

November 11, 2022

Conspiracies And Cabals

Markets

Yet again, no change in the forecast or outlook that I have had for the last few months.



Bitcoin is heading toward the low I have been looking for. It is looking like a major low, but we shall see. All eyes on tether.

The FTX collapse in crypto is shaking crypto to its foundations and will accelerate regulation - if someone can find the regulators and wake them up.

There could be contagion in various crypto markets.

Oil continues to rise in a bear-market rally. Well, it's complicated. Short term up, medium term down, longer term up.

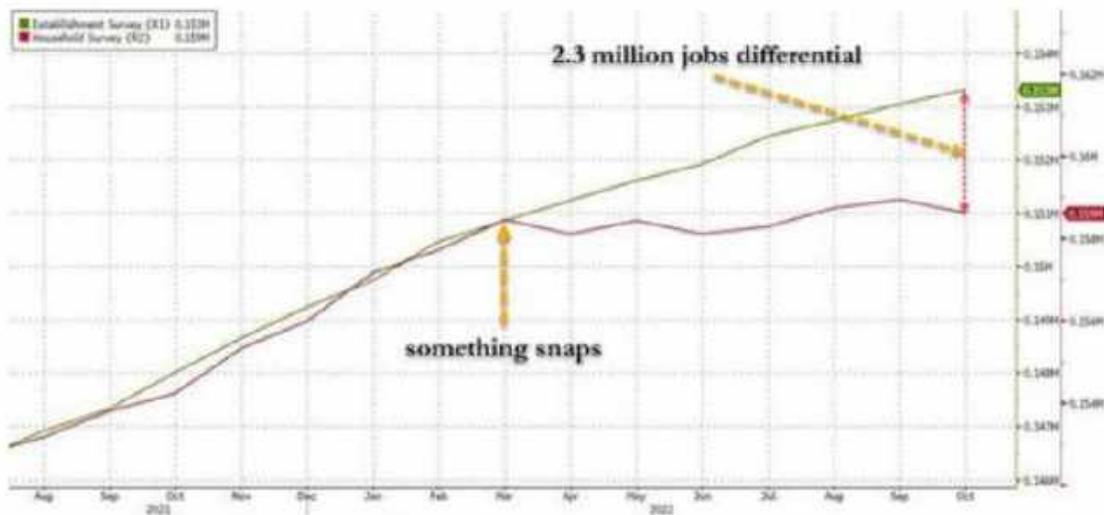
The dollar should resume its bull market run shortly.

The move up in the stock markets should have farther to go.

The bear market rally in gold is under way.

The move up in bonds / down in interest rates should continue in the short term.

Conspiracy Theory - Unemployment Manipulation



So, it turns out that the Bureau of Labor Statistics may be cooking the books in Biden's favor.

When the unemployment report is created, raw data is manipulated statistically, including the infamous birth/death adjustment and seasonal adjustments.

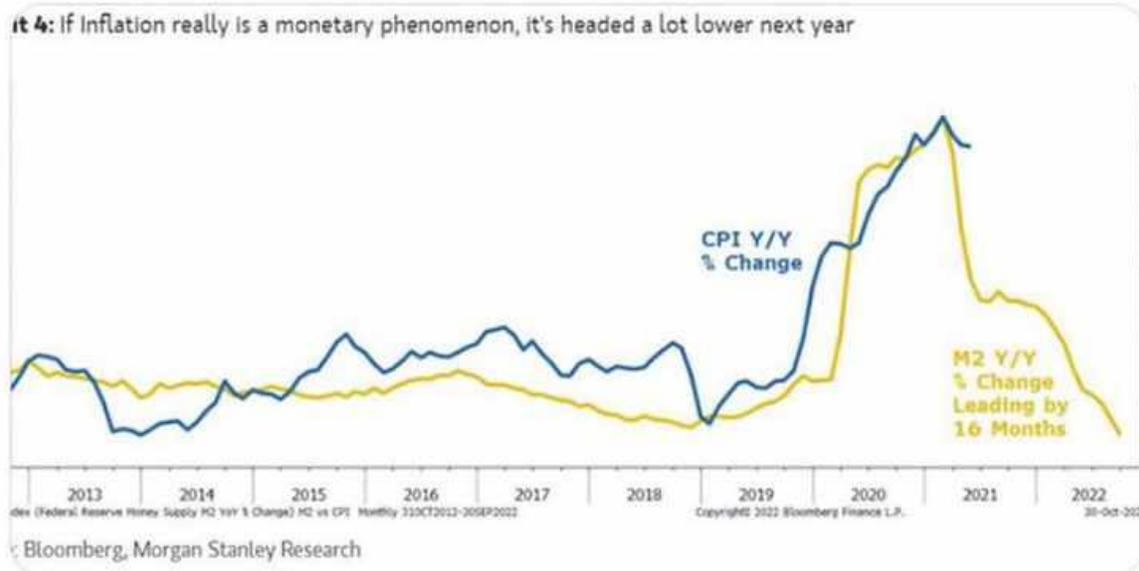
Seasonal adjustments, by definition, have to go away over a year's time.

