RHarding@maybank-ke.com.sg

OVERNIGHT 21/7/16

Bloomberg --

U.S. stocks advanced, pushing to fresh records, as quarterly results from Microsoft Corp. and Morgan Stanley spurred optimism that corporate earnings can support further gains.

Microsoft rallied to a three-month high after posting a better-than-predicted profit, boosting technology shares to the highest in almost 16 years. Morgan Stanley rose 2.1 percent as its earnings beat estimates, bolstered by a surprise gain in fixed-income trading revenue. Abbott Laboratories and Intuitive Surgical Inc. also gained on results that exceeded forecasts. Walt Disney Co. lost 1.3 percent after an analyst downgraded the shares.

The S&P 500 Index rose 0.4 percent to 2,173.02 at 4 p.m. in New York, its sixth all-time high in eight days. The Dow Jones Industrial Average gained 36.02 points, or 0.2 percent, to 18,595.03. The gauge advanced for a ninth session, the longest since 2013, to post a seventh consecutive record. The Nasdaq Composite Index increased 1 percent. About 6.2 billion shares traded hands on U.S. exchanges, 14 percent below the three-month average.

“Markets have been resilient,” Quincy Krosby, a market strategist at Prudential Financial Inc. in Newark, New Jersey, said by phone. “Much of the data coming in and earnings announcements have been better than expected. The market is looking for clarity that companies are more positive about the second half of the year. We’ve been in earnings recession for so many quarters we’re now thinking about earnings as whether they’re ‘less bad.”’

In Wednesday’s trading, technology shares were the strongest performers among the S&P 500’s 10 main industries, led by Microsoft’s best rally since January. The tech group rose to the highest since September 2000. Health-care stocks climbed to their loftiest level in 11 months, bolstered by Intuitive Surgical’s rise to a record. Stocks perceived as defensive lagged, with utilities, consumer staples and phone companies declining.

Tech Surge

Joining Microsoft to support the rally in tech, Cisco Systems Inc. added 2.4 percent to take the network-equipment maker’s shares to the highest in more than eight years. Visa Inc. rose 0.8 percent to a five-week high before its earnings report scheduled for tomorrow, and Facebook Inc. advanced 1.1 percent to a record.

Chipmakers climbed to their best levels in 15 years. Intel rallied 1.5 percent before its earnings report, while Micron Technology Inc. and Skyworks Solutions Inc. gained at least 1.7 percent. Marvell Technology Group Ltd. jumped 14 percent, the strongest in seven years, after its profit beat estimates. All 30 members of the Philadelphia Stock Exchange Semiconductor Index advanced more than 0.2 percent.

THE DOW HAS A CHANCE TO DO SOMETHING IT'S ONLY DONE 6 TIMES SINCE 1980

Bob Bryan ,B.I.

The stock market has hit a lot of records lately.

All-time highs for the Dow Jones Industrial average, likewise for the S&P 500, even the bond market is making history (though for lows, not highs).

With the Dow opening higher Wednesday, stocks have a chance to do something else historic, according to Nautilus Investment Research.

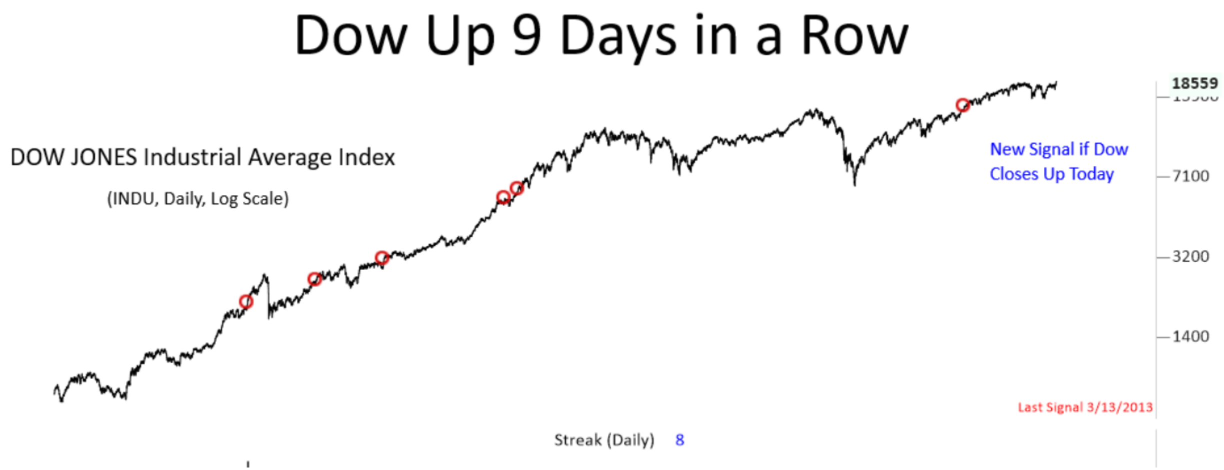
"We highlight two momentum signals we will be watching today," said a note from Tom Leveroni of Nautilus. "An up close in the Dow Industrials today will give it 9 consecutive up closes, a rare feat of trend persistence."

