

# Credit Creation Rate Dips Beneath Warning Level

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GUALFIN, ARGENTINA – Today, an update on our [Doom Index](#)...

But first, a brief note on life at the ranch...

Yesterday, we did our second cattle roundup; the government requires two vaccinations 21 days apart.

So, the *gauchos* saddled up before dawn and set out for the huge pasture to the east of the house.

We followed on our big horse, El Bayo...

Hell for Leather

The roundup went without a hitch... until two calves got frightened by the dogs and took out across country.

The dogs soon gave up the chase. But the calves ran on as fast as they could across the plains, down through gullies, rocky hillsides.

As soon as they made their escape, El Bayo was on the case. All he needed was a little leg and he was off running, too the sage, uphill, downhill, across dry riverbeds.

It should have been easy to get in front of the calves and drive them back to the herd. But the ground was so uneven w stay on their trail.

We had to skirt around the bank of a dry river... circle around the hill... and try to spot them in the distance.

By the time we got them back in our sights they were a half-mile a, with several shallow canyons between us. And El B galloping at such a hell-for-leather pace, we wondered whether we'd be able to stay on his back.

We didn't begin riding until we were in our 50s. We're still not very good at it.

We'll have the rest of the story in just a minute. But first, let's take another look at our Doom Index.

Recession Warning

It is a still-unperfected composite of the many signs of trouble.

As the signs of trouble increase, so does the likelihood of the next crisis.

One of the major components is the rate at which banks make new loans.

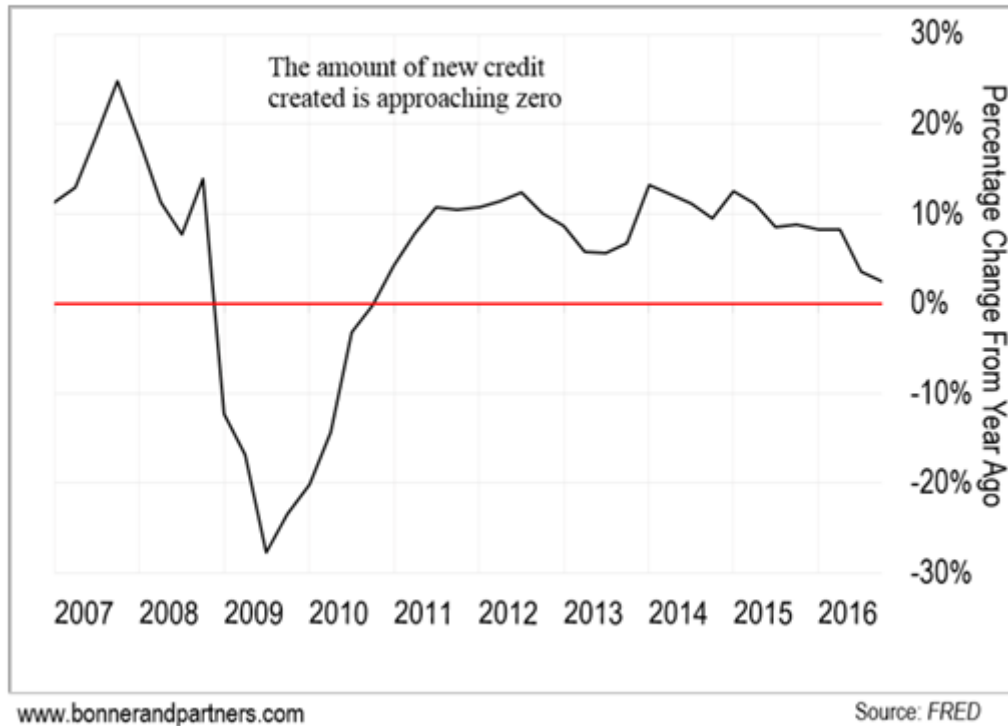
As you know, we gave up real, gold-backed money in 1971. Since then, credit is what drives the economy. It is no longer an economy that produces and consumes wealth; instead, it produces and consumes credit, which leads to higher and higher levels of debt.

Our friend Richard Duncan, who runs the advisory service [Macro Watch](#), warns that when the rate of new credit creation falls below 2% a year, a recession follows.

Well, guess what...

