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## **Stepping Up the Spending Surveillance**

by The Mogambo Guru

*"I note with alarm that with the index at 1293, everybody who bought the stocks of this index since the third quarter of 2006 has lost money! Hahaha! Nice investing, dudes!"*

Alarm bells started ringing in the Mogambo Secret Bunker Of Paranoia (MSBOP) when the news came out from Bloomberg that "U.S. consumer borrowing rose in January as Americans spent twice as much on their credit cards as they did a month earlier."

Naturally, I immediately wonder if this was a subtle code for "your wife is spending you into the poorhouse, you Stupid Mogambo Chump (SMC)", which made me wonder what in the hell the wife has been up to, and I suddenly see that I need to seriously step up my surveillance programs on the family and neighbors, because somebody is obviously up to something, or why else would they be sending me this coded message?

But I was relieved and shocked when, a little later on, they say that although people spent twice as much, by borrowing twice as much as they did the month before, the situation is made more horrific when you learn that "After adjusting for inflation, spending stalled for a second month in January"! Yikes! Nobody bought more! It just cost more!

Stalled spending to the economy is like stalling your car on the railroad tracks; it doesn't bode well that you and your spouse spend the time arguing and yelling at each other to stop spending or get out of the car to push the damned car off the tracks, and can't she see that I am wearing my nice pants while she is just wearing that ugly skirt I hate so much, so who cares if it gets ruined? And so nobody does anything and then a train comes along.

In fact, for those who like actual percentages instead of flaming train wrecks, then "Total borrowing increased at a 3.3 percent annual rate in January after rising at a 1.8 percent pace during December." And yet inflation-adjusted borrowing was down, even though it increased in dollars! We're freaking doomed!

Bloomberg has never endorsed my "We're freaking doomed!" forecast, and merely says that this inflation stuff is "increasing concern that the economy is headed for a recession", which makes me laugh, because we are obviously IN a recession, and that is why the statistics are so bad!

I am starting to get suspicious and paranoid that they never actually tell us how much money we are talking about, so I surmise that it is bad news and that I ought to start looking for a way out of here to escape the panic that is sure to erupt when I start running and screaming, "Let me out of here! We're doomed! We're all freaking doomed!"

My fears were justified when Bloomberg reported that the Fed said that "Consumer credit increased by \$6.9 billion to \$2.52 trillion. In December, credit gained \$3.7 billion, less than a previously reported increase of \$4.5 billion." Spent \$6.9 billion more, but bought less? Again I say, "We're freaking doomed!"

And the worse news is that these people are going to have fewer jobs, with which to make the money, with which to pay the credit card bills, because the Labor Department said the U.S. lost jobs in February, taking All Non-Farm Payrolls down to 137.99 million from last month's revised 138.05 million.

Bloomberg.com says, "Payrolls fell by 63,000, the most in five years, after a revised decline of 22,000 in January." There were, I am horrified to say, 38,000 new government jobs for which the now-shrunken pool of 115 million non-government jobs must now also pay.

Actually, things are worse, as there are now perversely fewer people being counted as actually being in the workforce, and last month the Birth/Death Model (which estimates how many jobs created or destroyed by business starts and failures that have not been counted yet) last month assumed that every industry in America added jobs last month, to the tune of 135,000 new jobs in February! Hahahaha! And yet, employment declined! Hahaha!

Suddenly, I feel a rant coming on, and dashing into the nearest restroom, I don the famous golden uniform, heavy with symbolism, of The Brave, Brave Mogambo (TBBM), complete with snazzy cape and tiara. Springing back into the room ("boing!"), I shout, "We're freaking doomed! Prices are going up because the government let the Fed create too much money and credit, and now they intend to remedy that disaster by creating more money and credit! Hahahaha! We are, in case you forgot my initial remark, Earthlings, you're freaking doomed! Now, up on your feet, all of you, and follow me in a popular uprising, and we will descend on Washington D.C., take over the government in the name of Glaggnar, emperor of this sector of the galaxy, and install The Mogambo as benevolent despot to rule with an iron fist and capricious whim! Sounds great, right? Let's go! Hup! Hup!"

