Why All The Fuss? Why Not Keep The Analysis Simple?

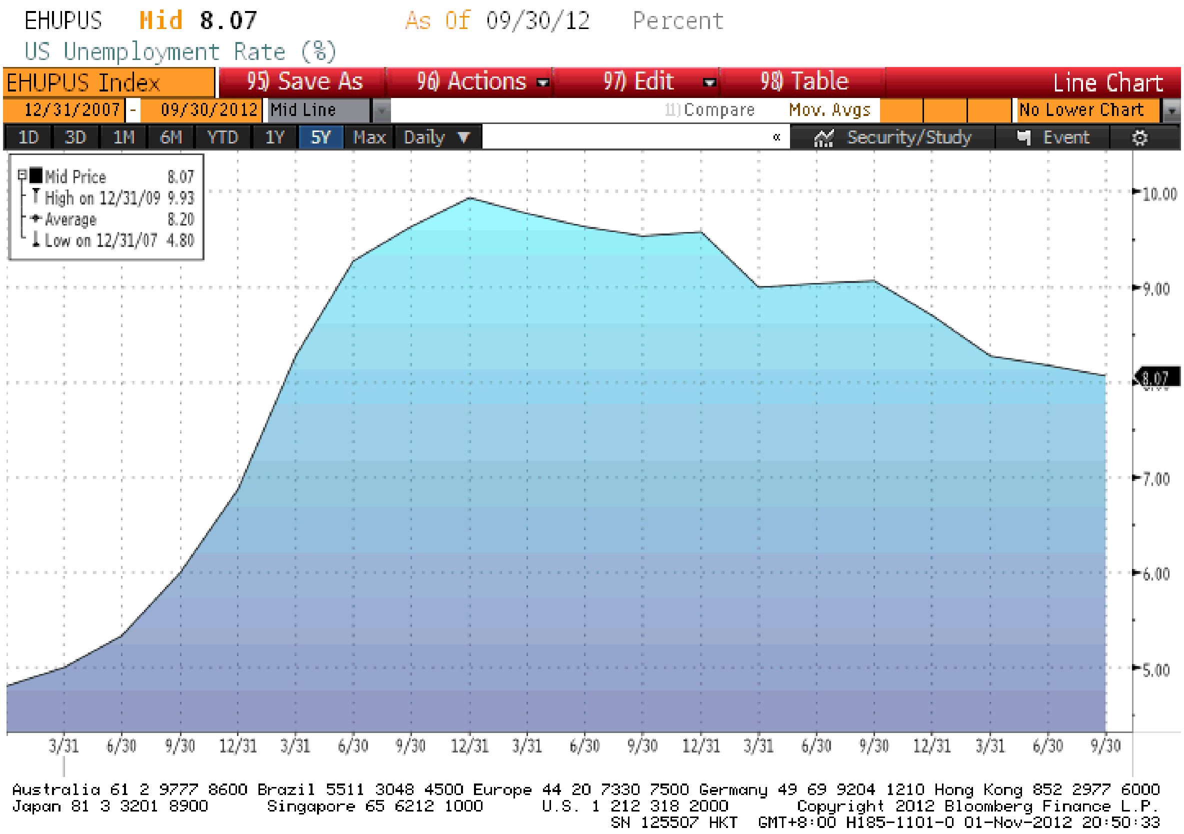
There is an awful lot of things to keep the worry worts of this world pre-occupied. It seems to me that the economic watchers of the present world are always looking for a cliff of some sort to fall over. Bad news can only mean worse is on the way. Good news is dismissed as temporary blips.

It's almost as if everyone has been so traumatised by the global financial crisis in 2008 that they can no longer bring themselves to believe that economic engines can gain traction ever again. Any spurt of dynamism is simplistically attributed to the wall of money injected by central banks and is nothing but morphine, the effects of which will be temporary.

This is really too pessimistic.

I tend to see a lot of things to feel cheerful about.

