

# Contemplating Out Loud

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## Thoughts on Coming Apart and the Coming Great Reset



Turning and turning in the widening gyre  
The falcon cannot hear the falconer

Kit Webster

## Reviewing the Bidding Thoughts and Theses

[Jump](#) to beginning of newsletter

No additions to this section this week.

- In the early 1990s, I predicted a severe crisis in the US in the early 2000s - see [My Journey](#) for details of how those thoughts were developed, and a description of my predictions, essentially all of which have held up well. That crisis would result in a resetting of the country's financial system and financial institutions and therefore would profoundly affect all parts of the culture and all institutions, including government and military.
- The crisis would be precipitated by debt, deficits, entitlements and demographics.

[Market Charts](#)

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[The Second Coming](#)

Thoughts From  
the Archives

- The purpose of this web site is to Contemplate Out Loud about ways in which current events are reinforcing or contradicting my predictions. And to create a continual update of thoughts for the future.
- The Fed, Congress and the Executive Branch have now made that crisis inevitable and of a much higher order of magnitude than I anticipated.
- The crisis should be played out over the remainder of this decade. There will be a new world with a new financial system and a new culture under construction at the end of the crisis.
- The Fed has three alternative paths: inflation, austerity and default. For now, they have chosen inflation.
- We are deep into a multi-year end game and to the point at which things will generally become worse, faster, although nothing will move in a straight line.
- The Fed will likely continue on its current path until something breaks.
- When the Fed signals the end of raising interest rates, we will likely enter a new era of currency devaluation and yield curve control.
- Biden is significantly contributing to underinvestment in fossil fuels that will result in a multi-year energy crisis. He is attempting to cross the green energy chasm in two steps. We will get to the point where even leftists will treasure every drop of oil and every lump of coal. I discuss this critically important issue, perhaps the most important issue we face today, in [The Energy Crisis](#).
- Biden made a major strategic error by confiscating Russian currency reserves.
- The last stimulus payment, and arguably the one before that, were major errors, contributing significantly to inflation, shortages and the increase in asset prices.
- Inflation is peaking - for now - and it will remain at a high level. In the long run, because of debt levels, there is no practical alternative to continued, elevated inflations - which will probably rise and fall in waves. Stagflation is my bet for the foreseeable future.
- There will be deflationary / disinflationary crosscurrents including demographics (retirement of Boomers, declining birth rates), and debt rationalizing and blowing up of debt, worldwide. Temporarily, we will have the interesting phenomenon of too much retail inventory as a result of overordering during supply chain issues and a slowing economy. Inflation is necessary; deflation / disinflation is the wild card.
- The economy is weakening - recession is probable, and there is definite slowing down at a fairly rapid pace. Actually, there is a good possibility that a recession has already begun. However, recessionary pressures may recede for a quarter or so.
- Housing is weakening.
- Ukraine is losing the war. It is not clear what Russia's next moves are. See [Ukraine](#).
- Russia may be winning the financial / energy war. Energy is so fundamentally important, and Russia has so much of it, while the US is burdened by extraordinary levels of debt, that Russia holds the better hand. The West's counter to that better hand is sanctions. Very high stakes poker. See [Ukraine](#).
- Europe will have very serious energy challenges this winter and may have to reach accommodations with Russia.
- Food disruptions over at least the next year, primarily as a result of the Ukraine war.

[Can Kicking End Game](#)

[Ukraine](#)

[Accumulated Quotations](#)

[MMT](#)

[What is Inflation?](#)

[UFOs](#)

[Roe v Wade](#)

[Global Warming](#)

[Sahil Bloom's Truths](#)

[My Obsession With Energy](#)

More Coming

- will be significant.
- Given the failure of US / Iran negotiations and rumors that Iran is very close to having an atomic bomb, what is Israel's next move?
  - (7/15/22) The US dollar may have peaked, at least for now. We should be heading into a new financial regime.
  - I outline my thoughts about how the next few years will unfold [here](#).