I have seen several analyses of this problem and am not sure which one is correct, but the unemployment report is out of whack with the actual data by a huge 2.3 million jobs.

If this thought is correct, conspiracy or no conspiracy, now that the election is over, we should begin to see some poor jobs data, regardless of what is happening in the actual economy, as the adjusted jobs report comes into line with the actual data.

Deflation

Wilson reiterated his prior view that inflation “will collapse – and when it does, earnings go down with it.”



I'm intrigued by the continuing whispers of deflation by people I respect. On the one hand, I don't think there is any way it can happen. The Fed needs to inflate away our debt. On the other hand, the economy is being rapidly, seriously undermined (accounting for lead/lag times). This chart illustrates how money has been destroyed (M2 is a measure of money) and the correlation between change in CPI and change in M2 with a 16-month lag. My base case remains stagflation, however ...

Zoltan Pozsar, one of the very best, says that we can expect five years more of problematic inflation, along with stagflation, recession, great-power antagonism, strong commodity markets, persistent upside pressure on Treasury yields and—coming soon, perhaps—a return to America's 1941–51 experiment in yield-curve control.



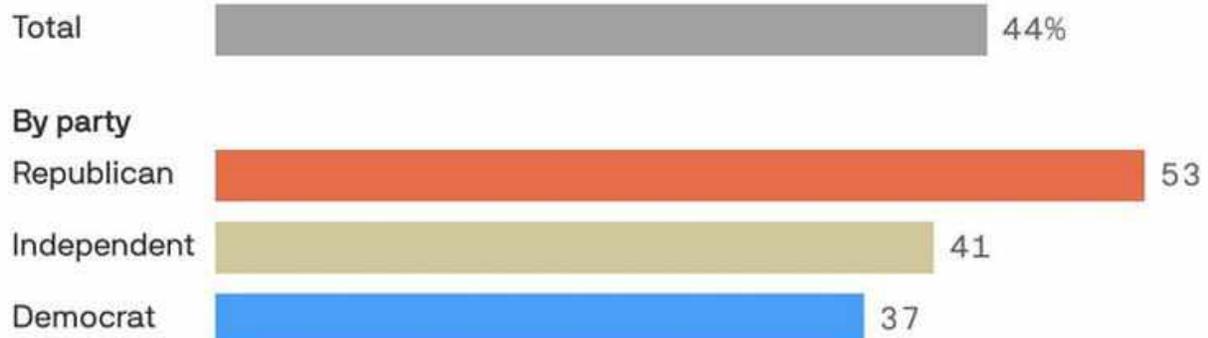
Harald Malmgren
@Halsrethink

With China domestic economic growth engine stalled and US technology restrictions on China gain strength, will Xi respond with a tsunami of export driven deflation on the US and the West?

Conspiracy Theories

Share of voters who say they think the federal government is controlled by a secret cabal

Online survey of 1,000 registered voters from Oct. 27-30, 2022



Data: Benenson Strategy Group. Chart: Axios Visuals

We all look for someone to blame, and who knows what lies in the gargantuan labyrinth that is our federal government?

Reality is that powerful people are powerful, and there have always been powerful people.

Reality is that groups of like-minded powerful people can make things happen - again, since the dawn of civilization.