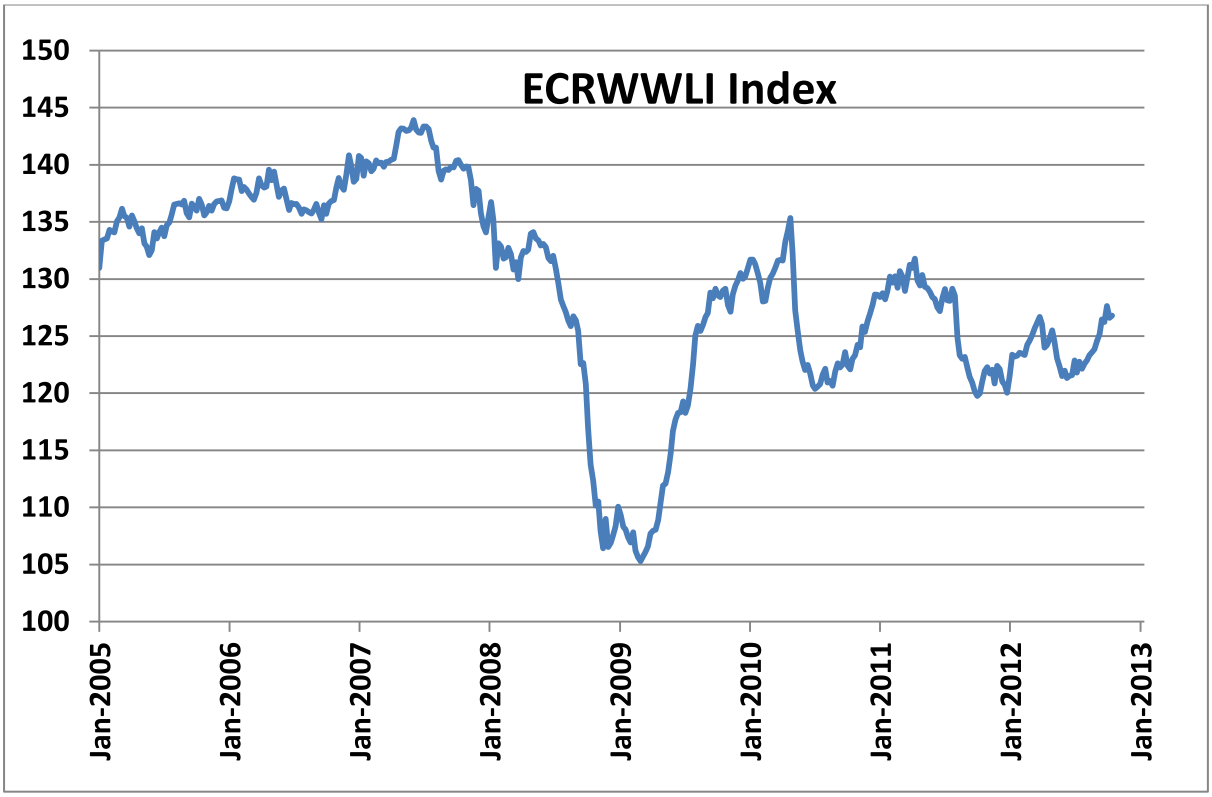
In the US, unemployment is down and has been going steadily down since the end of 2009.

