

The Secret Pipeline Pumping Your Money into the ECB

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Calm on the stock market for now ...

After a fall of 2.2% yesterday on the CAC 40, the market seems to be stabilizing ... taking 0.16% in the opening hour of the market ...

On the other hand, the trend remains downward ... the CAC 40 has now lost 4.9% since May 5th ...

In the absence of news about companies, or about the ECB's policy, the market prefers to protect itself ...

As we reported yesterday, the second quarter of 2017 is closing today ... and companies will take a few weeks to publish their results.

We should have movement again - up or down - by mid-July.

Meanwhile, the VIX index, which measures whether investors are protecting themselves against volatility, remains low ... In other words, investors do not seem to care.

In a few weeks, they believe, we will have results that will justify their expectations ...

Will they be right?

For its part, the largest bank in the United States, Bank of America, issued a message noting that markets underestimated the impact of the Fed ...

In other words, the market does not see that the record levels it has reached depend on the "easing" policies of the Fed, the ECB, and the Bank of Japan ...

So, this market could quickly fall if these withdraw their support ...

Herlin: We Have a 'Fragmentation Bomb' in the Euro

As a reminder, Dr. Herlin and I launched the "Letter Strategy and Advice" in early 2017 ...

In the dossier we will publish for our subscribers in early July, Dr. Herlin explains "what's wrong" with the euro ...

In particular, Dr. Herlin explains that ALL payments between member countries of the euro area pass through the ECB ...

This system which allows the ECB to control all our payments is called "TARGET 2 ..."

As Dr. Herlin explains, the equivalent of the GDP of the euro zone transits through TARGET 2 every 5 days ...

What is the problem?

Well, all the countries in the zone use TARGET 2, but some of them receive far more transfers than they emit ...

For example, our neighbors the Germans have a surplus of 700 billion euros ... while Italy is in deficit of 300 billion euros ...

This system works as long as all the countries remain in the TARGET 2 ... but if one of the members decides to leave this system, then all the countries of the zone see their balances change from one day to the other ...

This is why our leaders have tried so hard to curb the exit of Greece from the euro zone ...

If even one of the small members leaves TARGET 2, then all this infrastructure we depend on can drop ...

Herlin:

"... if Italy decides to leave the euro, it would of course refuse to pay the 300 billion euros of debt and this would be lost to the German financial system ... Here is the fragmentation bomb which lodges at Heart of the European currency. "

What to do...?

We do not know better than the others when we will see the crisis looming ...

However, these crises occur from time to time ...

Why?

Well, to answer it, we need to ask another question.

What is the use of having a market in which shares are traded?

Well, we have a market because it allows us to know what things are worth ...

In other words, the market allows us to "discover" the prices ...

Now, at this moment, we do not "discover" anything ...

We are all convinced that the market will only rise ... and that the crises will not happen again ...

In other words, we already believe we know everything the market can teach us ...

Maybe in the next few months, we will find out where our error lies ...