Reality is that Epstein really has not been investigated, and Maxwell's trial was more interesting because of what was not covered than what was covered.

Reality is that Chappaquiddick really was covered up.

Reality is that humans don't comprehend complex reality, and someone needs to make hard-nosed decisions that cannot be explained in seventh-grade-level sound bites. Doing that behind the scenes is much easier.

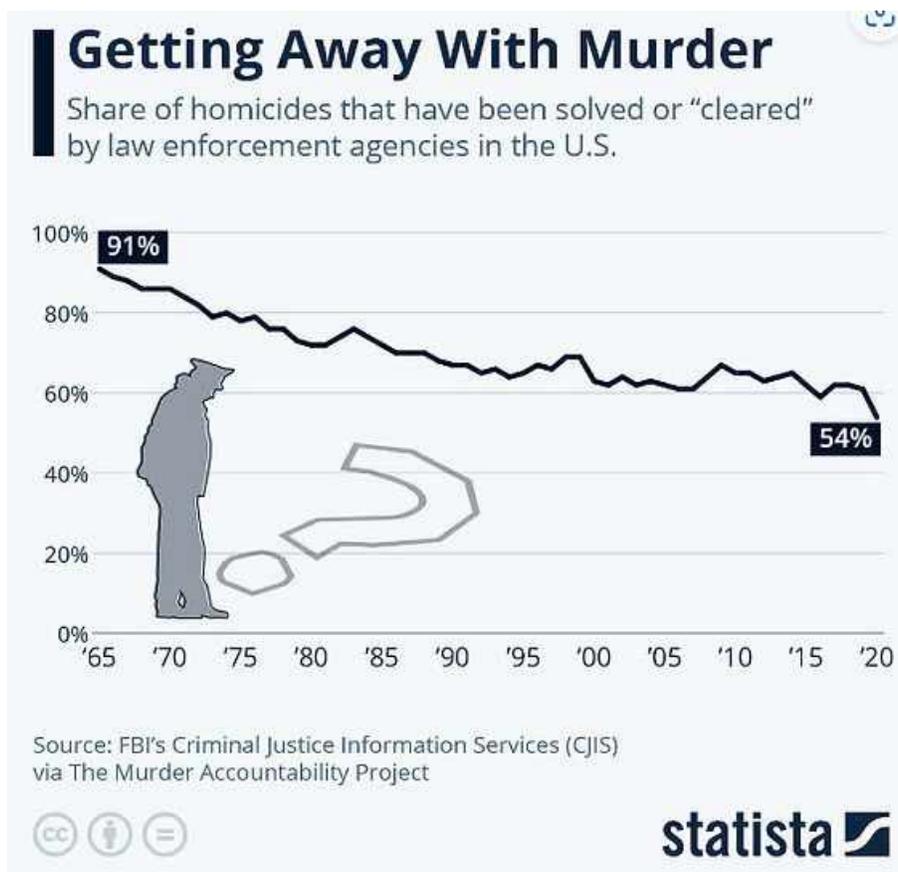
Reality is that someone needs to deal with bad news, which politicians hate to deal with in public.

Reality is that Bill Gates and the Koch Brothers and George Soros have / had a lot of influence.

Reality is that if there were a cabal, I would not know about it.

My guess, and that is all that it is, is that there is a lot - a lot - of influence-peddling and no actual cabal. Any group savvy enough to create a cabal would not do so many stupid things.

Presented Without Comment



Geopolitical Implications - Covid's Origins And US Funding

As we have discussed here, an awkward fact that is not much discussed is that the US provided funding for the Wuhan lab to develop what turned out to be the

Covid virus. How and why the virus escaped from the lab is a different subject. (And I didn't know until now that Hunter Biden was involved.)

Pippa Malmgren covers the current geopolitical situation around Covid [here](#) in an interesting article.

The Elections

Since I pretty much anticipated the outcomes of the elections (do not particularly care for Dr. Oz, but am blown away that Fetterman won), my primary focus has been on the aftermath. So many election deniers in the mix, how much of a storm would they (and Stacey Abrams) raise about losing? In other words, what is the current state of Stop the Steal?

Well, not so bad, so far.