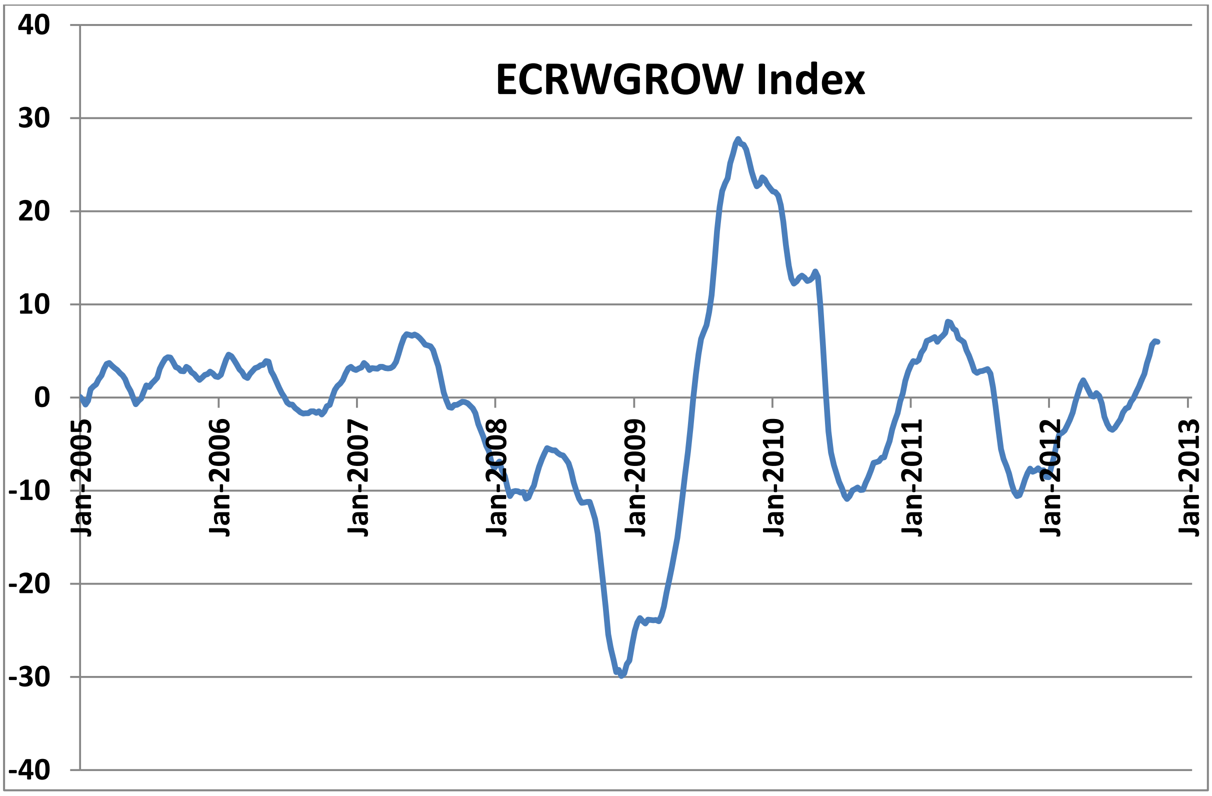


The most important leading indicator of US economic health, the ECRI Weekly Leading Indicator (ECRWWLI) looks to me like it has just broken out of the malaise that has afflicted it since 2008.

And the YoY version of the same chart (ECRGROW) tells the same story.

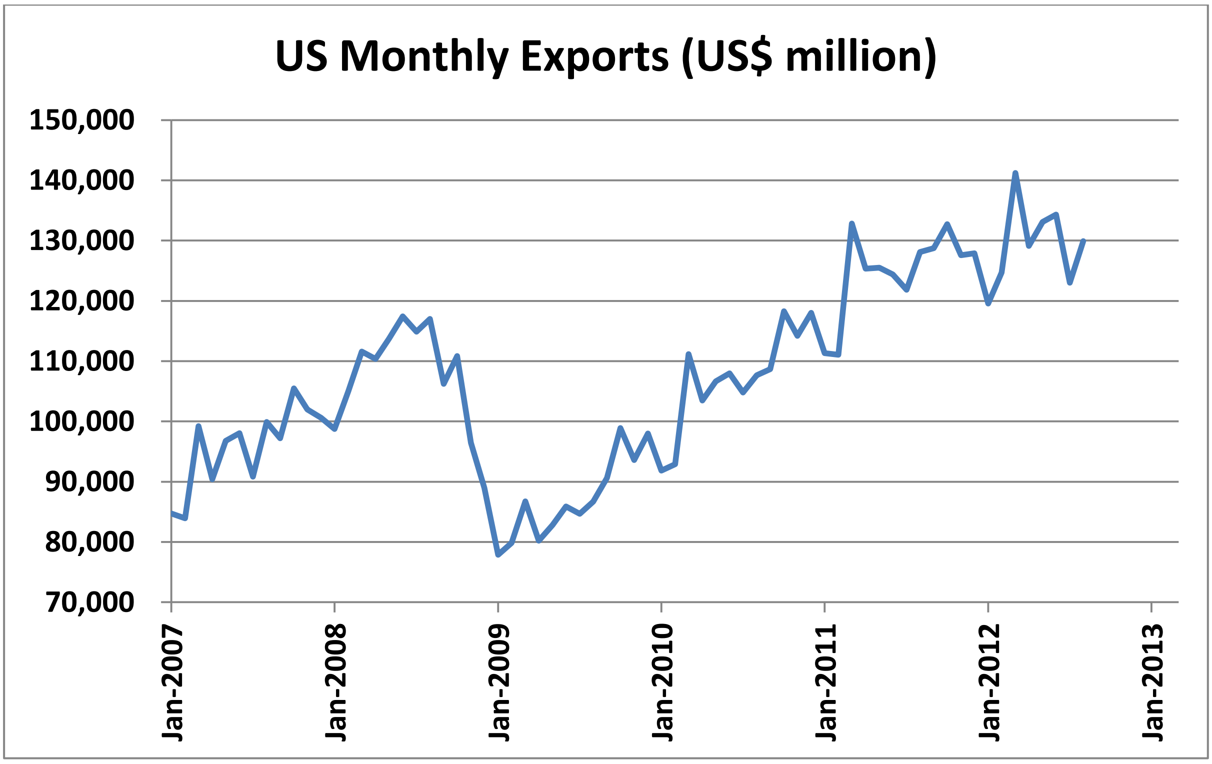
Both charts are shown on the next page.





