously over the balance of the year.

What does all this mean for us? The U.S. remains the world's safe haven. Expect the dollar to be strong and interest rates on government securities to go lower yet. Risky assets should be shed.

P.S. Who, you might ask, is receiving the benefits of our government's stimulus? Maybe the cartoon below might give one a general idea. For example,

the UAW was favored over the bondholder of General Motors, which was a direct violation of existing law.



ILLUSTRATIONS BY SEAN DELONAS

Adapted from Mish's Global Economic Trend Analysis