Lots of yelling and screaming on social media, but, so far, no major fuss from any of the candidates. Well, the usual bitching from the usual suspects, but nothing major.

That, at least so far, is a very good sign.

I did not expect Trump to be effectively demolished. That is also a very good sign. He is not going away, but he is now a shadow of his former self in terms of influence.

It is good to see pushback on the West Coast and perhaps the beginnings of a return to basic civilization.

Democracy

Trade-offs, trade-offs, trade-offs.

What is the best way to run a country?

(I'm going to keep things simple and not go into the distinction between democracy and republic, or for the requirements for virtue or restrictions on the size of the polis.)

Plato thought democracy to be the fourth-best alternative out of five - philosopher-kings were best. Democracy beat out only tyranny. (I probably agree

with him about philosopher kings, the problem being that they seem to be unicorn-ishly rare.) The Greeks thought that democracy leads to too much emotion and mob rule. And, when voters understand that they can vote themselves goodies, democracies begin spinning out of control.

Jonah Goldberg hits the nail on the head when he says that "democracy is a hedge against the worst outcomes."

I would prefer Marcus Aurelius or Pericles over Biden or Trump, hands down, any day of the week. The problem is that bad people with total power follow shortly thereafter.

We consider many concepts as holy without spending time understanding that there is no unmitigated good - democracy and diversity come to mind.

Democracy mostly guarantees mediocrity. It is a feature; not a bug.

Democracy requires engagement with other significant factions and groups.

Democracy requires compromise.

But, fundamentally importantly, democracy gives everyone a voice and is the most effective path to peaceful succession. To the extent that you have any sense of history, you understand that peaceful succession is a really big deal.

That is why the current illegitimizing of elections by, principally Trump, but also Hillary and Abrams, is so dangerous.

So, if somebody died and left me in charge, I would look for a philosopher king. Absent finding one, I would set up something largely, but not completely, like our current system.

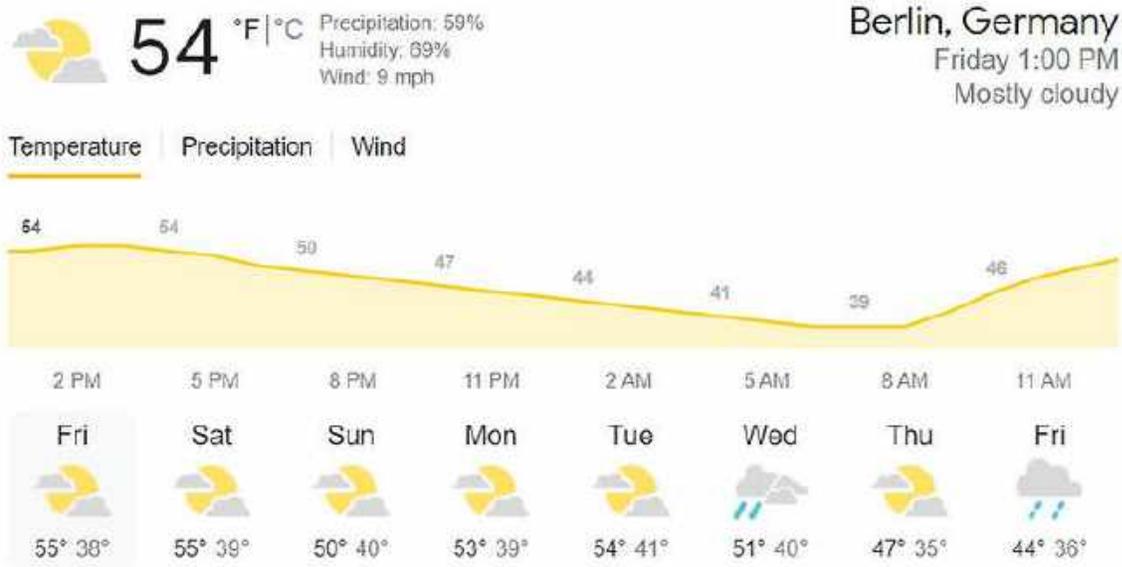
With the understanding that all things eventually come to an end, including Greece's and Rome's democracies - and our democracy.

