

What Will Happen if the Central Bank Collapses?

Retrieved Monday 12th of June 2017 09:03:07 PM

Sunburn ... Maryland takes colors ... we will leave the United States in a few days ...

What do we do in the meantime?

We are going to visit the tomb of our ancestor for the first time.

Stock market up today (9 June) ...

Before James Comey, former director of the FBI, in front of the US Congress, many believed that this event would trigger a decline in the market.

If Comey injected more uncertainty about political events, the market would react in a negative way.

Despite Comey treating Trump as a "liar" in front of Congress yesterday, markets have not slipped ... markets in the US have caught up with their losses. The CAC40 has gone up today, gaining 0.4% for the day.

"The worst is over," investors say.

MarketWatch:

"Stocks in the United States climbed Thursday - and the Nasdaq hit a record - after the appearance of former FBI director James Comey before the Secret Service Committee of the Congress, which was held without any revelations major.

"As Kent Engelke of Capitol Securities Management explains, 'It is evident from this reaction that Comey's testimony is mostly media entertainment - the markets prepared for a storm that did not unfold . ' "

Despite their expectations, Donald Trump's opponents did not get any new information against the president in Comey's testimony.

"All this is due to the Fed."

This is what a recent editorial on Zerotrade affirms.

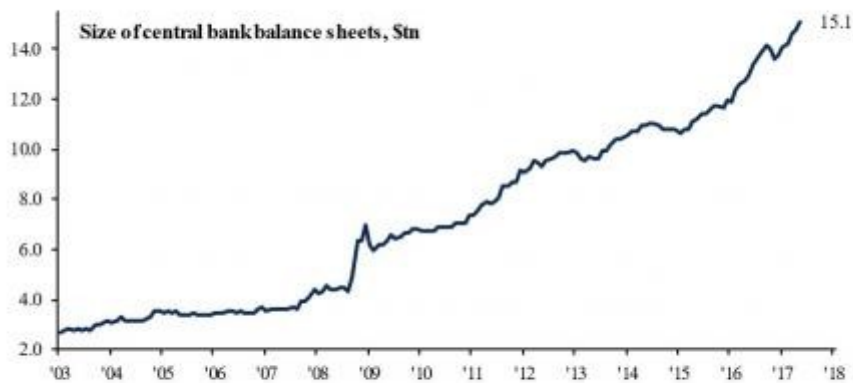
Why ?

Give them the floor ...

"The Fed, the ECB and the Bank of Japan together bought out \$ 1 trillion in financial assets in the first four months of 2017. For the year they are expected to buy back about \$ 3,600 billion, Which the Bank of America calls 'the largest annual purchase of central banks.'

"According to Michael Hartnett of the BoA, central banks now have \$ 15.1 trillion in assets, exceeding \$ 14.6 trillion in April, writing that" central banks bought a record \$ 1,500 billion in assets this year.'

Chart 1: Central banks have bought \$1.5tn in assets YTD



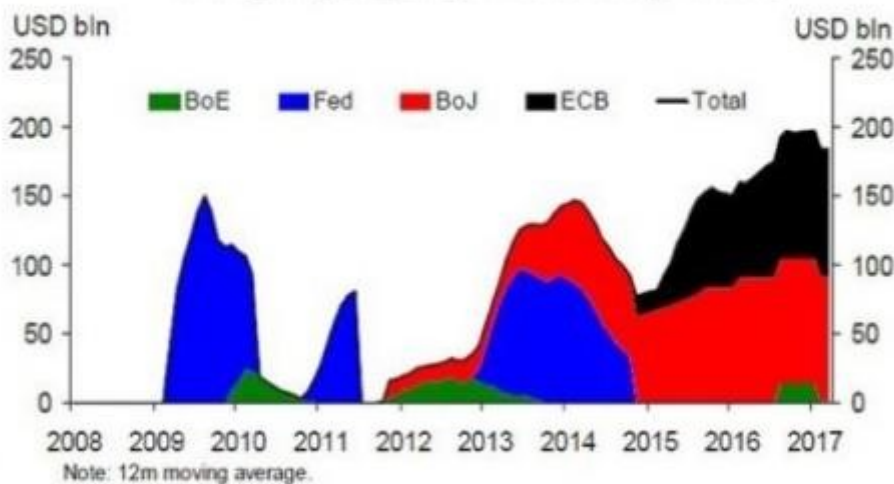
Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg. Note: includes ECB + Fed + BoJ + BoE + SNB balance sheet assets.