In fact, if the Dow hits the ninth straight up day in a row, it will be only the seventh time this has happened since 1980. In each of these instances, albeit on a small sample size, the index has been up the following six months with an average gain of 10.41%.

The largest of these upward moves was 22.05% after the market hit the streak on January 14, 1987, and the smallest was a 4.72% gain in the six months after it was hit on New Year's Eve 1991.

Additionally, according to Leveroni, this is just the 30th time this has happened since 1900, and the average gain in the following six months has been 5.96%.

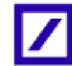
So here's to another (maybe) record.

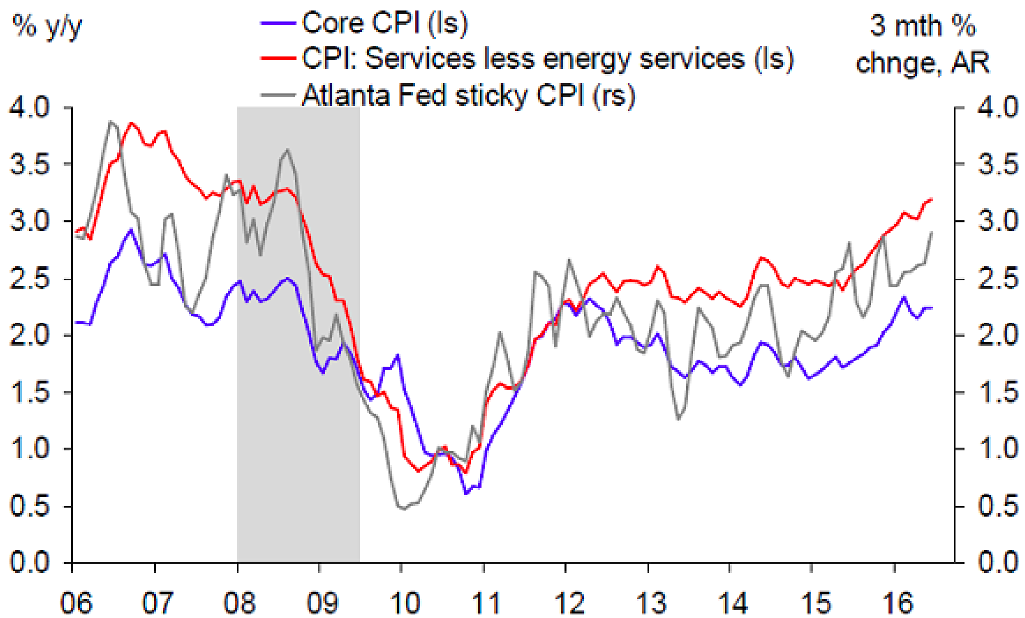


Maybank Kim Eng

INFLATION IS NOT OUT OF THE QUESTION AND IS CERTAINLY NOT BEING PRICED IN TO US BOND MARKETS

Deutsche





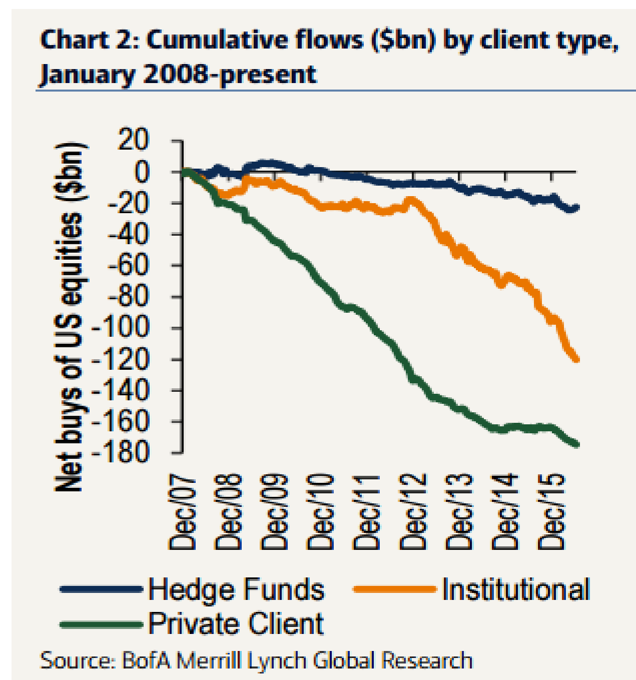
Investors Continue To Sell Stocks Missing Massive S&P 500 Rally

By Rupert Hargreaves

Despite the headwinds now facing the global economy, the S&P 500 rallied 1.5% last week, near to an all-time high.However, despite this rally, according to Bank of America's flows data, which is based on the buying and selling activities of clients of the bank, investors were small net sellers of US stocks for the second week in a row last week despite the S&P 500 strength.

According to Bank of America's data, both institutional and private clients were net sellers of stocks last week, for the sixth and second weeks respectively. Both groups have sold stocks for the majority of weeks this year. Meanwhile, hedge funds were net buyers for the sixth week in a row. Over a longer time horizon, all three groups remained net sellers of equities year-to-date. Last week Bank of America clients sold net $407 million of equities.

