Real Estate in Paris Just Jumped 33% - Beware!

Retrieved Tuesday 27th of June 2017 08:55:47 PM

Our Leaders Have Succeeded In Pushing Real Estate Up ...

We are still in Dublin ... for a little while.

The stock market is down this morning ...

Boursorama:

"The main European stock markets have opened on Tuesday due to lack of drivers or clear trend dictated by Wall Street or the Asian markets ..."

What does the market want?

"[The markets are] awaiting speeches from the President of the European Central Bank (ECB), Mario Draghi, and then from the President of the US Federal Reserve, Janet Yellen."

Yes - in the market, the Fed and the ECB inject billions of euros a day, which pushes the shares up.

In mid-June, the Fed raised its key rate ... which initially put pressure on equities ... but does not seem to have affected the market.

Of course, the market still has the support of the Fed and the ECB ... who are not ready to drop prices ...

Look at Japan: The Bank of Japan started a program to buy the shares in the market in April 2013.

Since then, the Nikkei 225 has risen by 50%!

In 2016 the Bank of Japan was the largest buyer of shares in the country ... a situation that could be replicated by the ECB and the Fed if Wall Street or markets in Europe go into recession.

Meanwhile, property prices in Paris "explode ..."

Today in France, you can still get a loan to buy a home with a rate of almost 1% ...

Of course, these rates are so low because the ECB is borrowing from banks at less than 0% interest ...

As a result, banks are ready to make loans that pay almost no interest ...

A lot of people are taking advantage of it to buy real estate in Paris ... and prices are reaching records ...

Point:

"In one year, prices have soared and the square meter sold 8 942 euros on average in Paris in the first half of 2017, according to *Le Monde* ...

"[Prices rose] by 7.7% compared to last year. In a little less than ten years, prices rose by 33%. And since 2000, the value of Parisian apartments has simply ... tripled. "

Of course, when the government "tricks" interest rates by keeping them down, the prices of goods that are bought on credit tend to climb ...

Similarly, shareholders benefit from these rates ... because companies borrow in order to "market operations."

In other words, companies buy their own shares, which makes the price rise ...

According to a report by the Wall Street Journal published in late 2016, the investment bank Goldman Sachs predicted 30% more of these operations in 2017 than in 2016 ...

Can these rates end up having a harmful effect on the market?

Dr. Ed Altman, an expert on corporate bankruptcy, believes that the Fed and the ECB are creating a situation that will degenerate.

Yahoo Finance reports:

"We have had a long cycle where the market has climbed. This small detail should worry us, because it means that a reversal of the situation could produce a period of tumult.

"In 2007, just before the 2008 crisis, companies that issued bonds and borrowings had little risk from the point of view of the fundamentals of their credit.

"We see the same kind these days. The fundamentals are pretty much the same, with perhaps more risk, which does not seem to bother the market - the market continues to attract investors because the bond alternative offers very little return-on-investment . "

What to do…?

Later today, the Fed leader, Janet Yellen, will give a speech in London ...

What could happen?

If the market believes the Fed will cut the pace of rate increases, then stocks should climb ...

On the other hand, if the market believes that Yellen will accelerate the pace of increases, then stocks should fall ...

What we see this morning - the stock markets declining all over Europe - would indicate that the market does not expect the Fed to "relax" its current policy ...

We'll see this afternoon if Yellen's speech changes market sentiment ...