Beth tells me, enough with the analysis, already. People want to know how you feel. I am not so sure about that, but if you are interested, I emote [here](#).

July 29, 2022

Have Congress and Washington DC policymakers finally said "I can't believe the Europeans entrusted their energy security to a nation that may not have their interests at heart" enough times to recognize the US has made the EXACT same mistake vis a vis manufacturing? Let's hope. - Luke Gromen

## Winter is Coming

### Markets

(Graphs updated)

Things are stirring.

Crypto is going up - there still may be one more low; the dollar may have peaked; the stock market is trying to put in a rally - kinda anticipated that, but thought there would be one more move down before the next rally started.

I want to focus on the stock market for a second.

Some time ago, I pointed out a cycle bottom some time around the first of August. Here we are and there it probably is. There is an argument that we are heading for the next cycle high, around the beginning of November. There is still the possibility of one more low, but it is looking more probable that a nice rally has begun.

Good news for Biden going into midterms.

The problem is that the cycle window for the early-November high opens in August.

Gold also looks like it has made its cycle low and is heading for a high, nominally in September. The count on the chart is almost surely wrong, and I will need to watch price action unfold to come up with a new interpretation.

## Nothing to See Here

Biden says there will be no recession

## Update from Luke Gromen



## Winter is Coming

As I sit here baking in the hottest summer in Texas since the 1930s, I want to talk about winter.

Not as a metaphor for my generally gloomy themes, but actual winter - this coming winter.

Last week, I discussed the short term, measured in a few years.

This week, I want to talk about the short term, measured in months.

We are facing one of the most significant geopolitical milestones in our lifetimes.

Europeans, particularly Germans, are setting themselves up to freeze.

This game is complicated.

Because the West has not played / cannot play its sanctions cards properly, Russia holds all the cards. Russia is winning the war in Ukraine (for now - see the article, below) and winning the sanctions war with respect to oil and natural gas - at least for now, and there are no signs of any change in the short term. And, don't forget atomic weapons.

The progress of the game is critically dependent on how Russia plays its cards.

Europe, particularly Germany, is storing natural gas as fast as it can. Reductions from Russia can be partially mitigated by gas in storage.

We are shipping LNG as fast as we can, but LNG capacity on both ends, ability to ship and ability to receive, falls far short of what is needed.

So, some time this winter, depending on various factors, particularly how Putin plays his cards, Germans will begin to freeze and German industry will begin to shut down for lack of feedstocks.

Germany has been quietly moving away from the West and toward Russia politically for some time. Part of this is a result of its energy policy - deliberately relying on Russia, shutting down its nuclear plants, and increasing its reliance on green energy - and part is due to deteriorating confidence in the US. One of the most surprising outcomes of the Ukraine war was Germany's all-in support for Ukraine and Nato.

But, withstanding a surge in inflation is different from actual physical discomfort and an economy shutting down.

At some point, probably this winter, Germans may have to decide whether, for their own personal and economic comfort, they will have to detach from the West and at least partially embrace Russia.

The implications of such a move cannot be underestimated.

"World-changing" would not do it justice.

At the same time, shortages of food and energy, combined with misguided ESG policies, will cause riots in many countries, such as in Holland and Italy.

Germany's move toward Russia, if it comes, will cause other countries to recalibrate, geopolitically.

This winter, those of us in the US will probably experience increased prices and some shortages.

Much of the rest of the non-BRICS world, particularly Europe, and particularly Germany, could be shaken to its core.

Energy is life.

Russia has the energy.

And winter is coming.

**Classification ad absurdum – would you know an Hispanic if you saw one?**

from the NIH website. Researchers take cues from the past to ensure diversity in COVID-19 trials  
<https://www.nih.gov/news/2021/researchers-take-cues-past-ensure-diversity-covid-19-clinical-trials>  
15,904 were African American, nearly 7,000 were Hispanic, and nearly half were women.

When the coronavirus pandemic hit last year, ravaging communities of color harder than any other, researchers knew they needed to find effective treatments and vaccines – and find them fast. Just as urgently, they needed to include people of color in the clinical trials that were testing those vaccines. These, after all, were the people being hospitalized and dying from the disease at rates up to three times higher than whites."