The key takeaway from Bank of America's data is that US private investors and institutional equity investors continue to desert the stock market in ever increasing numbers. Private clients flows have been negative since December 2007, and institutional selling has accelerated over the past 12 months — as shown in the chart below. When one things about the chart is quite incredible as it shows that all types of BAML clients which would likely be among the "smart money" have outflows since 07 and therefore missed the entire 09-present rally.

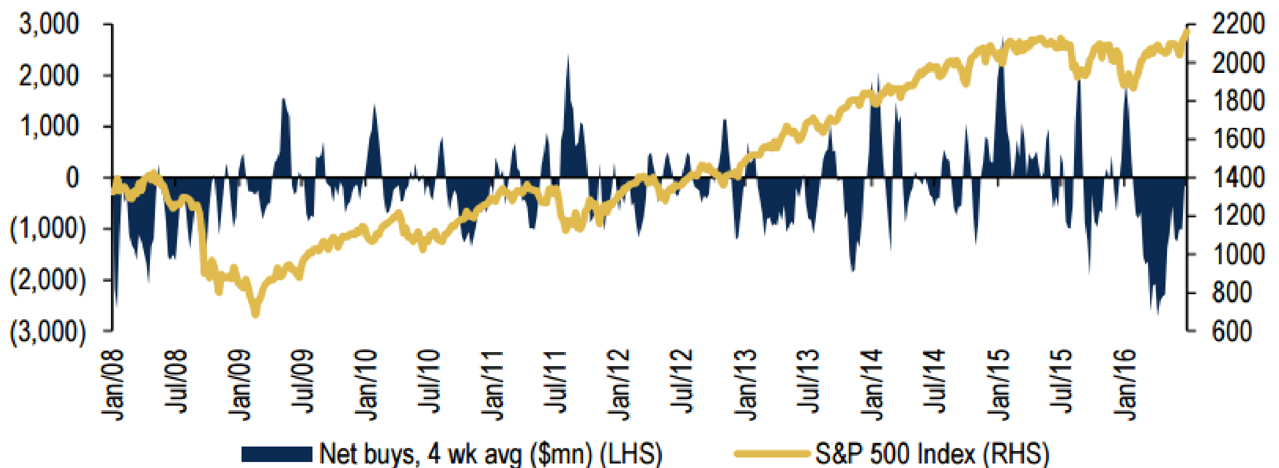


While corporate, institutional and hedge fund clients have been selling equities almost continually since the financial crisis, corporates have been picking up the slack via share buyback programs. Indeed, year-to-date corporate transactions going through Bank of America's trading desks show net buying of $21.2 billion, compared to net selling of $11 billion by retail, $24.5 billion by institutional funds and $5.1 billion in selling by hedge funds. Last year, corporate transactions amounted to net buying of $40.8 billion compared to retail buying of $1.8 billion or sales of nearly $30 billion excluding ETFs.

In 2014, corporate transactions amounted to net buying of $44.9 billion, compared to retail net sales excluding ETF's of $36 billion and institutional selling of $18.2 billion.

The two most important takeaways from this data are; (1) corporates appear to be the largest net buyers in this market; (2) retail investors are continuing to sell single stock names while reinvesting the funds into ETFs.

According to Bank of America's data, last week investors poured $2.2 billion into ETF's while pulling money out of single stock names. The sectors that seem to be the least favored by investors are Health Care, Industrials, and Tech. Bond proxy sectors, such as the Telecoms and Utility sectors saw the best performances on a sector basis. Telecoms saw net buying of $14 million while Utilities saw net selling of $100 million making it the second best performing sector after telecoms.



Debt And Demographic Disaster

Hoisington Investment Management commentary for the second quarter ended June 30, 2016.

Real per capita GDP has risen by a paltry 1.3% annualized since the current expansion began in 2009. This is less than half of the 2.7% average expansion since the records began in 1790. One of the most persistent impediments to growth has been the drag from fiscal policy, a constraint that is likely to become even more severe in the next decade. The standard of living, or real median household income, has only declined in the 2009-2016 expansion and stands at the same level reached in 1996.

Macroeconomic Fixed Income Composite Performance
FISCAL YEAR ENDING JUNE 30, 2016
PERCENT CHANGE

				Annualized				
	Q2 2016	YTD 2016	One Year	Three Year	Five Year	Ten Year	Fifteen Year	Twenty Year
HOISINGTON MANAGEMENT *(gross of fees)*	7.4%	17.1%	21.3%	12.5%	12.9%	10.1%	9.3%	9.3%
net of fees	7.4%	16.9%	21.0%	12.2%	12.6%	9.9%	9.1%	9.1%
Barclays U.S. Aggregate Index	2.2%	5.3%	6.0%	4.1%	3.8%	5.1%	5.1%	5.7%
Barclays U.S. Treasury 30yr Bellwether	7.2%	16.8%	20.2%	11.0%	11.2%	8.9%	8.0%	7.7%
Barclays U.S. Treasury 5yr Bellwether	1.4%	4.3%	4.7%	2.8%	2.8%	5.1%	4.7%	5.2%
Barclays U.S. Treasury 3 mo. Bellwether	0.1%	0.2%	0.2%	0.1%	0.1%	1.1%	1.5%	2.5%
CPI (est.)	1.2%	1.9%	1.0%	1.1%	1.3%	1.7%	2.0%	2.2%
S&P 500	2.5%	3.9%	4.0%	11.7%	12.1%	7.4%	5.8%	7.9%

