

# Greedy Central Banks Are Running Out of Options, Fast

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*Commercial bankruptcies are on the rise in the United States, and the Bank for International Settlements sends a disturbing message.*

As you know, these chronicles are bleak because we assume that central bankers and their economists are raising crises and inflating financial bubbles. They are unable to regulate economic cycles as they have the vanity to believe.

We believe that "regulation of the economy" is very natural: competition is there to break weak links, bankruptcies put an end to the episodic overinvestments that always end up happening because error is human. Pretending to correct human error by central planning never worked.

The claims of central bankers and a monetary system backed by debt (without credit) distort the natural cycle and aggravate the situation instead of smoothing the cycle.

After almost 10 years of almost free credit, weak links and financial zombies swarm while the most extraordinary bubbles of financial history swelled. Today's stocks are everywhere: in Europe, the United States and Asia, and affect both the equity and bond markets.

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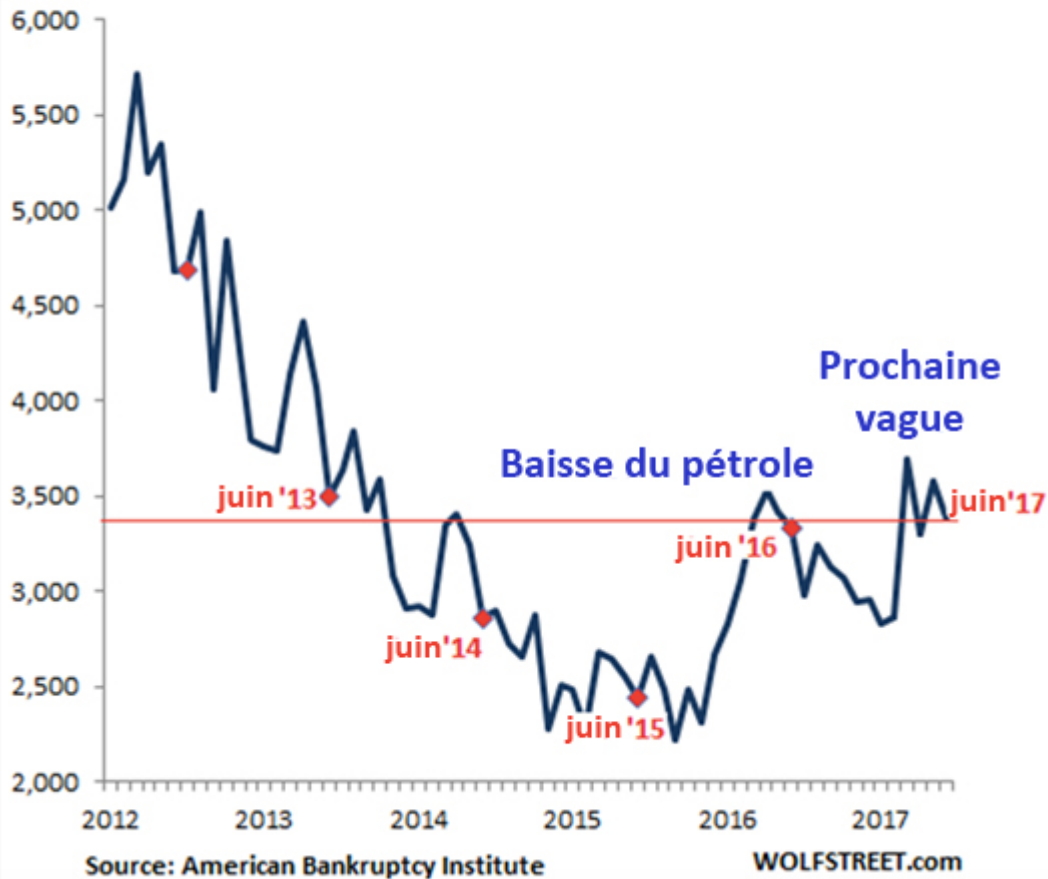
The weak links are loosing ...

In bond markets, weak links are traditionally the debts of fragile companies, what specialists call the *High yield* (High yield) or *Junk bonds* (Rotten bonds). It is a market that is much more developed in the United States than in Europe. The borrowing rates of these struggling companies have never been so low and yet bankruptcies are multiplying.