The place got eerily silent, and I could see by the way they were looking at me with that stunned look on their faces that they were not in the mood to participate in a revolution where I end up as top dog, no matter how justified by the horror of the economic situation.

So I sat down in a funk, whereupon my tiara slipped over to one side, and now it is all comically kimbo, and I'll bet everyone is looking at me and laughing at me behind my back, and then when I accost them about it later, they act all innocent, and say things like, "What in the hell are you talking about?" and "Who in the hell are you?"

Suddenly, I notice that Mish Shedlock of [globaleconomicanalysis.blogspot.com](http://globaleconomicanalysis.blogspot.com) has come into the room, and I can see what appears to be a mix of both pity and revulsion on his face. Sure enough, you can hear it in his voice when he summed it all up as, "no matter how you look at it, this was an extremely weak jobs report, and that is even weaker when one goes digging through the details. It was indeed an unmitigated disaster."

"Unmitigated disaster", like the on-going disasters of my disastrous marriage, my pathetic failures at fatherhood, my ruined career and, most tragically, my golf game, only without people accusing me of cheating or throwing various crockery at me.

So, in light of this, I mull over the phrase "unmitigated disaster" in employment, and I naturally think to myself, "If people are being fired, then there is a reason for that, and

that means that stocks could be overpriced!"

So I run over to Addison Wiggin at Agora Financial's 5-Minute Forecast to see that he writes, "For the year, the Dow is now down 9%... the S&P 500 is off 11%... and the NASDAQ is creeping toward 16%."

Then I run to take a look at the chart of the S&P500 index, and I note with alarm that with the index at 1293, everybody who bought the stocks of this index since the third quarter of 2006 has lost money! Hahaha! Nice investing, dudes!

Even more troublesome, the earnings of the S&P500 are in an obvious, sudden, precipitous, 4-month downtrend, and at \$71 are as low as they were in the middle of 2006! Hahaha! Nice growth, dudes; after subtracting the effects of price inflation on that \$71 of earnings, you are actually going backwards!! Hahaha!

And stocks are already grossly, grossly over-priced, as I can easily prove by noting that the price-to-earnings multiple of the Dow Jones Industrial index was an astounding 50 last week! 50! The S&P500 had a P/E of 18, for crying out loud! These, then, are the kinds of elevated stock prices that always come at the END of a long bull market, and they never, ever, NEVER occur at the beginnings of one, where the P/E is always a lot closer to 4 or 5! At least, so far in history, anyway! Hahahaha!

So stocks are over-priced, bonds are over-priced, houses are over-priced, and government is over-priced and over-sized, at the same time as previous inflations in the money supply are showing up as inflation in consumer prices, at the same time as consumers are over-burdened with debt, at the same time as they are losing their jobs, at the same time as (courtesy of JMR Ed. S) the juxtaposed Bloomberg.com headlines announce "Producer Prices in U.S. Increase More Than Forecast, U.S. Consumer Confidence Declines to Five-Year Low, U.S. Consumer Confidence Declines to Five-Year Low, Goldman, Lehman May Not Have Dodged Credit Crisis, at the same time as JMR Mikael K. sends headlines from InformationClearingHouse.com that "Oil hits new peak at \$102 a barrel as commodities boom. Dollar sinks to low (\$1.50) against euro. Manufacturing data fuel US recession fears. U.S. Economy: Confidence Falls, Producer Prices Rise. U.S. new-home sales for January fall 2.8%. U.S. Home Foreclosures Jump 90% as Mortgages Reset. US mortgage finance firm Fannie Mae posts 2.1 bln loss. Key home price index shows record decline. Bush: US in 'slowdown' not recession."

And you are not buying gold and silver in light of that? Hahahaha! One day soon you will realize why I am laughing at you, and you will be very angry! Financially ruined and angry! Hahaha!