The current rate of credit creation – loans made by banks and other credit institutions – is now dropping below 2%... and seems to be ed to zero.

## Commercial and Industrial Loans



We also note, though not necessarily key features of our Doom Index, the following:

U.S. GDP came in at a paltry 0.7% in the first quarter. We expected a recession this year. It's a contrarian call, but it could be coming soon.

U.S. auto sales are down 4% from a year ago. Ford tells us that its sales are falling. Ford F-Series trucks have been the best-selling vehicle for 20 years.

Home ownership is at a 50-year low. Prices have been driven up by the Fed's cheap money, making houses less affordable.

Millennials are especially affected. They have never gotten onto the housing "escalator." They are saddled with more than \$1 trillion in student debt. And their job prospects are weak. Home ownership figures for the under-35 crowd are the lowest since 1960.

And consumers are running out of room to maneuver. Revolving debt (mostly credit cards) is over \$1 trillion. House prices are down back to 2007 levels in many parts of the country. And there are [7 million working-age men without jobs](#).

Next door, in Canada, another real estate bubble is forming. In terms of disposable income to prices, housing has never been more expensive.

And a new project in Toronto almost led to a riot as desperate speculators raced each other to buy apartments that had never been built yet.

None of these things is conclusive proof that the end of this bubble is at hand. But we urge caution...

Now, back to our story...

Far From the Herd

By the time we made it through the *arroyos* (dry creeks) and got back onto the high pasture, we were miles from the herd.

on the prairie.

Judging it too dangerous to keep galloping over such rough country, we pulled up El Bayo.

Instead, we would let the poor calves calm down and slow down. Then we'd circle up a of them and drive them back.

Just as we had decided on this course of action, we heard another rider coming up hard behind us. It was one of the *gauchos*, Pablo, pushing his horse as fast as it would go.

Pablo is a young man. Unlike your editor, he is a good horseman and has no fear of death.

We held El Bayo back and let Pablo take up the chase. After a few minutes, all we saw was dust. Then, a few minutes later, Pablo was riding back towards us.

"Where are the calves?" we asked.

"They just kept going... wasn't worth the time to try to get them. Besides, they'll come back looking for their mothers."

Run, Agustín, Run!

Back in the corral, all went smoothly.

The work went on methodically... separating the calves from their mothers... then separating out the old cows and the calves. Then we began the vaccinations.



*Pablo and the gauchos prepare to vaccinate the cattle*

When school let out, two young boys, Gonzalo and Agustín – aged 10 and 11 – came out to help. Fearless, they ran across the top of the stone wall... and jumped into one of the corrals, where Pablo was lassoing calves.

The boys came with their own lassos and were soon wrestling with the calves, too, and having a great time.

It was only a few minutes later that we noticed that they had gotten in the big corral with the big cows and bulls.

We had been menaced earlier by one of the cows. And another of the *gauchos*, Samuel, had barely escaped getting gored by one of the "mountain cattle" attacked him.

Our cows are usually well-behaved. And we cut the horns off, just in case. But there are always a few mountain cattle w

mixed into the herd – smaller, wilder, and with sharp horns.

We were about to turn to the foreman to ask if it mightn't be a good idea to get the boys out of the corral, as it was too close when a hush came over the whole team.

We turned. There was little Agostín, a compact fireplug of a boy, running for dear life, with one of the cows hard on his heels.

It was one of the black mountain cows – its nostrils were flaring, its eyes were wide in anger or madness, and its horns were pointed right at the boy's back.

"Run, Agostín!" the *gauchos* yelled. We held our breath.

The boy had about 25 yards more to go to reach us. The cow was gaining on him. We jumped off the stone wall to try to help the boy. But the animal single-mindedly kept his eyes on Agostín.

But as she approached the wall, the yelling of the *gauchos* and the fast-approaching stone wall caused her to reconsider. She might have gored him, but it would have meant crashing into the wall.

She put on the brakes, giving Agostín a second to scramble up the rocks to safety.

"Hey!" one of the *gauchos* yelled. "I've never seen you run that fast before."

Everyone laughed. Agostín smiled. It was probably a good thing his mother wasn't there.

Regards,

A handwritten signature in black ink that reads "Bill Bonner". The signature is written in a cursive, slightly slanted style.

Bill