Tea Leaf

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Your guide to understanding today's economy and financial markets

June 24, 2009

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Global ABCs

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This is the companion piece to *Domestic ABCs* of May 20

America—this nation's eventual demise? The U.S. share of global economic output has averaged 25% for the past 125 years, and is likely to continue

Bailouts—and stimulus programs. Commonplace across the U.S., Europe, Asia and many other locations within the global community

China—less robust, but solid economic growth continues. Still, the nation's leaders would much prefer stronger growth to meets the needs of hundreds of thousands of people leaving the farms monthly to work in the factories

Dollar—the Chinese and the Russians have been vocal about favoring another currency to take the dollar's place as the globe's reserve currency…hope they're not holding their breath

Europeans—laughing at the U.S. a year ago for the enormous mess we got ourselves into. No more jollies at our expense as Europe and the U.K. deal with their own major recessions and financial market stresses

Fiscal Stimulus—unprecedented budget deficits are an end result of massive government spending, here and around the globe. However, what was "necessary" during the past 10 months to stabilize the economy and financial markets is NOT necessary later on. Deficits must be reined in, sooner rather than later

Global Economy—in painful recession as 2009 starts to gray. The U.S., Europe, and Japan are in simultaneous recessions for the first time since following WWII. Modest global growth is likely by mid-2010

House of Cards (Financial)—excesses of exotic financial instruments, sub-prime mortgage loans, skyrocketing home prices across the U.S., the U.K. and Europe, a massive accumulation of debt by domestic and global consumers/corporations, and government blunders got us into this mess. The deleveraging of this house of cards is a painful, scary and lengthy process

India—the world's longest standing democracy continues to record reasonably solid growth, tied in part to strong domestic demand

Japan—in recession again, although more recent signs suggest some stabilization may be on the horizon

Korea (North)—massive failure of this centrally planned economy is without question. Having "the bomb" only makes things worse. Will potential new leadership right this ship?

Libor—(the London Interbank Offered Rate). A formerly nondescript global interest rate is now newsworthy in the U.S. as trillions of dollars of adjustable rate loans are tied to it

Monetary Policy—extraordinary and aggressive moves by the world's central banks to stimulate the global economy limited the downward spiral of last fall. More talk will now focus on the impending "exit strategies" of central banks, including our Federal Reserve

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News (as in Bad)—"Bad news sells newspapers" has reached new highs (or is it lows?) during the past 18 months. If your only source of info was *The New York Times*, you would never bother to get out of bed in the morning

Oil—talk about volatility! Prices have doubled from the lows of earlier this year, after falling nearly 80% during 2008's second half. A range of $60-$85 per barrel in coming months seems likely

Poverty (Global)—one in three global citizens lived on the equivalent of $1 a day in 1993. Today, it is one in five. Progress, yes…acceptable, no

Quagmires—as before, there never seems to be a shortage. Today's list still includes Afghanistan, Chechnya, Iraq, the Sudan, and the Middle East. We can perhaps now add Iran to the list

Russia—life was great when oil exceeded $100 per barrel in this oil-rich nation. Lower prices have led to sharply higher unemployment, declining living standards, and weaker industrial production

Swine Flu—the H1N1 virus has now been declared a pandemic, the first in 41 years. Will it get more serious later this year? It's always somethin'

Taxes—likely to rise in the U.S., the U.K., and across Europe next year as nations try to pay for **"B"** above. Note: you cannot tax your way to prosperity. Spending restraint, including entitlement reform, must be part of the deal

Unemployment—job cuts have been extremely painful around the globe, with more than 50 million people losing jobs during the global downturn

Volatility—pick any descriptor…financial market…economic…commodity price…political

WWW—the World Wide Web continues to be both amazing…and cluttered with junk. Still, estimates suggest we have tapped only about 10% of the potential of the Internet. Global companies using it will save in excess of $1 trillion in operating costs during the next three years

Xports—under pressure. Global trade is expected to fall roughly 10% from last year's level. Trade prospects are expected to improve next year, tied to better global economic performance

Young People (around the world)—facing a rising tax burden in coming decades to finance the retirement years of Baby Boomers (and Boomers' parents) if minor changes are not soon made

Zero Sum Game (which global trade is not)—any trade restrictions (protectionism) we impose on another nation are soon matched or exceeded by that nation. The Congress must be very careful

Jeff

"TEA"ser

The amount of sleep required by the average person is about 15 minutes more.

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