

October 14, 2022

This labor shortage isn't temporary. It's structural, it's demographic, and it isn't going away. - John Mauldin

Putin keeping energy elevated to force foreigners to sell USTs into illiquid UST markets to keep pressure on UST markets and force the Fed back into QE despite elevated inflation, weaponizing the US Federal debt and deficit levels against it...now that is a strategy. - Luke Gromen

Structural, disinflationary growth on a global basis will be able to occur again, once there is abundant affordable energy again. And that is a long and complex road. - Lyn Alden

Stability leads to instability. The more stable things become and the longer things are stable, the more unstable they will be when the crisis hits. - Hyman Minsky

Chicken Littles Get No Respect



Markets

(Graphs updated)

Still no change in my analyses. The markets continue to follow my script ... for now.

Putting A Clock On It

Long-time internet friend, LH, just suggested I create a doomsday clock to count down until the crash. He did not indicate any sarcasm, but the email reeked of it. We Chicken Littles get no respect.

My first thoughts about timing in the early 90s was, "sometime in the early 2000s."

Once the *Fourth Turning* came out, I decided that its general prediction of around 2030 was as good as any other. There are other cycles-based analyses that point to that same, general time period.

Remember that I started this whole process with a 30-40 year horizon. Our demand for instant gratification just will not be satisfied by the evolution required for the end of an era. One of the things I have learned from reading history is, just when things look the darkest, a combination of human desperation and ingenuity saves the day.

Until it doesn't.

My response to LH was, "No clocks, I'm afraid. Things are happening much more quickly than I would have anticipated. For example, I did not think the Fed would put itself into a box for several more years. We're talking low, single-digit years now, if I were to hazard a guess, which I will not do."

We are on the brink. But the brink can last longer than anyone thinks.

Or, it can end tomorrow.

We are in the end game.

And, BTW, in the shorter term, the energy and food crises are just now getting under way. You ain't seen nothin' yet.

Appropos Of Not Much

I needed to remind myself this week, based on a podcast I listened to, so I am reminding you ...

All economic and financial actions have a lagged effect. The Fed raises rates now and it filters through the economy in, say, 6-18 months.

Markets react instantly, discounting the future. But markets are not the economy.

It will be, say, mid-23 or early 24 before the full effects are felt in the real economy.

That is why the podcast guest is forecasting a deflationary depression.

I can't get to that conclusion, quite yet, but the argument is a reasonable one.

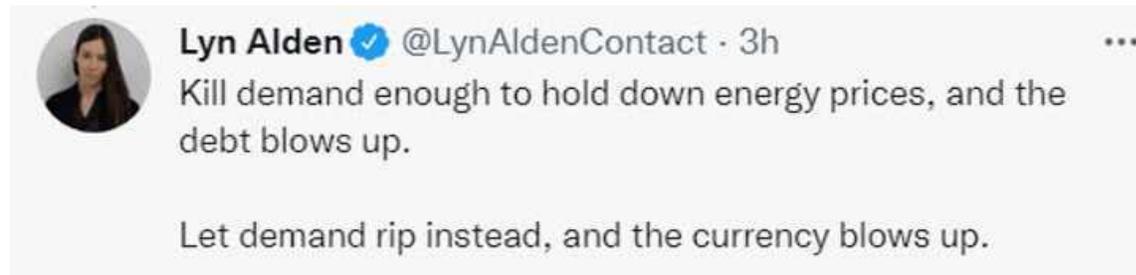
Anybody Discussing MMT? Anyone?

But We Have To Be Seen As Doing Something

France to spend 100 billion euros to fight inflation.



What She (And Luke Gromen) Said



We Are Just Lucky To Have Janet



Ah, Diversity

On Monday, a Dearborn Public Schools board meeting in Michigan was shut down as hundreds of Muslims protested the use of LGBTQ books. They held up signs in Arabic & English referencing they are in the majority & that homosexuality is sin.

Whatever Happened To Monkeypox?

How Many People Were Actually Pardoned By Biden For Marijuana?

From *The Dispatch* - emphasis mine

Late last week, President Joe Biden made waves by announcing he was pardoning everyone convicted under federal law of simple marijuana possession and urging state governors across the country to follow suit. He also directed the Department of Health and Human Services and the attorney general to reconsider how marijuana is considered a controlled substance.

It sounded like a huge deal. But is it really? In an explainer on the site today, Price digs into the relatively narrow scope of Biden's move, the president's legal authority—or lack thereof—in this area, and the obstacles in the way of any potential rescheduling.