Six considerations indicate federal finance will produce slower growth:

(1) the government expenditure multiplier is negative;

(2) the composition of spending suggests the multiplier is likely to trend even more negative;

(3) the federal debt-to-GDP ratio moved above the deleterious 90% level in 2010 and has stayed above it for more than five years, a time span in which research shows the constriction of economic growth to be particularly severe. It will continue to move substantially further above the 90% threshold as debt suppresses the growth rate;

(4) debt is likely to restrain economic growth in an increasingly nonlinear fashion;

(5) the first four problems produce negative feedback loops from federal finance to the economy through the allocation of saving, real investment, productivity growth and eventually to demographics; and

(6) the policy makers force the economy into a downward spiral when they rely on more debt in order to address poor economic performance. More of the same does not produce better results. It produces worse results, a situation we term a policy trap.

Deficit spending is a separate matter from debt. If the starting point were a situation of no federal debt, a discussion of expenditure multipliers would be sufficient. However, that is not the case. Federal debt levels are already extremely elevated, and the trend is escalating steadily higher.

When deficits and debt impair growth, a sequence of events impacting other critical barometers of economic performance takes place. Saving is increasingly misallocated, shifting income that generates public and private investment into investments that are either unproductive or counterproductive.

Real investment in plant and equipment falters, which in turn pulls productivity, employment and economic growth down. When the policy response to poor economic performance is ever-higher levels of debt, the economy's growth becomes more feeble, which over time causes demographics to erode, a common pattern in highly indebted countries.

Then the deterioration in real investment, productivity and demographics reverberate to the broader economy through negative feedback loops that suggest that as debt moves ever higher, the restraining effect on economic growth turns nonlinear. While some economists have called these headwinds, they should be more appropriately viewed as symptoms that originated with the deficits and the debt.

And these symptoms will persist as long as the debt problems continue.

These indirect influences of debt on economic growth, as well as how this process has proceeded in Japan, illustrates these points. Japan, burdened by a massive debt overhang for almost three decades and a 25-year policy trap, provides a road map for the United States, which is in a much earlier stage of debt overhang.

Deficit Spending Restrains Economic Growth

Negative multiplier. The government expenditure multiplier is negative. Based on academic research, the best evidence suggests the multiplier is -0.01, which means that an additional dollar of deficit spending will reduce private GDP by $1.01, resulting in a one-cent decline in real GDP. The deficit spending provides a transitory boost to economic activity, but the initial effect is more than reversed in time. Within no more than three years the economy is worse off on a net basis, with the lagged effects outweighing the initial positive benefit.

More negative. Although only minimally negative at present, the multiplier is likely to become more negative over time since mandatory components of the government spending will control an ever-increasing share of budget outlays. These outlays have larger negative multipliers.

In 2015, the composition of federal outlays was 68.3% mandatory and 31.7% discretionary; the composition was almost the exact opposite in 1962, around the time this data series originated (Chart 1). Mandatory spending includes Social Security, Medicare, veteran's benefits and the Affordable Care Act. All of these programs are politically popular and conceptually may be highly laudatory. However, federal borrowing to sustain these programs does not generate an income stream for the economy as a whole to pay for these programs. As history has evidenced, the continual taking on of this kind of debt will eventually cause bankruptcy.

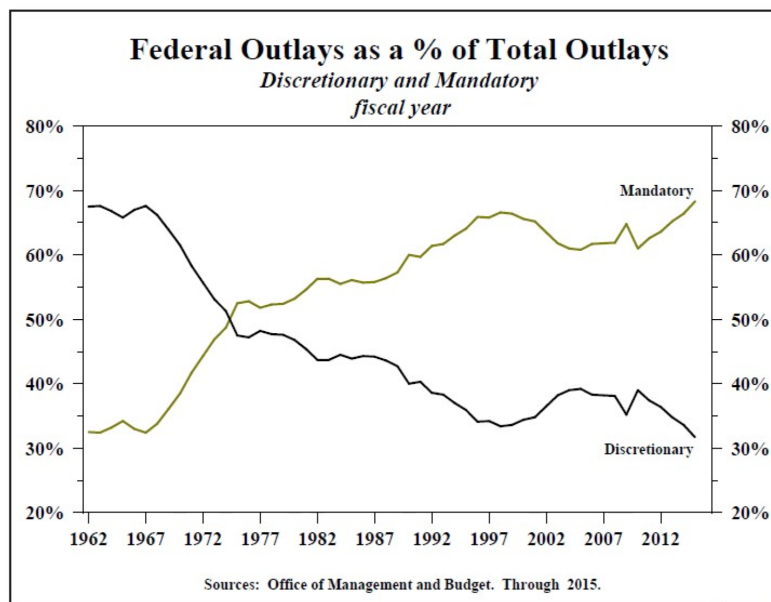


Chart 1

Maybank Kim Eng

Due to the aging of America, the mandatory components of federal spending will accelerate sharply over the next decade, causing government outlays as a percent of economic activity to move higher. There have been proposals for increased infrastructure spending and others for additional federal entitlements like Social Security. However, the existing present value of all unfunded federal entitlements already totals $60 trillion, about ten times the amount held in the trust funds. When funds flow into these accounts, they are immediately spent to cover the federal deficit, with the Treasury issuing an IOU to the trust fund. Thus, the trust funds merely hold U.S. government debt.