Feel warm and fuzzy, yet? We are making sure that African Americans, Hispanics and women are included.

I have written elsewhere on diversity, so I would like to focus on the classifications we use for diversity.

Not to give away the plot, but they are mostly useless, with a great deal of apples and oranges.

Actually, they are meaningless.

Stop and think about it a minute.

"Hispanic" includes descendants from Europe that lived in Latin America.

Many Cubans in Miami are actually white.

Many Hispanics, particularly past the 2nd generation, identify as white.

People of color include Asians and Indians, except they often don't because Asians and Indians are arguably succeeding more than Whites and arguably have a higher average IQ than Whites.

Blacks include African Americans and Africans in America, who, in general, are thriving more than African Americans.

My point: our thinking on classification and diversity is basically sloppy and invalid.

Not that that matters to anyone needing to virtue signal as opposed to actually diversifying.

The real problems were old age, obesity and comorbidities.

## As Joe Becomes a Lame Duck, This Becomes Critically Important



**Harald Malmgren** @Halsrethink · 4h

...

I could make a long list, but the one most critical need at this moment is how to raise the level of both foreign and domestic competence among top aides to POTUS

domestic competence among top brass to 1.0700

**Heberto A Limas-Villers** @LimasHeberto · 5h  
Replying to @Halsrethink  
What do you think we desperately need that isn't being considered by anyone?

Maybe There Is No Hope  
Maybe We Are Getting What We Deserve



### The Key to Deciphering Headlines

All news must have a global warming paragraph, if it can remotely fit in somewhere.

There is a rush to interpret the news in terms of effects on transgender, LBGQT+, blacks and women.

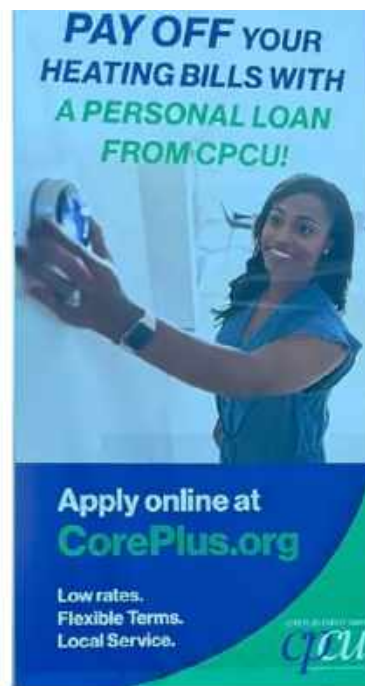
All space news must be in reference to life on other planets.

All political news must be in reference to Trump's being indicted.

The World Health Organization Declares Global Health Emergency for Monkey Pox

Ummmm





### What Goes Around ...

Portland restaurant comes up with innovative new idea to promote racial equity: Creating separate sections for black and white diners. "We want to provide a safe space for our diners of color to ease the trauma of living in this racist society," the owner said. No mention of what happens to Hispanics or Asians.

### War, Energy and Food

GERMAN FOREIGN MINISTER BAERBOCK: NUCLEAR POWER IS NOT AN ANSWER TO QUESTION OF GAS SECURITY IN GERMANY

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EU energy ministers approved a draft law aimed at lowering demand for gas by 15 percent from August through March, The Associated Press reported.

Voluntary, at least for now: While this legislation involves voluntary measures, it could lead to mandatory actions if the move does not yield enough savings, according to the AP.

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German chemicals company BASF SE paid an extra 800 million euros (\$809.5 million) to keep its plants operating in the second quarter compared with a year earlier amid skyrocketing natural gas prices. The impact of high energy prices has forced the company to make a difficult decision: slash the production of ammonia, which could have potential consequences for farming to the food industry.

"We are reducing production at facilities that require large volumes of natural gas, such as ammonia plants," BASF Chief Executive Martin Brudermüller said in a conference call after an earnings report.