No one's receiving a get-out-of-jail-free card as a result of Biden's decision. According to the New York Times, U.S. officials say **THERE WERE ZERO PEOPLE** serving time in federal prison last week for simple possession of marijuana. The pardons will, however, affect roughly 6,500 people nationwide and a few thousand more in the District of Columbia by helping to ensure they are not “denied employment, housing, or educational opportunities” as a result of their past convictions, per the White House announcement.

Interesting Thoughts From Two Heavyweights

As we approach the breaking point for the world's economy, what happens next depends on the order things happen in the near term. Declercq has predicted a soft landing in the US for the reasons she gives below.



Lyn Alden  @LynAldenContact · 3m ...

Replying to @clairbize1659 @JulietteJDI and 2 others

If the US Treasury market goes illiquid like the gilt market did and thus trigger a Fed response, prior to US unemployment becoming a problem, then it's ironically possible that the US will have a soft landing.

Otherwise they'll likely tighten until they get higher unemployment.



Juliette Declercq @JulietteJDI · 49s ...

Replying to @LynAldenContact @clairbize1659 and 2 others

I think more likely abroad will break thus preventing the Fed from going restrictive for the US.

There Is No Such Thing As Free Healthcare

The (British) NHS waiting list has exceeded seven million: 12% of the English population is waiting for treatment.

We're Doing It Again - Congress Can't Help Itself



SheepleAnalytics @SheepleAnalytic · 1h

...

Sept 7 - Bank of America targets first-time homebuyers in Black/Hispanic communities with the Community Affordable Loan Solution with 0% DP, \$0 closing costs, & no credit minimum

Sept 14th - Federal Reserve makes its final MBS purchase

These people are not your friends



War, Energy and Food

Which of these things is not like the other?

Yesterday afternoon - after reports that the Biden admin would ease sanctions if Venezuela would pleeeeeease pump more oil, @BradHuston succinctly opined on Twitter:

In July, the DOI unveiled the plan which gutted a Trump administration proposal, ruling out any leasing in the Atlantic or Pacific and opening the door to an unprecedented scenario where no lease sales would be held through 2028.

Zeihan:

A Ukrainian attack has severely damaged the Kerch Strait Bridge, the primary supply line for Russian food, fuel, ammunition and reinforcements into the Crimean Peninsula and southwestern Ukraine. It is, simply put, the single-most important piece of infrastructure in the war.

Should the damage prove to be as serious as it looks – one of the road spans has been dropped, and a fuel train is a burning inferno – it heralds the first true turning point in the Ukraine War. Kerch was not only the most important logistical flow for Russian forces, it was the only logistical flow which remained beyond the range of Ukrainian artillery. If it truly is gone, then the numbers that Russia can throw at this war do not matter nearly as much. If the Russians cannot adequately resupply, this war shifts from its present David & Goliath feel to more of a fight between two peers...with one of those “peers” being backed by the planet’s most powerful military alliance.

One more thing. Kerch is only half the solution to Ukraine’s problems. Now that Ukraine has severed the supply connection, it will need to prevent the Crimea from supplying itself. It would do that by recapturing the cities of Kherson and Nova Kakhovka, both on the Dniepr River. From there Ukraine can disable the gate which provides water to the Crimean Canal. Without irrigation, food production in Crimea would drop by at least two-thirds. Unable to ship in food via Kerch, the result (months later) would be a famine from which Russian forces would be unable to recover.

Ugly? Yes. But this is how Ukraine wins.



Lyn Alden  @LynAldenContact · 45m ...

One of the bullish factors for the energy market in the longer run is that many jurisdictions are responding to supply constraints with ideas that disincentivize new supply from being developed.



Gavin Newsom  @GavinNewsom · 18h

 Governor candidate, CA

NEW: I'm calling for a Special Session to address the greed of oil companies. Gas prices are too high. Time to enact a windfall profits tax directly on oil companies that are ripping you off at the pump.



Kuppy @hkuppy · 1h ...

People are missing just how rapidly production will be declining. We will see a global deficit of a few million bbl/d next year. It's so much more important than the Fed toying with rates, but no one is talking about it... 



Intrepid @RuDauntless · 2h

Russia will soon miss US technology/capital/equipment parts/expertise to effectively operate many of their declining oil fields. Expect Russian oil production to decline rapidly in the future.

@Josh_Young_1 @hkuppy
japantimes.co.jp/news/2022/10/0...

