

Confidence in Asian Benevolence

By [The Mogambo Guru](#)

02/27/09 Tampa Bay, Florida The Conference Board's index of consumer confidence declined to the lowest level since they started collecting data in 1967, which is why Bloomberg.com reported that "Confidence among U.S. consumers plunged to a record low in February, signaling spending will slump further as unemployment soars."

The Conference Board also said, in words that chill the blood, "In addition, inflation expectations, which had been easing over the past several months, have moderately picked up" which goes along with the news that the Producer Price Index was up 0.8% last month.

At this news, I groan in dismay and whimper in fear, which is not as easy as you would think, and not very pretty to look at, either – a lot of drooling and runny nose.

So, with our houses declining in value by a third, our investments down by half, higher prices for things we need to live, being laid off at increasingly alarming rates and with a government that has lost its freaking mind, it's a wonder that any people have any confidence at all! Hahaha! Who the hell ARE those people and what are they smoking? Hahaha!

And speaking of confidence, with a need for at least \$2 trillion in federal deficit spending this year (both budgeted and through the usual supplemental "emergency" appropriations during the year), it would be doubly bad news if Asians (who have all the money as a result of our \$800-billion-a-year in trade deficits for the last zillion years in a row) stopped acting stupidly, as we need them to be confident enough to continue to buy U.S. debt, despite our being a monetarily insane country, only to receive ludicrously low interest rates for their benevolence.

Up to this point, many people have said, "Stop worrying! For any number of reasons, they can't sell without slitting their own throats" and sure enough, things have gone along rather swimmingly, so far.

Now, as you can tell from the eerie soundtrack, things are suddenly different, which explains the look or horror on my face and the Uzi in my hand, because from Bloomberg.com we learn that we are nearing the end of the time when we could count on Asians acting stupidly, as I surmise from the report that "Foreign investors sold \$170 billion of agency debt and securities in the second half of 2008, the largest amount since the Treasury began tracking sales in 1977."

Sold! They sold our debt! They sold the "most" since 1977, which was before Reagan started going nuts with slashing taxes while spending more by borrowing the difference! Hahahaha! I can't believe we were so stupid that we have not been doing that same crap ever since!

Perhaps it was the international flavor of that which interested me in a Bloomberg report of a Reuters correspondent interviewing Russia's First Deputy Chairman Alexei Ulyukayev where we learn that Russian leaders are, alas, as stupid as the rest of the world's, and he said that

“Russia’s central bank plans to print 3.2 trillion rubles (\$88.4 billion) to cover this year’s budget deficit”, which is a cryptic way of saying, in the original Russian so there will be no mistake about what I mean, “Torchiva (slurred section) glasnost Mogambo tvarish sez, ‘We’re freaking doomed!’ vodka Mogambo! Hahaha! More vodka, Mogambo!”

That slurred part may have been where they warned us to buy gold, I don’t know, but if not, then let me say, with utmost clarity so there will be no mistake: buy gold! Lots of it! Right now!

And my wonderful advice, replete with exclamation points may be better than even I imagined, as I gather from a column in Barron’s this week that was either titled “Going for the Gold” or “Ratio Bears Watching” I couldn’t decide which, but in it, John Roque, “a technical analysis at Natixis Bleichroder” has “lately been focusing on an interesting phenomenon that has proven in the past to be very profitable: The price of gold has surpassed the S&P 500.”

The significance of this is that article goes on to say that “in three previous cycles, when that situation obtained, gold outperformed the large-cap index by a ratio of 2.5-to-1 to as much as 6-to-1.”

Six to one! Man! If you are not buying gold instead of the usual stock market crap, then something is very, very wrong with you!