

The market has got it wrong

The market has got it wrong, that we are headed into another recession; we never recovered from the present one.

One of the last acts of the Bush administration was to re capitalize the banks after the government caused housing bubble burst causing the present recession.

When the Obama administration came into office rather than trying to turn the economy around they implemented a massive spending program on what they called “shovel ready jobs” to kick start the economy. Unfortunately they were not “shovel ready jobs” but ideology driven programs to fund green jobs in the unsustainable renewable energy sector with disastrous results. Compounding this disaster, the Obama administration has for the last six years been focusing on the ideology of equality and the transfer of wealth rather than job creation. The results have been low GDP and high unemployment.

The Obama administration claims that their policies have driven unemployment down from over 10% at the start of the recession to just over 5%, but this is just a numbers game. The real number is over 11%. What they do not tell you is that there is over 14 million people that have left the workforce because they could not find work and that a large percentage of those new jobs that they claim to have created are part time or under employed workers. The 5% number only reflects those who have filled for unemployment.

All the policies enacted by the Obama administration have resulted in higher taxes and increased regulations, all job killers. A good example is Obama Care. It imposed new taxes, forced employers to limit work hours and penalized those that did not conform.

So with all this said why is the stock market making new highs? The answer is simple. For years the private sector has been sitting on a big pile of cash not willing to spend it because of the uncertainties of the Obama administration. This and zero interest rates have allowed the private sector to buy back stock, affectively boosting dividends per share. But this is not the whole story. Wages have been stagnating while the true inflation rate has allowed increases in the costs of products and services, thus increased profits. Those companies that rely on energy, which is just about everybody, have also been able to take advantage of the low cost of energy made possible by the revolution in drilling for oil and gas.

Coupled with the stated Fed goal of forcing savers, which is the majority of middle class, out of savings accounts and CD's, with zero interest rates, into the higher risk stock market seeking higher returns has been very successful of driving the market higher.

Enter Saudi Arabia; their aim is to drive the U. S. fracking of oil out of business by driving the price of oil down below the cost of production and at the same time hurt Iran their arch enemy. Saudi Arabia has a large foreign exchange reserve so they can

continue to sell oil below costs. This is a boon to consuming nations like the United States and the stock market. For now it looks like they are have an impact on future oil development, with the major oil companies announcing the stopping or delaying major projects.

It was once thought that China would replace the United States as the consumer of energy and products. But that is not going to happen as the Chinese economy is linked to the United States and as long as there is anemic growth in the United States; China will not meet the world's expectations.

For better or worse, since World War II, the United States has been the world's consumer and policeman. Nothing has changed in spite of Obama. Unless the United States can turn its economy around, the world will continue to be in a state of recession.

So who are the winners and losers? Certainly the rich with the stock market at new highs. The poor are also winners with the transfer of wealth policies of the Obama administration. But the real losers are the middle class who are in the end paying for all this through the lower quality of life, higher taxes, lost jobs and transfer of wealth to the poor. When the stock market crashes, which it will in the end, those in the middle class that jumped into the stock market for higher returns will once again take it in the neck.

Is it any wonder that the Democrats have lost the last two election cycles? Some of the Democrats are starting to wakeup but the Obama administration seems to be continuing on the same path of destruction.

I once said that we could survive 4 years of Obama but I was not sure about 8 years.

Even with the Republican takeover of the Senate and increased majority in the house, Obama appears unwilling to back off of his agenda. Without a super majority to overturn an Obama veto the next two years are going to be more of the same with Obama unilaterally trying to reshape the nation in his vision leaving the Republicans with the only course of action for redress through the courts.

Don't think Iran and Russia are going to stand by and watch Saudi Arabia destroy their economies and their power. Look for a major disruption in the oil supply and the return to \$100 a barrel sometime in the coming New Year.

Starting in January of 2017 the public will start seeing the full impact of the cost of Obama Care as the subsidies to the insurance companies drop off and large segments of the population forced to drop out of Obama care because of costs.

The bottom line is that for the next two year expect the economy to continue on its low growth path with the true unemployment remaining the same at double digit. The Feds will try to start raising interest rates but will be force to reverse course when the stock market reacts negatively.