## Faillites aux Etats-Unis

Nombre de dépôts de bilan des entreprises commerciales

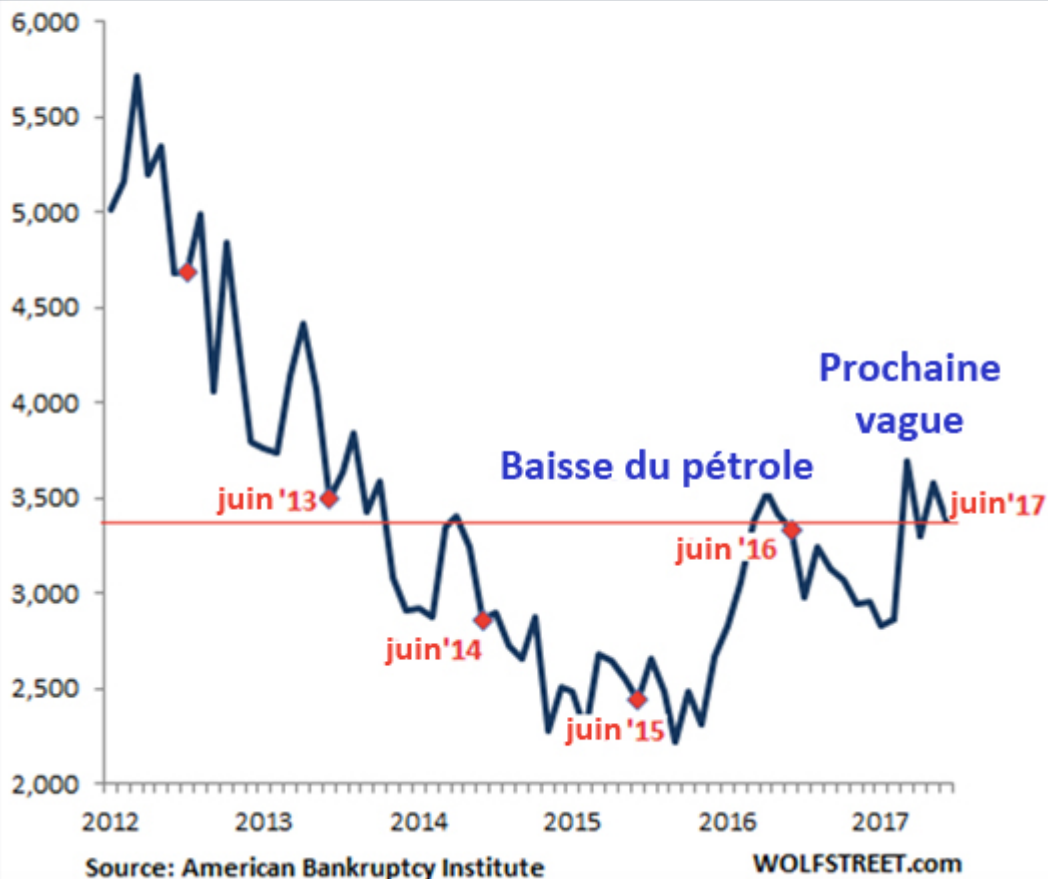
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In the United States, many companies involved in shale oil have borrowed to put wells in service. Oil remains below \$ 50 a

barrel, a figure well below that for business plans established at the time the barrel was priced at \$ 70.

In Europe, it is doubtful accounts, NPLs or *Non-performing loans*, Which cause the fall of the Spanish or Italian banks. The banking system only stands up thanks to the extraordinary injections of liquidity of the ECB.

The Bank for International Settlements (BIS or BIS) has just released its annual report.

*"There is a distortion between equity markets, which have exploded upwards, and the yield on sovereign bonds (the interest rate on the debt) which have not increased much while the economic context has improved.*

*Unfortunately, the unfortunate long-term trends we called the 'dangerous trinity' in our report last year are still with us:*

- *Unusually low productivity growth,*
- *An unusually high debt,*
- *And an unusually narrow margin for maneuver in monetary policy.*

*The advanced indicators of financial distress show asset increases which in many economies appear similar to those that preceded the major financial crash".*

Claudio Borio, Chief Economist of BIS

Of all the institutions (Fed, BCE, IMF ...), it is usually the BIS that speaks most clearly.

Claudio Borio tells us that valuations do not correspond to economic reality.

This is exactly what the Fed and the ECB are trying to do by cheating on rates and buying bonds that no wants.

The message is clear: we returned to box 2007 ... except that this time the central banks will no longer have extraordinary measures to propose. They will have become commonplace and their uselessness is proven.

So what if you have savings to prevent it from being engulfed in the next crash?

Invest out of the financial markets apart from the 60 billion euros a month that Mario Draghi injects to keep the bubbles swollen!

Investing in healthy, strong companies, with products, customers and profit margins in sectors that are safe from manipulation, is no longer the prerogative of rich venture capitalists or *Business angels*. All the recent studies show that it is on the stock exchange that the most important capital gains are made. [This market is now at a mouse click range. It's the magic of crowdfunding, participatory financing.](#)

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