Markets Ignore Fundamentals And Chase Headlines Because They Are Dying

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Underwater-Museum

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Normalcy bias is a rather horrifying thing. It is so frightening because it is so final; much like death, there is simply no coming back. Rather than a physical death, normalcy bias represents the death of reason and simple observation. It is the death of the mind and cognitive thought instead of the death of the body.

Ever since the derivatives collapse of 2008 the public has been regaled with wondrous stories of recovery in the mainstream to the point that such fantasies have become the "new normal". These are grand tales of the daring heroics of central bankers who "saved us all" from impending collapse through gutsy monetary policy and no-holds-barred stimulus measures.

Alternative economists have not been so easy to dazzle. Most of us found that the recovery narrative lacked a certain something; namely hard data that took the wider picture into account. It seemed as though the mainstream media (MSM) as well as the establishment was attempting to cherry-pick certain numbers out of context while demanding we ignore all other factors as "unimportant."

We just haven't been buying into the magic show of the so called "professional economists" and the academics, and now that the real and very unstable fiscal reality of the world is bubbling to the surface, the general public will begin to see why we have been right all these years and the MSM has been utterly wrong.

Mainstream economists have done absolutely nothing in the way of investigative journalism and have instead joined a chorus cheerleading for the false narrative, singing a siren's song of misinterpreted statistics and outright lies drawing the masses ever nearer to the deadly shoals of financial crisis.

Why do they do this? Are they part of some vast conspiracy to mislead the public?

Not necessarily. While central banks and governments have indeed been proven time and again to collude in efforts to cover up financial dangers, most economists in the media are simply greedy and ignorant. You have to remember, they have a considerable stake in this game.

Many mainstream economists tend to have sizable investment portfolios and they base their careers partly on the successes they garner in the annual profits they accumulate playing the equities roulette. They also have invested so much of their public image into their pro-market and recovery arguments that there is no going back. That is to say, they have a personal interest in using their positions in the media to engineer positive market psychology (if they are able) so that their portfolios remain profitable. Not to mention, their professional image is at stake if they ever acknowledge that they were wrong for so long about the underlying health of the real economy.

This atmosphere of deluded self interest also generates a cult-like collectivist attitude. There is a lot of mutual back scratching and mutual ego stroking in the MSM; a kind of inbred conduit of regurgitated arguments and unoriginal talking points, and people in the club rarely step out of line because they not only hurt their own investment future and career, they also hurt everyone in their professional circles. Meaning, no more cocktail party invitations to the Forbes rumpus room…

This is not to say that I am excusing their self interested lies and disinformation. I think that many of these people should be tarred and feathered in a public square for attempting to dissuade the public from preparing in a practical way for severe economic instability. I do not think they see themselves as being responsible to the people who actually take their nonsense seriously and their attitude needs adjustment. I am only explaining how it is possible for an entire profession of supposed "experts" to be so wrong so often. Mainstream financial analysts WANT to believe their own lies as much as many in the public want to believe them.

Like I said, normalcy bias is a rather horrifying thing.

One of the root pieces of disinformation in the mainstream that feeds all other lies is the disinformation surrounding falling global demand. MSM pundits cannot and will never fully admit to the cold hard reality of collapsing demand within the global economy. If they are forced to admit to falling demand, then the facade of a steady or recovering U.S. economy crumbles.

I covered the facts behind falling global demand for raw goods and consumer goods last year in part one of my six-part article series, 'One Last Look At The Real Economy Before It Implodes.' The hard evidence and numbers I presented have only become more important in recent months.

For example, U.S. inventories are building and freight shipments are declining in the U.S. as retailers cite falling demand for goods as the primary culprit. Official retail sales numbers for the holiday season of 2015 have come in flat. When one takes into account real inflation in prices, consumer sales are actually far in the negative. According to the more accurate methods the U.S. government used to use in their calculations of CPI in the 1980's, we are looking at annual price inflation rate of around 7%. Price inflation does not necessarily equal improved sales.

Energy usage has been crushed since 2008. Despite a growing population and supposedly a growing economic system, oil consumption in 2014 according to the World Economic Forum dropped to levels not seen since 1997.

This is the exact opposite of what should be happening and it is the opposite of mainstream projections for oil consumption made back in 2003. This is why inventories and storage for oil across the globe are reaching capacity in a manner never seen before. American demand for oil is not growing exponentially as expected because Americans cannot afford to support such growth anymore. Falling energy demand at these extreme levels is an undeniable indicator of a failing economic system.

Of course, mainstream economists in their desperation to keep market psychology rolling forward and the equities casino producing profits seek to spin this problem as an "oversupply" issue rather than a demand issue. And this is where the disparity in their arguments begins to bleed through.

Here is the problem presented in the mainstream; what came first, the chicken or the egg? Did falling demand lead to oversupply and thus a fall in prices? Or, is demand remaining steady and is overproduction the cause of falling prices? Yes, let's confuse the issue instead of looking at the obvious.

As already linked above, it was falling demand which came first in 2008, and demand which continues to fall in relation to past trends. Have producers failed to reduce oil production to match falling demand? Yes. But this does not change the fact that oil demand today is well below levels needed to sustain the kind of economic growth markets have come to expect. Mainstream economists attempt to distract by hyper-focusing on supply, or twisting the discussion into an either/or scenario. Either it is a supply problem, or it is a demand problem, and they assert it is only a supply problem. This is not reality.

