THE BOOM - BUST ALERT

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"There is always a bull market raging somewhere on this planet" - *Byron King*

Itchy Trigger Fingers.

By Joe Average,
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In his new book **"FINANCIAL ARMAGEDDON"** (www.financialarmageddon.com) Michael Panzner paints a chilling picture of how he sees the current global asset and credit bubbles climaxing. Need I say it… not at all well!

Panzner, is "a 25-year veteran of the global stock, bond, and currency markets…(who) has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank. and JPMorgan Chase".

The author believes ***"The explosive growth of derivatives trading and leveraged hedge fund investing, hidden behind a shroud of lightly regulated secrecy, means that few people will have a handle on where dangerous risk is concentrated…until it's too late… no one can be sure how new or exotic instruments and markets will behave when conditions take an ominous turn.***
Instead, complexity, unfamiliarity, uncertainty, misplaced complacency, and newfound prudence will trigger a broadly reactive response -- the kind that has fostered numerous panics, bank runs, and market crashes through the years.
This time, however, a vast and efficient global communications network will ensure that destructive energies are rapidly transmitted to billions of people. So, too, will trading technology that facilitates and encourages traders and investors to act on their impulses. Many will find it too easy to shoot first -- or point and click -- and ask questions later in a 21st-century rush for the exits... the fastest or sharpest operators *(will)* ***look to get out."***

In Panzner's scenario, a sudden major market plunge will see startled investors lunging for mobile phones and lap-tops to execute "sell" orders, while hot-shot hedge-fund jocks click away frantically on computer keyboards with lightning fast reflexes as they also attemp to bail out.

The problem is …if everyone hits the "sell" button and tries to unload all at once, who are they going to sell all that "stuff" to?

To quote Nigel Jenkinson (Bank of England director)***…"There is a dark side connected to financial integration. If shocks are large enough, the financial system becomes a risk transmitter rather than a risk disburser."***

And Robert Prechter (www.elliottwave.com) sure believes that the ***"shocks"*** will be ***"large enough."***

In his latest Elliott Wave Theorist Prechter states ***"the size of today's credit bubble is so huge that it dwarfs, by many multiples, all previous bubbles in history…. It's not the "Goldilocks" 1950s. It's not the inflationary 1970s. And it's not a "business as usual" extension of the 1980s-1990s bull market. It's 1929 times ten. Those who can't see the difference will suffer the consequences. Those who see it…will survive and prosper."***

Sobering thoughts.

Doomed to Rent Forever?

The fallout from the **greatest global real estate boom** continues to hit home in various parts of the world. In Australia, a survey by the Residential Development Council came up with the disturbing result that **only 7% of these industry "experts" believed Generation Y first-home buyers (born 1978 to 1998) would ever be able to purchase their own home.**

When asked what they thought might become of this bewildered, disillusioned, unfortunate group 43% of these "experts" replied that **many of Generation Y might have to be content to keep on living with their parents in the family home.** Another 30% were sure that this unfortunate group of young adults were **doomed to a lifetime as a generation of renters**. The remainder were hoping governments and finance companies would come up with some kind of **assistance by way of** (Government) **shared-equity mortgage schemes,** (parent as) **guarantor mortgages, etc.**

Perhaps they are thinking along the lines of the 50-year, two-generation mortgages introduced in Japan twenty years ago in a futile attempt to avert a meltdown of that real estate bubble?

One Australian government Housing Minister has proposed a "government shared-equity loan" whereby the government could provide some finance and end up owning up to half the home… "***Half a house is better than no house at all. If they in fact own a little bit of a house, there's no greater esteem builder I can think of, no greater measure of success, than having some bricks and mortar they can pass on to their kids…"*** (John Hargreaves, ACT Housing Minister).

Really? Is this the best economic wisdom these "experts" can come up with…let them have" a little bit of a house"? Sounds about as sympathetic as the reply supposedly (some say incorrectly) attributed to Marie Antoinette when told the French peasant population were rioting in the streets due to a shortage of bread… "Well" she purportedly replied, "let them eat cake!'

I would have thought owning "a little bit of house" would only help build "a little bit of self esteem", and be nowhere near as beneficial as owning the *whole house*!

Australian Reserve Bank Governor Glenn Stevens is one man not frightened to tell it like is. No skirting around the issue for him when he bluntly says… ***"Frankly, what you really want is lower prices!"***

Fortunately for Generation Y *that may yet happen.* Especially since politicians are now beginning to feel the heat from the groundswell of discontent among young voters. Realising this is a problem that won't go away one candidate was prompted to declare ***"It is morally wrong to deny the next generation a home of their own…"***

Commodities investment guru Jim Rogers has recently joined the likes of Robert Shiller and Robert Prechter in predicting a real estate crash. He is selling up his Manhattan mansion and pulling most of his money out of emerging markets in anticipation of an imminent crash in both. Rogers believes ***"Real estate prices will go down 40-50 percent in bubble areas."***

Rogers also told Elif Kaban (Reuters March 14th, 2007) that ***"I've sold out of emerging markets except for China"*** (even though he believes Chinese stocks are overvalued and could drop 30-40%)***. "This is the end of the liquidity party. Some emerging markets will go down 80 percent, some will go down 50 percent. Some will most probably collapse."***

So hang in there Generation Y. The economic cycle may once again kick back in and come to your rescue.

From Rooster to Feather-duster.

For more than seventeen years Alan Greenspan was arguably one of the most powerful men in the world when he held the reins at the U.S. Federal Reserve as Chairman. He was lauded by many for his handling of the 1987 Black Monday stock market crash that occurred only months after his appointment.

In February 1999 he appeared on the cover of Time magazine (flanked by Treasury Secretary Rubin and his Deputy Summers) as front man for "The Committee To Save The World" when world markets were in turmoil.

In his latter years his detractors have pointed the finger of blame at him for allowing a global asset boom to develop on his watch, accusing him of lax monetary and fiscal policy and being overly supportive of the policies of President George W. Bush. With the U.S. real estate bubble finally showing signs of bursting, Mike Whitney (The Guardian 7 March, 2007) believes ***"There's no doubt now, that (now former) Fed chairman Alan Greenspan's plan to pump zillions of dollars into the system via "low interest rates" has created the biggest monster-bubble of all time and set the stage for a deep economic***

retrenchment…. A shrewd economist and student of history like Greenspan knew exactly what the consequences of his low interest rates would be.
On Monday October 21, 1929, the over-valued stock market began its downward plunge.
Now, 77 years later, Greenspan has led us sheep-like to the same precipice."

It now seems Greenspan has upset one Ryan O'Gorman (fixed income sales TD Securities New York) when he recently uttered the "recession" word during one of his speaking engagements, for which his fee was U.S.$150,000. O'Gorman blames Greenspan for the Dow's recent 500 point plunge on February 28th and was annoyed because ***"It seems he thinks there is a one-third chance that the US could dip into a recession*** *(by the end of this year)****. Considering that most 81-year-olds are putting their laundry in the fridge and their butter in the dishwasher, it surprises me that the market still listens to him."***

Ouch!

All the best, Joe.
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