Democracy is destroyed by internal corruption and loss of legitimacy, emotional factions and what seems to be, and Plato agreed, a natural tendency toward authoritarianism, particularly in times of emergency and crisis.

War, Energy and Food

Superpowers compel Ukraine to head to the negotiation table.

Really big - Russia is withdrawing from Kherson.



Inflation remains above 10% in the Eurozone ... as cost-of-living pressures persist, thousands of people across Greece, Belgium, and France took to the streets this week to protest “suffocating inflation.”

Student Debt Forgiveness

I have written before that my primary concern (actually outrage) is that Biden is forgiving student debt, knowing he does not have the authority to do so. A cold, political calculation to get certain demographics on his side. Modern bread and circuses.

The issue is that millions of people are not particularly interested in the details, they just think free money is a good idea, they think some is on its way and they will not be happy when it is taken away.

Judges are now rightly ruling against Biden, setting up yet another bad dynamic between the public and the courts - ultimately the Supreme Court.

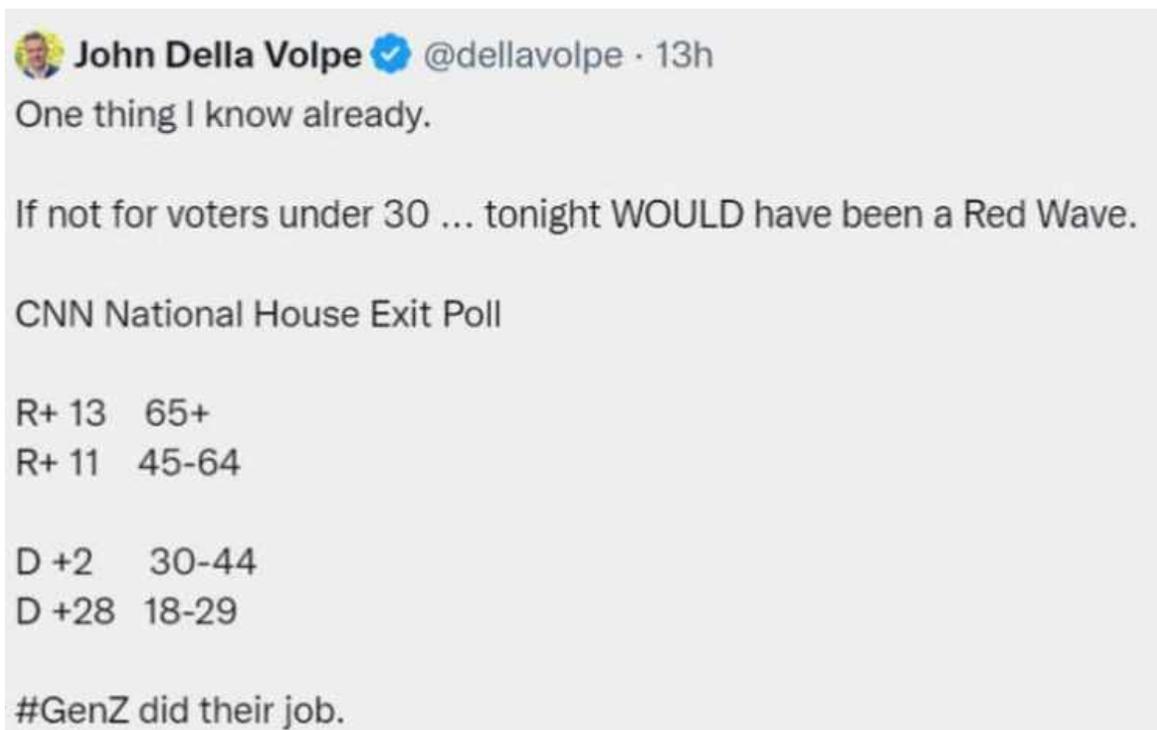
This will continue erosion in support of institutions that are actually doing the right thing.

The irony is strong with this one.

But, the question is being raised in social media - was a generation bought and paid for? Regardless of whether this was cold, cynical politics, did it work?

I have no view, however the statistics are startling. Gen Z seems to me to be a pretty liberal group - there is a great argument to be made that the student loan thing made no difference.