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Interesting paper from the Yale School of Management on how Russia is faring in the war. [Here](#) is a slide deck summary.

## Conclusions

- Russia's strategic positioning as a commodities exporter has irrevocably deteriorated, as it now deals from a position of weakness with the loss of its erstwhile main markets, and faces steep challenges executing a "pivot to Asia" with non-fungible exports such as piped gas
- Despite some lingering leakiness, Russian imports have largely collapsed, and the country faces stark challenges securing crucial inputs, parts, and technology from hesitant trade partners, leading to widespread supply shortages within its domestic economy
- Despite Putin's delusions of self-sufficiency and import substitution, Russian domestic production has come to a complete standstill with no capacity to replace lost businesses, products and talent; the hollowing out of Russia's domestic innovation and production base has led to soaring prices and consumer angst
- As a result of the business retreat, Russia has lost companies representing ~40% of its GDP, reversing nearly all of three decades' worth of foreign investment and buttressing unprecedented simultaneous capital and population flight in a mass exodus of Russia's economic base

## Conclusions – Continued

- Putin is resorting to patently unsustainable, dramatic fiscal and monetary intervention to smooth over these structural economic weaknesses, which has already sent his government budget into deficit for the first time in years and drained his foreign reserves even with high energy prices – and Kremlin finances are in much, much more dire straits than conventionally understood
- Russian domestic financial markets, as an indicator of both present conditions and future outlook, are the worst performing markets in the entire world this year despite strict capital controls, and have priced in sustained, persistent weakness within the economy with liquidity and credit contracting – in addition to Russia being substantively cut off from international financial markets, limiting its ability to tap into pools of capital needed for the revitalization of its crippled economy
- The Kyiv School of Economics and McFaul-Yermak Working Group under former US Ambassador to Russia Mike McFaul have led the way in proposing additional sanctions measures across individual sanctions, energy sanctions and financial sanctions. Looking ahead there is no path out of economic oblivion for Russia as long as the allied countries remain unified in maintaining and increasing sanction pressure against Russia
- Defeatist headlines arguing that Russia's economy has bounced back are simply not factual – the facts are that, by any metric and on any level, the Russian economy is reeling, and now is not the time to step on the brakes



Sam Greene @samagreene · 13h

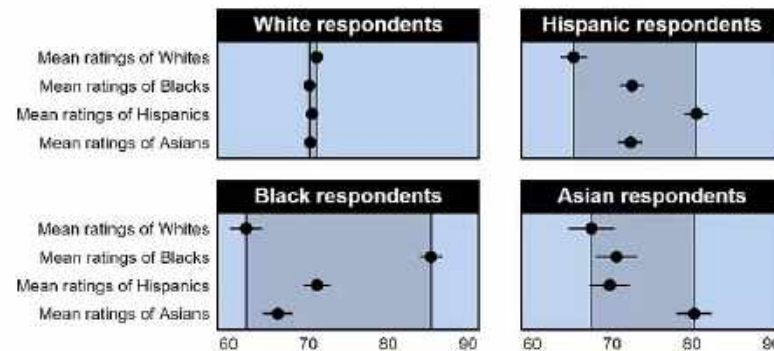
Rather, the problem I have is with the argument that negotiations would be helpful. That argument is premised on the assumption that Putin is fighting for national security. That, in my view, is false: Putin is fighting for regime security, and the difference is not semantic.

### Perspective is Important



### As Is Context

How racial groups rate each other



Error bars are 83.4% confidence intervals. Data source: American National Election Studies, 2021, ANES 2020 Time Series Study Preliminary Release: Combined Pre-Election and Post-Election Data (dataset and documentation), March 24, 2021 version. www.electionstudies.org



Charles Murray @charlesmurray · 1h

apparently made good faith efforts to rate their feelings.

Whites apparently hunkered down and said they felt the same about every group--which fails the laugh test, but is a striking example of the CYA mentality of whites these days in all things involving race

This website is updated after market close each Friday and whenever there is significant news.

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