Theoretically, increased infrastructure spending could serve to reverse or halt the trend to a more negative multiplier, if true infrastructure spending were to be substituted for transfer payments, but that is not what has been proposed. The new infrastructure spending would be in addition to existing government programs. Any new infrastructure projects must generate a cash flow for the aggregate economy that is greater than what would have been generated by the private sector.

The rising unfunded discretionary and mandatory federal spending will increase the size of the federal sector, which according to first-rate econometric evidence will contract economic activity. Two Swedish econometricians (Andreas Bergh and Magnus Henrekson, The Journal of Economic Surveys (2011)), substantiate that there is a “significant negative correlation” between the size of government and economic growth. Specifically, “an increase in government size by 10 percentage points is associated with a 0.5% to 1% lower annual growth rate.” This suggests that if spending increases, the government expenditure multiplier will become more negative over time, serving to confound even more dramatically the policy establishment and the public at large, both of whom appear ready to support increased, but unfunded, federal outlays.

Debt

Deleterious Levels. Federal debt has subtracted, to at least some degree, from U.S. economic growth since about 1989 when debt broke above 50% of GDP, a level to which this ratio has never returned (Chart 2). The macro consequences of the debt are becoming increasingly significant. This may seem surprising to many because of confusion about the scholarly work of Carmen Reinhardt and Kenneth Rogoff (R&R) in their 2009 book, This Time is Different.

The misinterpretations pertain to a key point in R&R’s book and accusations of data inaccuracies in the statistical calculations. R&R said debt induced panics run their course in six to ten years, with an average of eight years.

The last panic was in 2008, so according to their early work the time span has either ended, or is close to ending. However, the six to ten year time reference does not apply when debt levels continue to move higher over that time period. In the latest quarter, gross federal debt was 105.7% of GDP, compared to 73.5% in the final quarter of the 2008 panic.