are injecting a record amount of \$ 300 billion in cash per month, which exceeds the \$ 200 billion that Deutsche Bank had given as a 'risk threshold' for redeeming these assets.

Still plenty of liquidity being added to markets:
ECB, BoJ, and BoE buying a combined \$200bn every month



Monthly Fed, ECB, BoE, and BoJ asset purchases



Source : DB Global Markets Research

Deutsche Bank Research

Torsten Slok, torsten.slok@db.com +1 212 250-2155

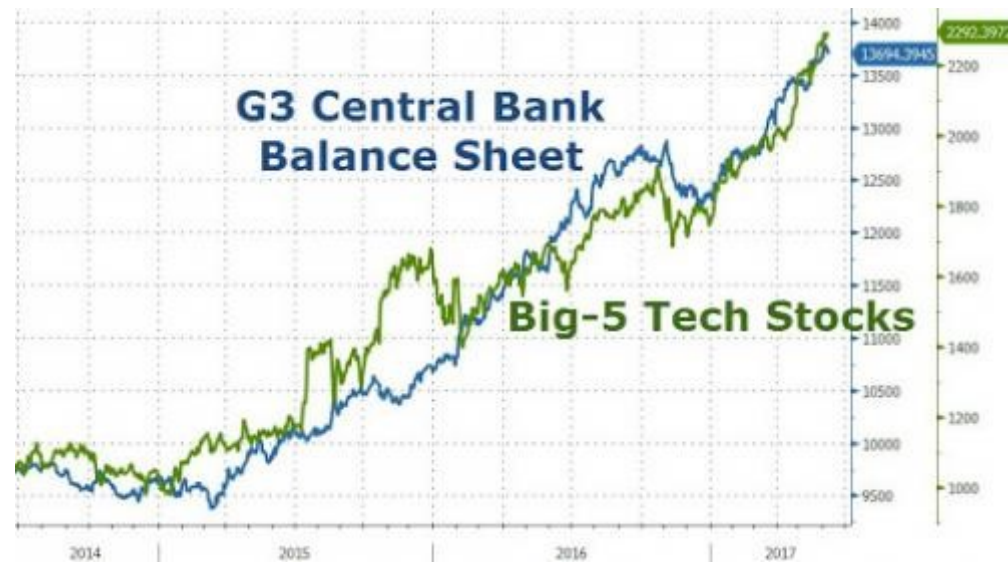
January 2017

33

counts' for this market, as it is addicted to the generosity of central banks.

"... especially when you look at the performance of the 'top 5' among technology giants, whose performance worryingly tracks the size of central bank assets.

"That is why we say that 'nothing else



In other words, markets may react to

short-term corporate results or to elections.

In the longer term, on the other hand, this sizeable market depends only on the repurchases of assets from the ECB and other ...

What to do... ?

Draghi and others are not about to stop their intervention ... As we see, this intervention only increases.

Some of our colleagues believe that, in the long term, the main currencies, such as the euro, will collapse in value ... and that actions will be one of the only refuges against this collapse.

While the ECB will continue to buy assets faster and faster, the CAC 40 could double triple ...

We already see a behavior of this kind in the "crypto-currencies ..." where people exchange their local currency against alternative assets ...

We are not so sure that the market will really be a "refuge ..."

After all, we experienced a bear market in the 1970s, when most currencies in the world collapsed ...

So we would prefer gold ... or other "real" assets such as real estate ... or land.

During inflation in the 1970s, these types of assets kept their value and even climbed.

Truly,

Henri Bonner