

Market Manipulation and Delusions of Prosperity

By [The Mogambo Guru](#)

04/22/10 Tampa, Florida – It was too late that I remembered that having margaritas for lunch was a bad idea, and I was now sleepy and argumentative, my eyelids drooping, when my eyes suddenly flew open when I read the *Bloomberg* headline, “Leading Economic Indicators Index in US Rose 1.4% in March”. Wow!

Bloomberg said, “The 1.4 percent increase in the New York-based Conference Board’s measure of the outlook for three to six months was more than anticipated” which would seem to be an understatement of the first order! Wow!

In searching for explanations, the article went on that “Seven of the 10 indicators in the leading index contributed to the gain”, with which they followed, “led by the interest-rate spread.”

To me, it became clear: Inflation in prices is causing the long end of the interest rate curve to rise, while the loathsome Federal Reserve manipulates the short end of the yield spectrum to insane lows by creating excess money and offering insanely low Fed rates, making the yield curve steepen, and yet this crazy crap is considered so bullish that the economy is going to enjoy some wonderful Golden Age of growth and prosperity instead of a terrifying inflationary hell? Hahahaha! What a stupid country full of stupid people! Hahahaha!

Wiping the tears of laughter from my eyes, I should just end everything right there and tell you to buy gold, silver and oil because the current state of intellectual prowess is beyond bizarre, and there is no point in going on.

Of course, there was also “an increase in factory hours, slower supplier deliveries” plus, a rising number of new building permits and “gains in stock prices”, which are up a startling 8.5% this year, or more, depending on where you start measuring, and it is no surprise to me that such a big move in the stock market would affect the leading index, even though, when you discount for inflation in prices which is running at about 9.5% (according to John Williams at shadowstats.com), everybody has had a Big Freaking Loss (BFL) when gains are adjusted for “loss of buying power” of the dollar! Hahaha! Surprise!

Sure enough, *Bloomberg* goes on that there is a “shrinking money supply”, which makes sense, because a shrinking money supply means Somebody Is Taking A Loss (SITAL), plus “fewer orders for capital goods and a drop in consumer expectations weighed on the index”.

With such a big, happy augur of a burst of future activity, it is kind of surprising that “The Conference Board’s index of coincident indicators, a gauge of current economic activity, rose 0.1 percent in March for a second month”, even though the index “tracks payrolls, incomes, sales

and production”, which I figure must mean increasing “inventory “ which has, perhaps not coincidentally, increased.

Now, to show that you truly understand the Way It Works (WIW), and for double bonus points on your way to winning that Fabulous Mogambo Prize (FMP) that is so fabulous that nobody even knows what it is or even how you play the game, identify the penalty that one pays for allowing the despicable, lying Federal Reserve to create So Freaking Much (SFM) money, and where can we discern a hint of its presence?

Of course, the answer is, as any Junior Mogambo Ranger (JMR) knows, that inflation in prices is the penalty for such expansions in the money supply! The judges affirm the correct answer by hitting the little bell, “Ding!”

And for the answer to the second part of the question, whiffs of inflation can be detected in the Conference Board’s Lagging Indicator, which “measures business lending, length of unemployment, service prices and ratios of labor costs, inventories and consumer credit”, which are, I bring to your attention, inflationary burdens and future burdens, and hassles and future hassles, like when prices have been rising and rising, and the number of employees asking me for a small raise in their miserable pay is rising and rising, and their tales of need and despair are heartbreaking, so that when I tell them, “Shut up! Get out of my office and get back to work, you slacker scum!” their reactions are, it seems to me, ratcheting higher and higher, too. “Interesting times”, eh?

Anyway, the gauge of these lagging indicators increased 0.2% from the previous month, which ain’t much, but it ain’t hay, either, which is a sure indicator that inflation is rising in that “ain’t hay” is such an odd expression, sort of like the expression, “Buy gold, silver and oil with everything you got, because if you have them not, then something something something about crapping a lot in a pot” which is likewise oddly incomprehensible-yet-unmistakable, and – as a bonus! – says a lot of Very Important Things (VIT).

Maybe that’s why I say, “Whee! This investing stuff is easy!”