

Never Before Seen Banking Phenomena

By [The Mogambo Guru](#)

09/13/10 Tampa, Florida – I am always alarmed at most things these days, given my low regard for governments who have power over me and people who have power over me, who always screw things up and then make me pay for it, one way or the other.

But I am never more alarmed than when something is characterized as setting some kind of new record, as in “first time ever,” or, phrased perhaps more famously, “for the very first time in the entire history of mankind, which is highly significant, 3 out of 4 scientists agree!”

For example, I pay particular attention when my wife grabs me by my tie as I am leaving for work, choking me and practically breaking my neck, and says, menacingly, that it is vitally important that I come directly home after work, and if I come home late, by so much as a millisecond, then she is going to punch me harder than she has ever punched me before, which is not exactly “for the first time ever,” but you get the point. Ouch!

My sad, sorrowful story of such abuse at the hands of a little old woman who can't even punch her weight anymore is apparently sickening to see, judging by the face of the famous Lew Rockwell, of LewRockwell.com and who is, among other things, founder and chairman of the Mises Institute, for which the Austrian school of economics owes him a great deal of thanks.

Turning away from me to avert his eyes, he writes, as if to compound my pain and misery, of a new “first,” in this case that “there are no new banks started in the US in the last quarter – the first time in 38 years that this has been true.”

Well, it is not exactly “never” or “first time ever,” but alarming, nonetheless, that nobody wants to start a new bank for the first time in 38 years.

And how many banks are there? Well, Mr. Rockwell says, “The FDIC has admitted that some 829 banks remain at risk of failure. That's one in ten,” which means that there are 8,290 banks, which are apparently in for decimation, at least.

Well, I figure that banks are like all other predators, always sniffing around for ways to loan desperate or hopeful people money created out of thin air, and thus pay themselves exorbitant salaries and enjoy enormous power.

And now, for the first time in 38 years, there are none! “Hmmm!” I say to myself.

Perhaps it's because there are no loans to be made to overly-indebted people and businesses so that they can continue operations and acquire assets that are grossly over-priced in an environment of economic contraction that seems destined to continue for a long time, as, for example, evidenced by Mark Lundeen, of the Bear Market Race To The Bottom newsletter, looking at the yield on the stocks in the Dow Jones Industrial Average going back to 1925, and

writing that “The DJIA’s dividend yield has fallen to a level never seen when the US dollar was backed by gold.”

Another level “never seen” before! It’s everywhere!

Indeed, everything has seemingly fallen to a level never seen before when the US dollar was backed by gold, which made dollars of limited supply, which meant that dollars had to be gotten by working for them or borrowing them from someone, instead of, like nowadays, having the filthy Federal Reserve create dollars out of thin air for the socialist federal government to blithely give away to legions of various rent seekers and other dependent parasites.

In case you were wondering, the dividend yield for the DJIA used to average about 4% or 5% over the long term, whereas right now it is at a miniscule 2.62%, which is even below the 3% historical lows achieved at those times when everyone was maximally bullish and were willing to pay top dollar for a dividend-paying stock, which they do at the market tops, right before the market cycles back down, down, down to where the dividend yield shoots up to over 6% in ordinary market downturns, and which even goes over 10% in times of extreme crisis when nobody wants to own stocks, regardless of their stupid dividend, like in 1930.

Anyway, it stands to reason, to ordinary guys like me that really have no idea what is going on despite our best efforts to understand, that the amount of income that investors would receive from owning a stock would seem to be important to the price of the stock, although, of course, I am not sure how or why I even brought it up.

I am pleased that Mr. Lundeen agrees, and says that “As a tool of predicting future price trends, information on Dividend Yields is more important than Earnings – until Doctor Greenspan became Fed Chairman in August 1987.”

Instantly, at the mention of the name of the loathsome Alan Greenspan, chairman of the Federal Reserve from 1987 to 2006, people reflexively grow alarmed that I am going to Go Freaking Berserk (GFB) about how much I despise that little piece of lowlife intellectual poseur crap who single-handedly created so much money, committed so much intellectual fraud, like creating the infamous Hedonic Adjustment of inflation statistics, and who has caused all the economic problems of crushing debt that bedevil us, that he belongs in a filthy, rat-infested prison where he never sees the sun as a “best case” scenario for him, the little bastard.

If you think that, then you can relax! Instead, I am going to give you a valuable little investment-timing nugget, courtesy of Mr. Lundeen’s research: “Since 1925, no DJIA bear market was over until it saw a 6% dividend yield.”

With calculator in hand, I see that for the current level of dividends (\$281.20) to be 6% of the price of the DJIA, indicating the bottom of the bear market, the index would have to drop to 4,687 from today’s 10,447! Yikes!

And this is with the optimistic assumption that dividends don’t drop! Double yikes!

But, of course, all of this all depends on so much other stuff, as in “everything else” as proved by Chaos Theory, so much so that my Poor Mogambo Head (PMH) aches from considering just a few of the possibilities out of the billions of possibilities that probably exist, which is too, too much for a lazy man like me.

For this reason, I just buy gold, silver and oil, which are guaranteed to go up in response to the debasement of the dollar thanks to insane levels of government spending and monstrous increases in the money supply by the Federal Reserve, a horrific prospect that makes the decision to buy gold, silver and oil stocks as Mogambo High-Return Investments (MHRI) so easy that I happily exclaim in gleeful delight “Whee! This investing stuff is easy!”