The world's biggest reinsurer Munich Re has cut back its coverage of oil and gas projects, as activists step up pressure on the industry to do more to tackle climate change. The German reinsurance group said on Thursday that from April next year, it would no longer invest in or insure the planning, financing, construction or operation of new oil and gasfields, new oil-fired power plants or developments in "midstream" oil infrastructure like storage and transport. But it did not rule out offering coverage for new gas pipelines, liquefied natural gas plants and gas-fired power plants. - *Financial Times*

It appears that the Germans are in denial: This week's appeal for gas conservation comes after a similar appeal last week when the agency said that Germany's gas consumption rose too much - to levels higher than in previous years, and without considerable gas conservation, Europe's biggest economy will find it challenging to avoid gas shortages this winter.

For the past couple of months, Bangladesh has resorted to frequent power cuts to ration supplies amid high global fuel prices. Extreme measures have included shutting school an extra day each week and getting government offices and banks to shorten their work days.

Pakistan has been hit with widespread blackouts this year after several failed attempts to buy gas from the expensive spot market. It tried to get a long-term deal looking for more reasonable prices, but that hasn't materialized. There's little LNG supply available until 2026 when massive new export projects start up, according to traders.

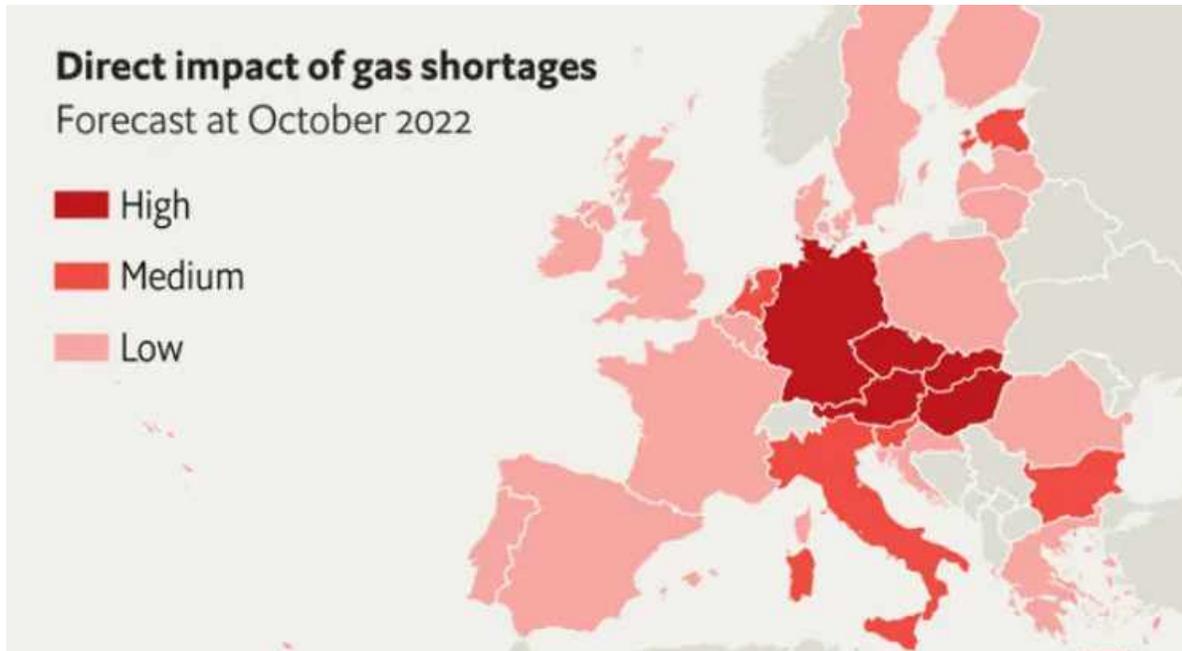
In Denmark people are stealing each other's pellets, wire wood, wood briquettes as soon as they are delivered. To make matters worse there are constant reports of cars having their tanks drilled and the gas stolen.

Sigh

U.S. DEPUTY ENERGY SECRETARY SAYS U.S. STILL HAS ABILITY TO USE STRATEGIC PETROLEUM RESERVE OVER COMING WEEKS AND MONTHS AS NEEDED TO FIGHT HIGH PETROLEUM PRICES

Greta Thunberg calls the possible shutdown of nuclear power plants in Germany a mistake.