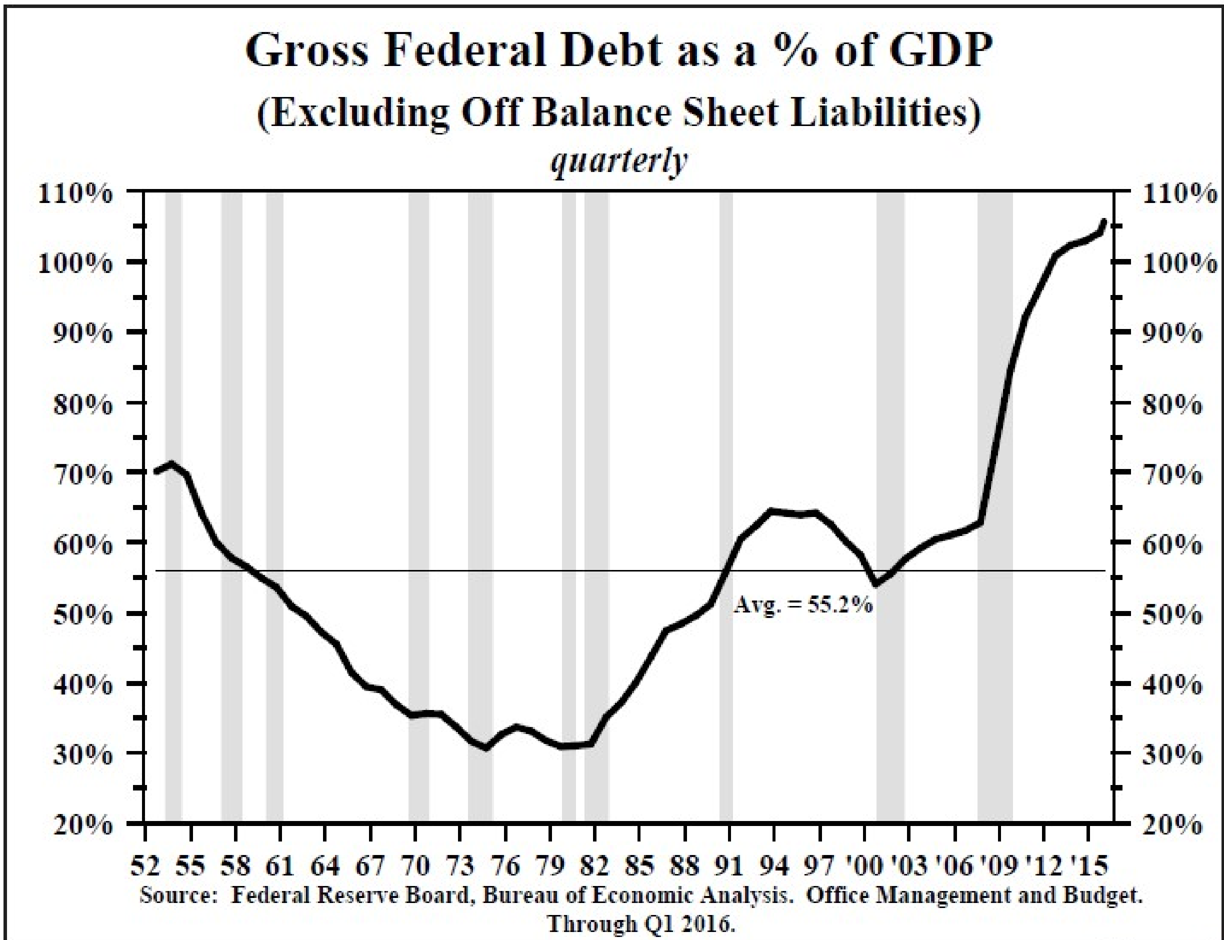


Chart 2

A number of other studies (see Appendix for list), along with R&R themselves, superseded the 2009 conclusions. In 2012 in The Journal of Economic Perspectives (a peer reviewed publication of the American Economic Association), R&R joined by Vincent Reinhardt (RR&R) identify the 26 major public debt overhang episodes in 22 advanced economies since the early 1800s, characterized by public debt-to-GDP levels exceeding 90% for at least five years.

The five-year requirement eliminates purely cyclical increases in debt and most of those caused by wars. RR&R find that public debt overhang episodes reduce the economic growth rate by slightly more than a third, compared with growth rates when the debt metric is not met. Additionally, among the 26 applicable episodes, 20 lasted more than a decade, and the average duration of the debt overhang episodes was a staggering 23 years.

The length contradicts the notion that the correlation is caused mainly by debt buildups during business cycle recessions and confirms that the cumulative shortfall in output from debt overhang episodes should be massive. Finally, it is interesting to note that in 11 of these episodes interest rates are not materially higher; thus, the growth-reducing effects of high public debt are not transmitted exclusively through high real interest rates.

The U.S. has currently met RR&R's criteria for slowing growth. Gross government debt exceeded 90% of GDP in 2010 and has continued to move higher since then, thus exceeding the consecutive five-year benchmark. Equally important, the debt problem is worsening. At the end of this year the government debt-to-GDP ratio will have surpassed 100% in each of the past five years, thus debt is moving into a significantly higher range.

Nonlinear effects, Causal Factors, Feedback Loops and the Policy Trap.

Research has found that debt begins reducing economic growth at relatively low levels of government debt-to-GDP, and that this impact increases as the debt level rises. In addition, as the debt ratio moves extremely high, the debilitating impact on growth speeds up. Or, as the mathematician would say, the effect is nonlinear.

European researchers, as well as RR&R, offer causal explanations for the heavy drag on economic growth. They argue that the debt effects are explained, at least partially, by a misallocation of the limited amount of private saving as well as the likelihood that the private saving is less than in situations when debt is relatively low. In turn, these adverse savings effects reduce real investment in the private sector, which then leads to a deterioration of productivity growth, profitability, labor market dynamics and economic growth.

This line of reasoning is complicated, but the linkage can be explained as follows. As the government takes on more debt to support household income, consumers believe that saving for retirement or contingency is not as necessary since the government promises to fund income and medical care needs for those retiring. The saving rate is, therefore, lower. Since saving from income must equal real investment, the latter drops. With real investment weaker, productivity, profitability and economic growth follow suit.

The presumption of policy makers is that more deficit spending and debt is needed to address economic underperformance. While the intentions are well-meaning, the policy makers unwittingly cause an even faster rate of economic deterioration. In view of the future levels projected by such impartial sources as the Congressional Budget Office, debt will increasingly bite into the economy's growth rate, which is a situation well documented in Japan.

Japan's Debt Linkages

For the past quarter century, Japan has illustrated the nonlinear debt/growth trap. The ratio of government debt-to-GDP has more than quadrupled, increasing from 50.9% in 1989 to 209.2% in 2015. And, as indicated by the aforementioned research, the Japanese household gross saving rate fell from 26.6% in 1989 to 6.6% in 2015.

Productivity growth averaged 3.2% from the start of the data in the early 1980s through 1991, and dropped to 0.5% in the latest 10-year period, just as the academic studies suggested would happen. Finally, Japan reached the RR&R threshold of 90% government debt-to-GDP in 1999 and has exceeded that level every year since then.

These effects occurred even though the Bank of Japan (BOJ) tried to ameliorate the consequences with massive purchases of Japanese government debt. By 2015, the BOJ owned one-third of total Japanese government debt outstanding. The non-linear relationship is evident. In spite of these efforts, nominal GDP in Japan contracted 0.12% from 2000 to 2015, sharply worse than the 1.9% increase from 1990 to 2000, a growth rate that was already quite subpar for Japan.