In fact, both can and often do exist at the same time, though one problem usually feeds the other. Falling demand does tend to result in oversupply in any particular sector of the economy. The bottom line, however, is that in our current crisis demand is the driving force and supply is a secondary issue. Supply is NOT the driving force behind the volatility in oil markets. Period.

This same chicken and egg distraction rears its ugly head in discussions on shipping markets as well.

The mainstream claim that the historic implosion of the Baltic Dry Index is nothing more than a problem of "too many ships" operating in the cargo market has been throttled, dissected and debunked so many times that you would think that it is surely dead. But the lie just will not die.

Mainstream propaganda houses like The Economist and Forbes continue to produce articles on a regular basis which deny the issue of falling demand for raw goods and claim that oversupply of vessels is the root cause of the BDI losing around 98 percent of its value since its highs in 2008.

I haven't seen any of these articles offer actual stats or evidence to back their claims that oversupply of ships is the culprit and that demand is not a legitimate issue. But beyond that, why does the mainstream seem so hell bent on dismissing the BDI as a reliable economic indicator? Well, because shipping rates fall when demand falls, thus, when the BDI falls, it signals a lack of global demand. This is a fact they refuse to accept. When the BDI falls by 98 percent since the 2008 highs preceding the derivatives crisis, this signals a disaster in the making.

So, let's stamp out the "too many ships came first" disinformation once and for all, shall we?

Shipping companies like Maersk Lines have already publicly admitted that falling global demand is the core problem behind falling rates and that supply is a secondary driver. They view the current financial crisis to be "worse than 2008".

The fact that the largest shipping company in the world is warning of falling demand does not seem to be having any effect on the mainstream talking heads, though.

So, what do major shipping companies do when demand is falling and too many ships are operating on the market? Do they field those ships anyway and drive rates down even further? No, that makes no sense.

What companies do is either leave ships idle in port or scrap them. According to BIMCO (Baltic And International Maritime Council), 2015 was the busiest year since 2012 for the scrapping of older ships to make way for new arrivals. This process of scrapping ships or storing them idle destroys the argument that too many ships are driving falling rates in the BDI. In fact, as chief shipping analyst Peter Sand of BIMCO stated last year:

"The increase in Capesize scrapping comes at a much needed time for the market. Looking at the development so far this year the fleet growth has actually been negative, with a reduction of 0.8 %."

I hope the garbage peddlers at Forbes and The Economist caught that — NEGATIVE growth of ship supply, not massive over-growth of ship supply. The scrapping increase was also across the board for other models of ships, not just the Capsize, and the increase of cargo capacity by new ships has been negligible. Yet, shipping rates continue to plummet to historical lows. Only falling demand, as Maersk

Lines admits, explains the crash of the BDI in light of this information.

China in particular has been offering considerable incentives to those companies that do scrap older ships, to the point that some are even scrapping semi-new ships in order to cash in.

Now, this is not to say there is not an "oversupply" of ships. There are indeed many ships within cargo fleets that are not in operation. But again, this is because demand has declined so completely that even with increased scrapping and idling, shipping companies cannot keep up. Falling demand OCCURRED FIRST, and oversupply is nothing more than a symptom of this root problem.

So, mainstream hacks, can we please put the "too many ships" nonsense to rest and get on with a real discussion on obvious issues of demand? Stop focusing on the symptoms and examine the cause for once.

These are just a few of the hundreds of fundamental problems plaguing the global economy today, and they are all problems that the mainstream continues to ignore or dismiss out of hand. Which brings us to the now accelerating volatility in stock markets.

Stock markets are crashing, there is no other way to paint it. They are crashing incrementally, but crashing nonetheless. When you have violent swings in equities and commodities between 5 percent and 10 percent a day, then something is very wrong with your economy and has been wrong for some time. If global consumption and demand were really steady or growing, then you would not see the kind of systemic backlash in the financial system that we are now seeing. If companies listed on the Dow were making legitimate profits due to a healthy consumer base and enjoying solid expansion, stocks would not be increasingly volatile. If investors and mainstream analysts actually looked at the real numbers in demand (among other things), then the strange behavior in markets would be easy for them to understand. They will not look at such numbers until it is too late.

Instead, markets have chosen to chase headlines, and here is where the ugly circle of normalcy bias and cognitive dissonance completes itself. There are no positive indicators within the fundamentals today to energize market faith or market investment. So, investors and algorithmic trading computers track news headlines instead. The MSM hacks now have the power (along with central banks and governments) to create massive stock rallies with one or two carefully placed news tags, such as "Russia To Discuss Oil Production Cuts With OPEC."

Market speculators and trading computers jump on these headlines without verifying if they are true. In most cases, they end up being false or just hearsay from an "unnamed source." And so, the markets then crash further down into the abyss, waiting for the next headline to bolster activity even for a day.

The sad truth is, if any of these headlines turned out to be legitimate, their effect would still be meaningless in the long run as the overwhelming weight of the fundamentals continues to topple poorly placed optimism. Now that the investment world no longer has the certainty of central bank intervention as a useful tool, they don't know if bad news is good news or if good news is bad news. The fact that the system is moving into a death spiral without the psychological crutch of central bank stimulus measures should tell you all you need to know about the supposed recovery since 2008.

No society wants to admit economic failure or economic sabotage, and this is why the con-game is able to continue in the face of so much concrete truth. Ultimately, the market trends and economic trends will flow into the negative. In the meantime, expect massive market rallies, rallies which will then disintegrate in a matter of days. And, whatever happens, never take what mainstream economists say very seriously. They have failed the public for long enough.

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