Saudi and other Gulf-state officials rebuffed an urgent appeal by U.S. officials to delay by a month a decision on a major oil-production cut by OPEC and its Russia-led allies days before the reduction was agreed on.



An observation by Doomberg: Few politicians ever want a higher oil price, and progressives view any support of the oil and gas sector as a political non-starter, making the likelihood of ever refilling the SPR close to zero.

They finally found an adult in the room?

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Politics

Biden Team Grows Concerned Russia Oil Price Cap May Backfire After OPEC+ Cut

- US proceeding with plan to cap price of oil from Russia
- Some officials worry cap may spike prices, draw retaliation

By [Annmarie Hordern](#), [Saleha Mohsin](#), and [Jennifer Jacobs](#)
October 12, 2022 at 10:21 PM EDT Updated on October 13, 2022 at 8:08 AM EDT

Some Biden administration officials are growing concerned that their plan to cap the price of oil purchased from Russia may backfire, according to people familiar with the matter.

High quality - up to *Bee* standards



The Failure Of Our Education System Is A HUGE Problem We Are Denying

American College Testing published a report Wednesday showing the national average ACT score for the high school class of 2022 was 19.8, the lowest level in more than 30 years. A whopping 42 percent of graduating students met none of the ACT's four college readiness benchmarks, up from 38 percent in 2021. "This is the fifth consecutive year of declines in average scores, a worrisome trend that began long before the disruption of the COVID-19 pandemic, and has persisted," ACT CEO Janet Godwin said. "They are further evidence of longtime systemic failures that were exacerbated by the pandemic."

Contemplation

How naive I was then! Such a softie as I contemplated Armageddon. Back in the early 90s, when I was putting my theses together, one of the things that put me over the top was the realization that Social Security and Medicare would likely destroy the country all by themselves. My one-sentence summation back then was, Medicare Must Die, all the while knowing that would never happen.

After years of incredible, and in the 90s unimaginable, debt and deficits, Social Security and Medicare remain severe threats to our financial stability, but they are now among many threats and are not the most urgent.

I am now on Social Security and Medicare. They are fantastic programs! I paid nothing for a heart attack. What's not to like?

Of course, that is absurd. I am now part of the problem. And Social Security just gave me an 8.7% raise.

Debt and deficits create cushy conditions that doth make cowards of us all.

When Does The Inflation Reduction Act Kick In?

They Reversed Course, But The Bad Thing Is That I Am No Longer Surprised

PayPal in September announced that it was amending its acceptable use policy, or AUP.

The policy, due to take effect in November, said that users may not use PayPal for the "sending, posting, or publication of any messages, content, or materials that, in PayPal's sole discretion, (a) are harmful, obscene, harassing, or

objectionable, (b) depict or appear to depict nudity, sexual or other intimate activities, (c) depict or promote illegal drug use, (d) depict or promote violence, criminal activity, cruelty, or self-harm (e) depict, promote, or incite hatred or discrimination of protected groups or of individuals or groups based on protected characteristics (e.g. race, religion, gender or gender identity, sexual orientation, etc.) (f) present a risk to user safety or wellbeing, (g) are fraudulent, promote misinformation, or are unlawful, (h) infringe the privacy, intellectual property rights, or other proprietary rights of any party, or (i) are otherwise unfit for publication.”

For each violation, PayPal says users are subject to repercussions. Those include “liquidated damages” of \$2,500 per violation. The money will be taken directly from a person’s PayPal account.

Unnecessarily Hostile



Don't Worry, It's Going To Stop Now



Gen Z

I just read where Gen Z considers a thumbs-up emoji as intimidating.

I literally have nowhere to put that information.

How in the hell is a picture - of a thumb - intimidating? Where does this kind of thinking even begin? What is it like living inside your head when this level of input is intimidating? Why not at least the thumbs-down emoji?

If you are Gen Z or know a Gen Z, I would very much appreciate their getting in touch with me to explain.

I promise I won't judge.

I am just blown away by the premise, which indicates a gap in my understanding. So, it's on me.

And to indicate that I come in peace, I will not end with a thumbs-up emoji. Which I really, really want to do.

(Thumbs-up is also one of ten emojis that indicate that the user is old, like a Boomer. Since I never use emojis you can't tell my age. Well, an occasional reference to Medicare might give me away. But now I have the threat of using emojis and feel quite (I never use this word, so forgive me) empowered. Having said that, I am too well-mannered to run around intentionally scaring young people. Well, unless they read this website.)