

The Calm Is About to Give Way To The Storm

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LONDON - It was warm and sunny when we landed in London yesterday.

Britain sometimes gets only a few weeks of summer. People rush out into the streets to celebrate, knowing that the very blooms today may be dying tomorrow.

big Bang

London is not Baltimore. It is big, wealthy, and full of people speaking many different tongues. They dine in chic restaurants, fill the bars and parking lots.

After the global financial system was freed from the constraints of real money in 1971 ... and after London's financial sector was freed from the constraints of traditional regulation in the "Big Bang" of 1986 ... wealth came to town.

Saudi oil fields. It rolled in across the "Chunnel" from continental Europe. It arrives from the Africa and Asia ... or at the light via wire transfer from all over the world.

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[BREAKING: Legendary Investor Rick Rule Just Revealed His Personal Portfolio \(Seven Deals Worth a Fortune\)](#)

For the first time ever, one of the world's richest men – responsible for inking some of the biggest gains in history – publicly revealed what's in his personal portfolio: seven lucrative deals he's personally negotiated. We're projecting small stake companies could deliver you a \$492,120 windfall. [Go here to hear Rick's details on all seven of them.](#) Don't miss this

Wherever it came from, it was welcomed in London. Private banks and money managers took it in, happy to lodge it in their offices – for a fee.

And London's real estate market welcomed its new owners. The rich came from all over the world and bought apartments in sleek new buildings along the river... or in the old digs of Chelsea or Soho.

Yes, London became the Grand Hotel to the world's money. And since there was so much new money looking for a place to put the town got rich.

Makeover

It wasn't always so.

We remember visiting the city in the 1960s... 1970s... and 1980s. Hotels were run-down. You had to put a coin into a heater to warm your toes. The South Bank... now brimming with tourists and traders... was almost a slum.

Now, scarcely a generation later, the city's skyline has been completely made over.

From our open terrace restaurant on the South Bank, for example, we can't even see the iconic "Gherkin" building – the city's new growth and financial power, which opened in 2004. It has been obscured by newer, bigger skyscrapers and

We used to work in the old Sea Containers House across from the City, the building with the huge gold balls on the roof.



The Sea Containers House in London

The inventor of the commercial sea container, Malcolm McLean, had an office on the top floor.

McLean was born in North Carolina. He bought a used truck and started a trucking company as soon as he got out of high school. Later in life, he developed the containerized shipping business that made cheap, globalized trade possible.

Containers could be packed at the factory then sent by rail or truck to the port where they were quickly stacked up onto ships. When McLean died in 2001, thousands of ships all over the world blew their whistles to mark his funeral.

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[If you missed out on Facebook, shame on us. If you miss this...](#)

It was in May 2012 that Facebook went public. The Agora Financial team turned up its collective nose... We were wrong... [but James Altucher was right](#). James told a TV audience that Facebook would soon become a massive company... Today Facebook is the fifth-biggest public company in the world — behind Amazon, Microsoft, Google and Apple. [Find out how James uses his “1,000% Backdoor” to spot these big ideas, before anyone else... \(Click here to see.\)](#)

Promising Moderation

But wait... We're supposed to be keeping our eyes on the money.

What is happening in the world of money?

Well... the most striking thing is: nothing.

It doesn't seem to matter what happens. Dysfunction in Washington. [Meltdown of the techs](#). No matter how rough the seas get, the markets glide along... scarcely noticing the storm-tossed waves below.

Remember “The Great Moderation”?

That was the title of a speech then-Fed Chairman Ben Bernanke gave in 2004. Thanks to such able guidance by the Fed, he implied, the world's financial system was calm, stable, and safe:

One of the most striking features of the economic landscape over the past 20 years or so has been a substantial decline in macroeconomic volatility...

Several writers on the topic have dubbed this remarkable decline in the variability of both output and inflation “the Great Moderation.” Similar declines in the volatility of output and inflation occurred at about the same time in other major industrial countries, with the recent exception of Japan, a country that has faced a distinctive set of economic problems in the past decade.

Reduced macroeconomic volatility has numerous benefits.

Well, yes. Bernanke was talking about the economy. But investors got the message. The Fed chairman was not merely describing “moderation.” He was promising it.

And so, for the next three years, it was up, up, and up for the stock market.

And then, it was down.

The Great Moderation set up investors for the crisis of 2008.

When market volatility – aka price swings – seems to vanish, people feel no need to protect themselves. (For more, see today's Market Insight below.)

They buy without doing research. Or if they are traders, they sell “vol” – confident that whatever heebie-jeebies markets may have suffered in the past, they've got nothing to worry about now.

No need to put on hedges. No need to hold some cash just in case. And no need to watch your back. The Fed will watch it for you!

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[Congress Approves \\$42.4 Billion “Cash Rebate” to 119 Million Americans](#)

On December 18, 2015, Congress passed a bill that gives 119 million eligible Americans the chance to collect on “consumer rebate checks” that could go anywhere from \$1,230 to \$12,900 for some people. There are no income requirements to collect. [Full Details Here...](#)

Foolish Courage

The Great Moderation continued... until it was history.

In 2008, stocks were cut in half... and the entire world's finances were on the verge of a complete meltdown.

This overdue correction was snuffed by the Fed – led by Mr. Moderation himself, Ben Bernanke, who mounted the most immodest rescue effort ever attempted.

The Fed increased its balance sheet eightfold. The world – suckered by lower borrowing rates – added another \$80 trillion of new debt.

Mr. Bernanke, with conceit bordering on insanity, lauded this act of bumbling vandalism in his book, calling it *The Courage to*

Act.

And now, thanks to continued reckless courage on the part of the European Central Bank and the Bank of Japan – which are both still pumping more cash into the system – we enjoy another period of “moderation.”

Volatility is back down to brain-dead levels. The news hath no sting. Bloomberg:

US stocks snapped a two-day slide to close records as technology shares rebounded from the worst drop of the ... Treasuries were steady as the Federal Reserve policy meeting kicked off.

Nothing shocks this market. Nothing rocks it. Nothing socks it to it.

Nothing does ... that is, until something does.

Regards,