Deteriorating Demographics: A Consequence of Extreme Indebtedness

Although not identified in the studies, another linkage may also explain the increasingly negative economic performance. Demographics deteriorate when excessive debt overhangs persist. In their panic year of 1989, Japan's demographics were poor compared to those of the United States. Importantly, after more than a quarter century of trying to solve a debt problem with higher levels of debt, their demographics are far worse. For example, the number of births fell by 19.3% from 1989 to 2015 .

With fewer births, labor force entries decline, and eventually so does employment. As time passes this will place rising debt burdens on a falling number of people, thus prolonging the economic misery in Japan.

A Forward Look

In the opening remarks to her June 15th press conference, Chairwoman Yellen used the phrase, "headwinds weighing on the economy." She further explained, "These headwinds—which include developments abroad, subdued household formation, and meager productivity growth—could persist for some time." These domestic and foreign items that she correctly sighted, however, are merely symptoms of the massive debt overhangs existing worldwide. Transitory growth spurts, like the one in the quarter just ended, are unlikely to be sustained. Sporadic but weakening growth will remain intact as long as the debt problems continue to worsen.

Elevated debt levels are producing poor business conditions worldwide. According to the Netherlands Bureau of Economic Policy Analysis's (NBEPA) World Trade Monitor, the year-over-year change of the three-month average in the value of goods that crossed international borders has been hovering around 0% for the last six months. This is a dramatic slowdown from the 4.5% average growth rate registered since the end of the 2009 recession. Moreover, the last six months constitutes the weakest period since the recession. United States exports and imports confirm this deteriorating trend. In the latest twelve months, real U.S. exports and imports both contracted 1.6%. Such declines could only reflect a predominance of fragile global conditions and confirmation that the world lacks an engine of growth.

For 2016 as a whole, we expect nominal GDP to subside to around 2.5%, down from 3.1% in 2015. Year-over-year M2 growth has been above 6.5%, but M2 velocity dropped to the lowest level since early 1950 in the first quarter. Such a slump is to be expected when the wrong type of debt increasingly dominates the total.

Surging energy, rents and insurance costs boosted the year-over-year rise in the inflation rate to 1% in May, compared with several negative readings in 2015. These costs are likely to push the 12-month inflation rate slightly higher, but the bulge in these relative prices will not lead to higher aggregate inflation. Slow top-line growth in nominal GDP will ultimately force consumers to bid down prices on discretionary goods and services. As such, the faster currently observed inflation should pass.

With slowing nominal economic growth, treasury bond yields are likely to continue working lower. Stressed conditions in major overseas economies have pushed 10- and 30-year government bond yields in Japan, Germany, France, and many other European countries much lower than in the United States.

In fact, the 10-year yield has turned negative in both Japan and Germany. Foreign investors will continue to be attracted to long-term U.S. Treasury bond yields. Investment in Treasury bonds should also have further appeal to domestic investors, as the second quarter likely marks the high point of economic performance this year.

The slowdown ahead will cut the already weak nominal growth trajectory. Consequently, with the normal lag, the annual inflation rate, which most importantly impacts 30-year treasury yields, should begin to turn down as the year moves to a close.

CHINA'S CREDIT BUBBLE
Stratfor

Summary

As China tries to overcome slowdowns in its industrial and trade sectors, the country's banks have continued to increase the pace of lending, issuing 1.38 trillion yuan ($205.8 billion) worth of loans in June.

The figure confirms some economists' expectations that lending will keep rising as China's central government attempts to revive economic growth and boost property markets that showed signs of another slump in May.

It also indicates that despite Beijing's repeated pledges to reduce the economy's reliance on credit and state-led investment, the easy flow of financing from state-owned banks remains the country's primary bulwark against widespread debt crises among corporations and local governments.

Analysis

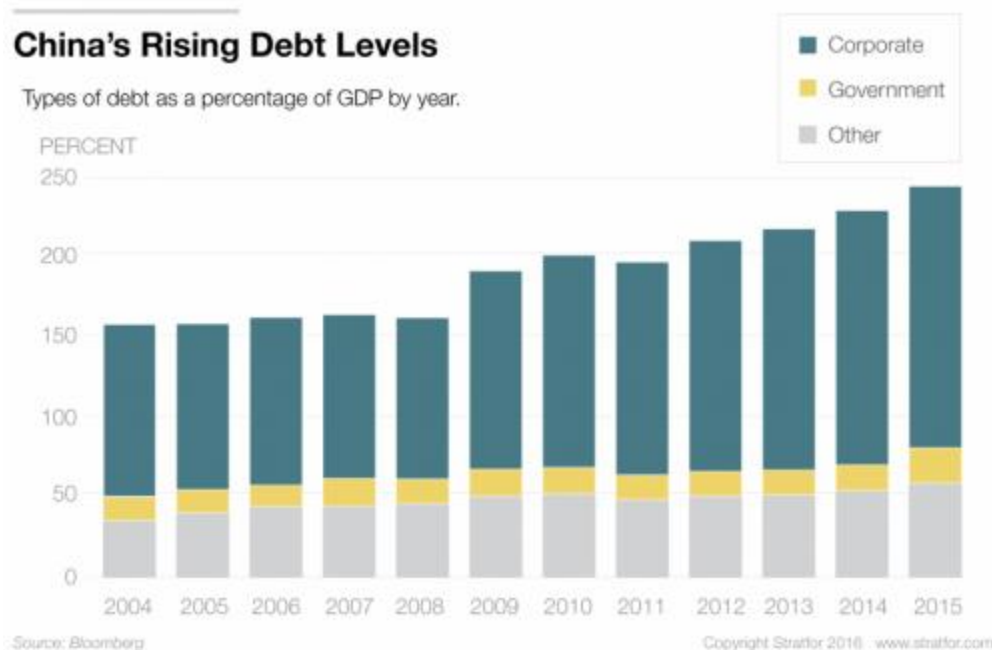
The June credit figure, according to official data released July 15, followed a sharp hike in formal bank lending between April and May, suggesting that recent government efforts to increase the state-owned banking sector's share of nationwide financing are on course.