Then, again ...



Random Tidbits

“Big winners (in the election) tonight: Biden, who lost far fewer congressional seats than historical averages; reproductive rights, which proves a major issue among voters; democracy, with huge voter turnout and many high-profile election deniers losing big.” — Mark Updegrove, historian. Trump may be re-thinking what his big announcement is going to be.

As usual, the *Bee* gets it



Republican Party Staves Off Red Wave

The election results could be interpreted as - we prefer the weirdness of the Republicans to the policies of the Democrats. In the end, it is between Scylla and Charybdis, and there was no option for "none of the above." The lesser of two evils is still evil.

Wells Fargo reported a ninety percent decline in mortgage originations.

But just now, Biden told a crowd, "No more drilling. There is no more drilling! I haven't formed any new drilling"

The Fed just put walls up around its headquarters building.

China's exports unexpectedly dropped in October by 0.3% year-on-year for the first time since May 2020. The decline was driven mainly by lower demand for Chinese goods from the US and the EU

Many decades ago, I came up with this complete-overgeneralization-with-a-kernel-of-truth:

All elections are 50/50 - 52/48 is a landslide

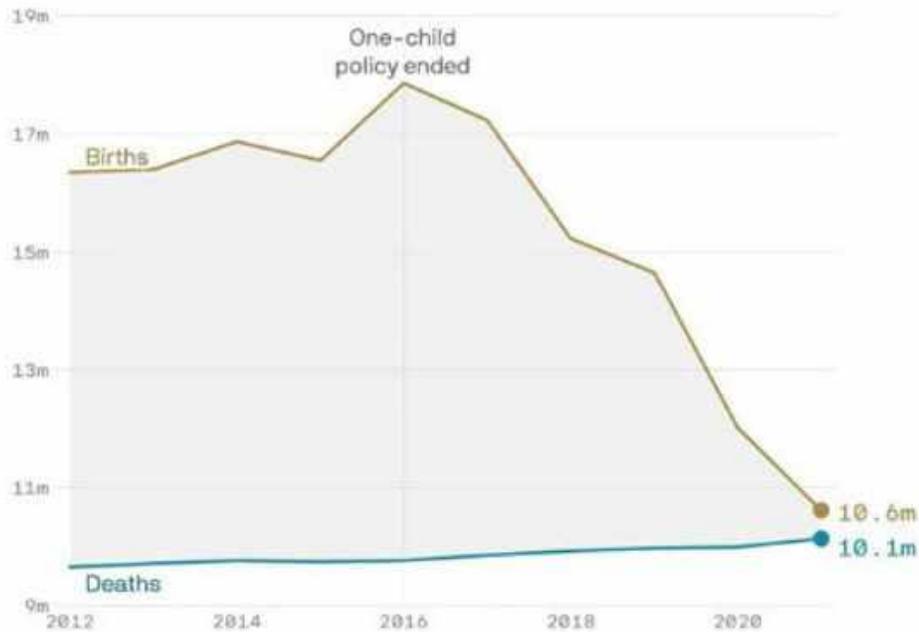
The 50% on each side break down 50/50 - half are single-issue voters and half think and do some homework.

Both of these groups break down to 50/50.

Supreme Court Justice Sonia Sotomayor turned away an emergency application on Nov. 10 to halt New York City's COVID-19 vaccination mandate that applies to firefighters, police officers, and other government employees.

Births and deaths in China

Annually; 2012-2021



Data: China National Bureau of Statistics. Chart: Tory Lysik/Axios

You can't make this stuff up.



Maybe There Is Something To Be Said For Consistency

The U.S. Transportation Security Administration (TSA) has extended its COVID-19 vaccine proof requirement for non-U.S., nonimmigrant citizens flying to enter the United States, making the United States the only western country and among the few remaining countries in the world still to require such proof for entry.

Fact Check – True

Polar bears used to be the poster child of climate change. But their numbers have been increasing: from 5-10k polar bears in the 1960s, up to around 26k today. We don't hear this news. Instead, campaigners just quietly stopped using them in their activism.

Shrinkflation And Inflation Big Mac 1980 vs. 2022



For Beth

This is why Germans don't play scrabble.

