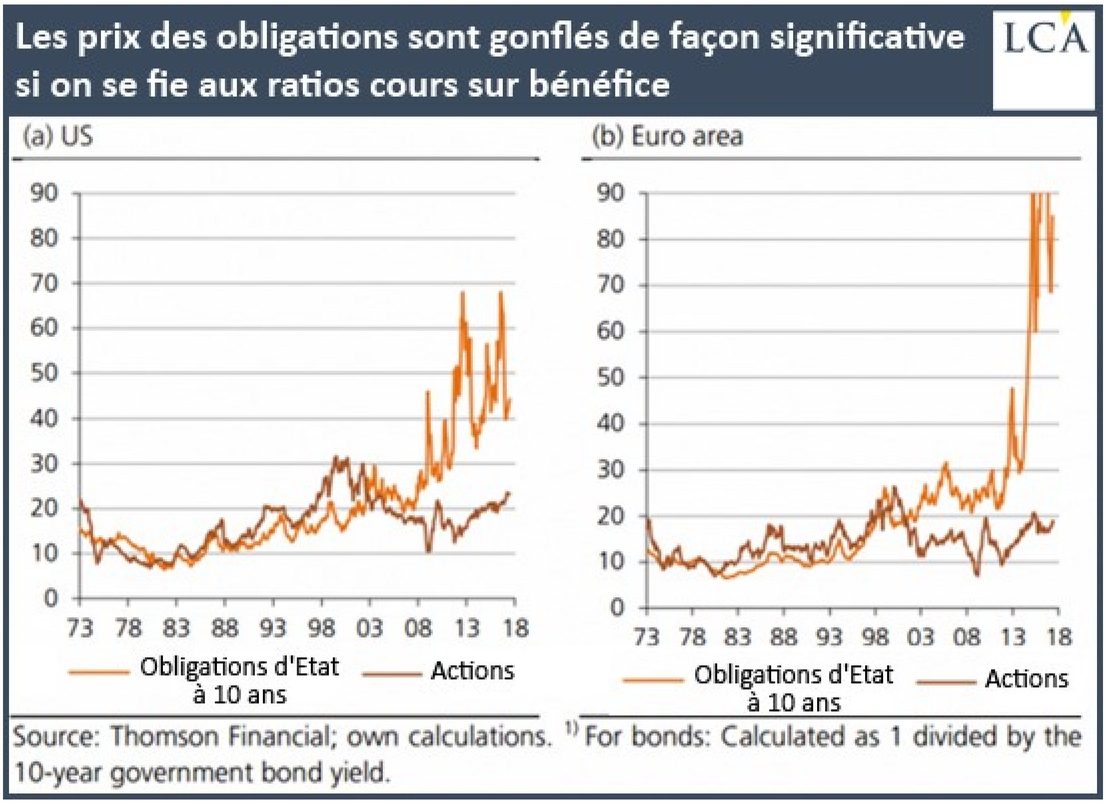
The Quickly Burning Fuse of the Growing EU Debt Bomb

Retrieved Thursday 6th of July 2017 07:55:02 PM

Look at this chart from Thomson Financials ...



What are these graphs?

You see the valuation of assets - stocks red, bonds in orange - compared to the income they pay their holders ...

On the left, you have the United States, and on the right, the euro zone.

What do you notice?

Well, the valuation of bonds in the eurozone has exploded!

In 2011, the ECB began buying bonds in the euro zone ... culminating in more than 2 000 billion euros of purchases since ...

Of course, when you buy any asset in bulk, you make it climb the price ...

And with the ECB behind, the value of the bonds in the eurozone has exploded!

Remember: Our whole system depends on these vouchers ... and the ECB swells the price ...!

However, we have not, for the moment, observed a "recovery" resulting from these redemptions ...

On the contrary, the ECB has created a mountain of debt to be repaid ...

Here in the euro zone, our governments have borrowed 4 billion euros since 2008, all thanks to the ECB ...

Of course, you see the problem ...

The higher the shares, the more the ECB must continue to buy debt to support them ... and the more the risks of a crisis increase ...

What would happen if the state stopped injecting so much money into the system ...?

In a "good case", the bond market would fall ... and stocks would make their gains ...

On the other hand, the value of these bonds creates the "bottom" on which all our money is backed ... our bank accounts ... our transfers ... our transaction ...

Your bank exchanges debt with others to settle your payments ...

What happens when the value of the debt falls ...?

Well, your bank may not be able to pay your bills anymore ... because the assets that support our system are no longer worth anything ...

We have already explored this subject in this letter ... we will come back more in the future ...

Still, no movement in the market-action ...

Today, the market stagnates ... continuing in the sleep that reached it in early May ... the CAC 40 having lost 1.13% since yesterday ...

We have just finished the second quarter of 2017 ... and we expect to see the results of the companies in the coming weeks ...

At the same time, the market seems to anticipate that the ECB will withdraw its support gradually in the coming months ... which could destabilize the market ... especially if the results disappoint expectations.

As a reminder, the market is following upward the values ??of computing - Google, Snapchat, Facebook, Netflix, Apple, Amazon in particular ...

At today's valuations, these stocks may slip if they do not publish proof of growth in the next few days ...

Let's stay on our guard ...

What to do?

In the equity market, we continue to be suspicious ...

If the IT giants go down, the whole market will probably leave with him ...

We see record valuations in stocks ... in real estate ... in bonds ...

What are we interested in right now?

You may not be surprised to know that we would be of the opinion to have assets in gold ...

In case of decline in the stock market, your gold could easily drop as well ... so do not buy it as protection against all ...

On the other hand, if the bond market begins to decline - which could be the beginning of a crisis - then your gold should give you protection ...