

The Fed Just Admitted to Lying About Inflation

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The Fed has just reaffirmed that it will scarce credit. The probabilities of crash increase.

Today we are going to talk about boring, serious and ridiculous things: Janet Yellen, the Fed and its claim to control the economy, unemployment, inflation.

The president of the Fed made remarks "hawks" yesterday. In financial jargon, a "hawk" is in favor of higher rates (it creates less credit) while a "dove" is partisan to lower rates (over credit is created).

The content of Janet Yellen's remarks was strangely humble whereas the Fed usually claims to know everything about everything.

"It would be imprudent not to intervene before inflation has returned to 2%. [...]"

"My colleagues and I may have misjudged the strength of the labor market, the degree of consistency between long-term inflation expectations and our inflation targets, or even the fundamental forces guiding inflation"

I am sorry to impose on you the reading of these indigestible phrases. But the quality of the raw material that I leave is pitiful and the French language is even heavier than the Anglo-Saxon wood language ...

"It would be imprudent to keep monetary policy on hold until inflation is back to 2 percent. [...]"

"My colleagues and I may have misjudged the strength of the labor market, the degree to which the inflation-driven inflation expectations are constant."

Imagine the captain of your plane saying,

"It is unwise to extend this flight to the intended destination."

"The crew and I may have misinterpreted information from the aircraft instruments, which are not adapted to these commercial flights. "

Not reassuring, is it? You may be leaning to feel under your seat the presence of the lifejacket promised in case the crash happens at sea.

Yet the markets were not terrified.

Russia hates it ... and Saudi Arabia more Discover the mysterious substance that is shaking the world's oil powers - and could bring you spectacular gains: just put [this value](#) in the portfolio.

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The Fed admits that it does not understand anything, that its statistics are cumbersome and that it does not know what causes inflation, but Mr. Market does not care!

Yet, the market knows that current valuations are blown by low rates, [as Bill Bonner pointed out](#)

"The Fed created \$ 3,600 billion in fresh money ... which it injected into the financial markets to buy bonds. By lowering interest rates ... by curbing savers ... and allowing companies like Toys "R" Us, and many others, to borrow disproportionately ... This money caused the bull market on Wall Street and multiplied by three performance Dow Jones. "

Ratio cours sur bénéfice de l'indice américain S&P 500

LCA



Current Shiller PE Ratio: 30.56 +0.00 (0.01%)

4:08 pm EDT, Tue Sep 26

Mean: 16.78
Median: 16.12
Min: 4.78 (Dec 1920)
Max: 44.19 (Dec 1999)

Les valorisations sont plus élevées qu'avant les krachs de 1929, 1987 et 2008. Les actions se payent actuellement plus de 30 années de bénéfices.

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Raising rates will therefore have the opposite effect.

Less money (credit)? Krach in sight!

What coolness, what heroism! Unless ... Will Mr. Market have a parachute that we do not have, we who are entitled only to the lifejacket in the (unlikely) case where we survive the crash?

Yes of course !

M. Le Marche always buys because he knows - he was promised - that he would always find a buyer when he was a seller. He will know when to press the "sell" button and then he will find someone at a very good price.

Always.

This is why central banks exist. Mr. Le Marché will sell to his central bank, which will provide him with "liquidity."

This put option, specialists call it the "*could* Greenspan ".

But you, dear reader, you do not have this magic parachute. You do not eat biscuits at the Eurogroup, Jacksonville or Davos alongside the central bankers.

You also know that valuations are excessive according to all the usual measurement criteria. The bonds are at a 5,000 year high. Yes, 5,000 years that interest rates had not been so low.

What does your Life Insurance Manager do? Will it be able to press the button in time?

The parachute of the poor, the insurance that will allow you to protect part of your financial wealth against the debacle that promises is gold.[Editor's note: Gold but not just any. This piece has a status that allows it to have a quasi-zero tax. Are you familiar with it?[The answer is here.](#)]

Strange and curious, overall, central banks have been buying since 2008 while they have been selling since 1966.

That makes you think ...