

Lessons in Market Lore

By [The Mogambo Guru](#)

04/04/05 There are many things in this world that astound The Mighty Mogambo...one that gets him really scratching his head is why people continue to buy the ever-rising U.S. debt? Isn't that something an intelligent person would avoid? The Mogambo explores...

The NYSE breadth line (advancers minus decliners) has definitely turned down, after all these months of it rising relentlessly. And if you want to know HOW many months, I am looking at the chart in Barron's right now, and it goes back to April of last year. And here is today's Mogambo lesson in market lore (MLIML); when there are more shares being bought than are being sold, as indicated by the breadth line, then the prices of shares usually follows that trend.

Well, to be fair, I only came to that conclusion after analyzing the data with The Highly Scientific Mogambo Method Of Data Analysis (HSTMOMDA), which is to randomly stumble upon a graph of some kind, and then one of the three remaining neurons in my brain sort of half-heartedly fire and sizzle in some vague, primordial inkling that maybe this is somehow important, and then the other two neurons take a look at this sudden activity and figure that something must be significant and they will, too, try and comprehend it all. Putting all of this together, I will take precious Mogambo time (PMT) out of my busy, busy day spent writing letters to my Congresspersons ("Dear Senator or Representative, Watch the money, butthead! Signed, Affectionately, The Mogambo"), to say that I can only surmise that the stock market is in for losses for quite a while if sellers keep outnumbering advancers. Maybe. But only if the government cannot find another way to keep this stupidity going.

That, of course, brings us to the amount of debt that the Treasury has been issuing of late. You can tell by the way alarm bells are ringing, sirens are blaring, buzzers are buzzing and the way that I am running around covered with body armor that this is getting weird and scary, and the weirder and scarier it gets, the weirder and scarier I get. In real numbers (and remember that these come from the Treasury itself), they have issued \$84 billion freaking dollar's worth of new national debt in 28 freaking days! Not even a whole month! 28 lousy days! If it were February, well, then, yes, it would be a whole month! But this is March, which has 31 days in it, making it three days short of one freaking month! \$84 billion in less than a month! I am now going to put this paper bag over my face and breathe slowly in and out, and perhaps I will stop hyperventilating about this now, and if I don't, then at least the paper bag will muffle my screams a little bit.

Rising US Government Debt: Who's Going To Buy? And Why?

So who is going to buy all of this enormous (and always rising) debt? Not me, mostly because I don't have any money, and even if I DID have some money I would not buy U.S. government debt at these prices! And since I am a really stupid guy, and maybe (according to family and friends) the most stupid guy in the whole world, if this avoidance of U.S. debt is obvious to me, imagine the clarity with which somebody with normal intelligence (or above) can see it, too!

To that end, a reader in Houston suggested that I visit the site of the Depository Trust & Clearing Corporation (DTCC). They say that they provide "clearance, settlement and information services for equities, corporate and municipal bonds, government and mortgage-backed securities and over-the-counter credit derivatives."

And they are a pretty big outfit, as they crow about how their depository "also provides custody and asset servicing for more than two million securities issues from the United States and 100 other countries and territories."

We then read that the next section is entitled "A Shared Vision," which, having been around, means that I intuitively understand that when somebody says that they have a "vision," especially a "shared vision," what they really mean is that they will tell me what my socialist dreams are, and then they take my money to make it come true for themselves and/or their friends. Sure enough, we then read, "Established in 1999 to bring together and integrate the operations of The Depository Trust Company (DTC) and National Securities Clearing Corporation (NSCC), DTCC's purpose is to help grow the world economy by furthering the development of low-cost, efficient capital."

Rising US Government Debt: This Place Has Customers?

So somehow, probably because they are such nice guys or something, they talk other guys with money (their customers) into loaning it out cheap? And thus they allow their customers to get crappy investment results, compared to guys who did NOT loan their money out on the cheap? And they have customers? Wow!

To tell the truth, this could be a highly unfair attack against a wonderful bunch of people, I don't know. I don't care. I figure, "Live and let live." But then I think that I may have to re-think my position, as I get the news they are getting bigger, as we then read that they are announcing, "The integration of the newest DTCC subsidiaries, Government Securities Clearing Corporation (GSCC), MBS Clearing Corporation (MBSCC) and the Emerging Markets Clearing Corporation (EMCC), which took effect officially on January 1, 2002, is part of a larger effort by the industry to bring greater synergies and efficiencies to post-trade processing, with the vision of creating a truly global central counterparty solution for many types of securities." As I figure it from what I just read, bristling as it is with words like "synergies" and "efficiencies" and more "vision," they are going to make a market in these securities, buying and selling from their own book, and make gigantic oodles of money on it. On the one hand, "Ah, the wonders of capitalism!" On the other hand, "Yikes!"

This is scary enough, as I am naturally paranoid and suspicious whenever any large, powerful and mysterious private mega-corporation gets larger, or more powerful or more mysterious. No, The Mogambo is too serene on this beautiful spring day to be wasting his breath making insulting-yet-stupid comments about the rise of the mutant monsters created by the union of government and the financial services industry.

I allow myself to be entranced as their dulcet tones sound pleasantly productivity-enhancing and wonderful when they say, as they talk about their own glorious tomorrows, "It is a future in

which technology will be driving – with greater force – new ways of doing business, where the time it takes to settle trades will be reduced to minimize risk and where" and here is where I stop the tape. In fact, I leap to my feet and shout out "Stop the tape!" Before continuing, I caution you to buckle your seat belt, because I was totally unprepared for what lay ahead, and look what happened to me! Do I look normal to you? I'm hideous! Don't look at me! I mean, here we are, taking a nice little drive in the car with the top down on a beautiful spring day, talking about enhancing productivity and low-cost capital and having a terrific time, and then, well, I won't spoil it for you, but pay attention because it is the crux of the whole thing, "trading volumes will continue to escalate almost exponentially." My life flashed before my eyes!

And if you are at all familiar with graphs that go up exponentially, which is merely pictorially showing you that something has been rising exponentially, you, too, will be alarmed and you, too, will start screaming, "The Mogambo was right! We're freaking doomed!" and then we are both clutching at our chests and gasping for air. And then it gets worse when you realize that one day, and soon, the amount of money that will be needed to be created to keep this huge Ponzi scheme going and trading hands will be hundreds of times bigger than today, then thousands of times bigger than today, and then millions of times bigger, and then billions of times, and then trillions of times bigger, and then quadrillions of times bigger, and then, hopefully, it will be Friday and we can take the weekend off to live it up like there is no tomorrow, because it looks like Monday will be that day referred to in that timeless expression.

And now you want me to tell you, again, the benefits of owning gold and silver? Or are you savvy enough to have figured that out for yourself?

Regards,

The Mogambo Guru
for The Daily Reckoning