It is difficult to overstate the scale and intensity of the transformation undergone by China's financial system since the 2008 global financial crisis, which compelled the Chinese government to embark on what now looks likely to become a decade-long (or longer) stimulus drive.

In 2007, state banks issued 3.6 trillion yuan worth of new loans. Their lending has since increased each year, reaching 11 trillion yuan in 2015.

Meanwhile, total social financing — encompassing state-controlled and informal loans — ballooned to 15.9 trillion yuan last year. Outstanding local government debts remain at manageable levels, but corporate debt, much of which does not enjoy the state's backing against default, equals more than 175 percent of China's national economic output.

Officially, only 1.75 percent of total outstanding loans are considered nonperforming, or likely to be defaulted on. Most independent analysts, however, expect the genuine nonperforming loan rate to be much higher.



Shifting a New Paradigm

The explanation for this surge in credit and investment is remarkably straightforward. But the solutions to the many problems it has generated for China's long-term economic health are not. The credit boom began as a response to the collapse in demand for Chinese goods in 2007.

It was aimed primarily at shoring up employment by expanding infrastructure construction, and secondarily at industrializing China's largely rural interior. But what was intended as a temporary emergency response soon morphed into a new paradigm for the Chinese economy, thanks in part to prolonged weakness in demand for goods and to a political structure that encouraged unchecked growth.

For nearly a decade, credit and investment have buttressed Chinese economic (and, in turn, social and political) stability, emerging as the mainstays of the country's gross domestic product — equal to 44 percent in 2014 — and as the principal drivers of employment, especially in China's less developed inland regions. During that time, questions of credit — who can extend it, who can take it on as debt, how it is spent, and how it is repaid — have come to determine the architecture of China's political economy.

For each of these questions, the past year or so has brought noteworthy developments. For example, after seeing their share of aggregate financing dip between 2011 and 2013, yuan-denominated loans, virtually all of which originate in state-owned banks, have steadily regained their former primacy in the Chinese financial system.

At the same time, many forms of nongovernmental or informal financing that rose in prominence during waves of tighter government credit controls have gradually declined in importance. The result is that as China's economic slowdown deepens, an ever-greater share of outstanding debts, including a growing mountain of bad debts, will fall under the purview of the country's major state-controlled banks.

Piling those debts onto the state's balance sheet entails risks, especially if defaults rise. But for Beijing, the risks of a financial crisis among informal and shadow lenders beyond the state's control would be far greater. A crisis that China's leaders can measure and trace is better, in Beijing's view than one in which the government is batting blind.

Tools to Manage a Crisis

Another important change in recent years involves the creation of municipal bond markets and the expansion of a debt swap program that allows localities to trade costly, fast-maturing outstanding loans for cheaper, slower-maturing bonds. The program reduces the risk of local government debt defaults in the near term by pushing back the maturity date for outstanding debts and lowering borrowing costs. In addition, it marks a first step toward giving local governments greater autonomy (and responsibility) over financing and making the process by which local governments raise capital more transparent and easier to measure.

Local governments in China pay for upward of 90 percent of all infrastructure construction while taking home a much smaller fraction of tax revenue. In the past, local governments covered the cost through a combination of land sales and loans taken out on their behalf by poorly regulated private entities called local government financing vehicles.

In 2015, after the rise of bond markets, local governments issued bonds worth 3.5 trillion yuan, nearly all of which took the form of debt swaps that cut local government interest payments by some 200 billion yuan, according to a government report released in March. The government plans to expand municipal bond issuance to as much as 6 trillion yuan by 2017 and 15 trillion yuan before 2020.

Neither those changes nor other ones underway in China's financial system amounting to the broad and ambitious reforms long promised by the country's leadership. These are tools for managing a crisis, not reconfiguring an economy. As such, they are sure to disappoint observers in and outside China who hoped that President Xi Jinping would move boldly to reduce the economy's dependence on the state. But given the scale of debt accumulated during the struggle to maintain macroeconomic stability in the past eight years, and considering the complex knot of political interests that exacerbated the excesses of that period, the financial tools and the policy approach they represent are reasonable and unsurprising. After all, their goal is not to produce a "rational" economy per se, but to preserve the state, even if doing so means accruing innumerable and perhaps insurmountable economic "irrationalities" in the meantime.