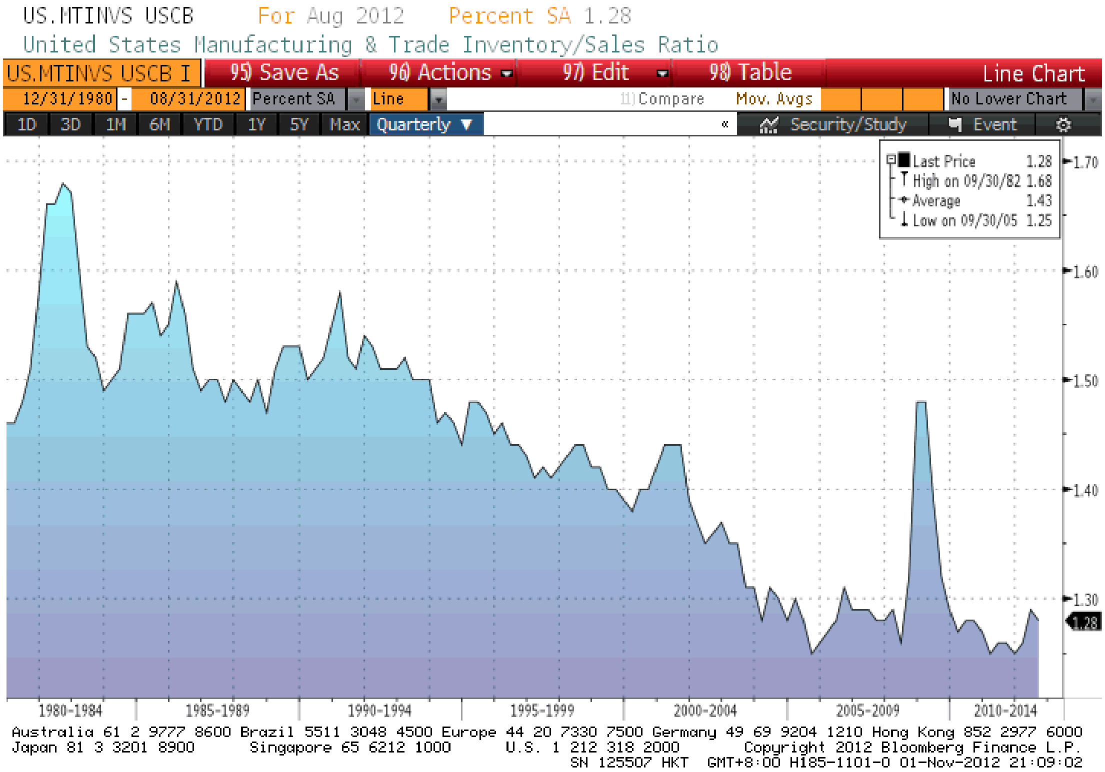
Meanwhile, the index for US housing related equities, the Philadelphia Housing Index, has been on a tear, having risen 100% in the past year!

And mind you, the US economic engine isn't just consumption driven any more. Look at the value of US exports since 2007.

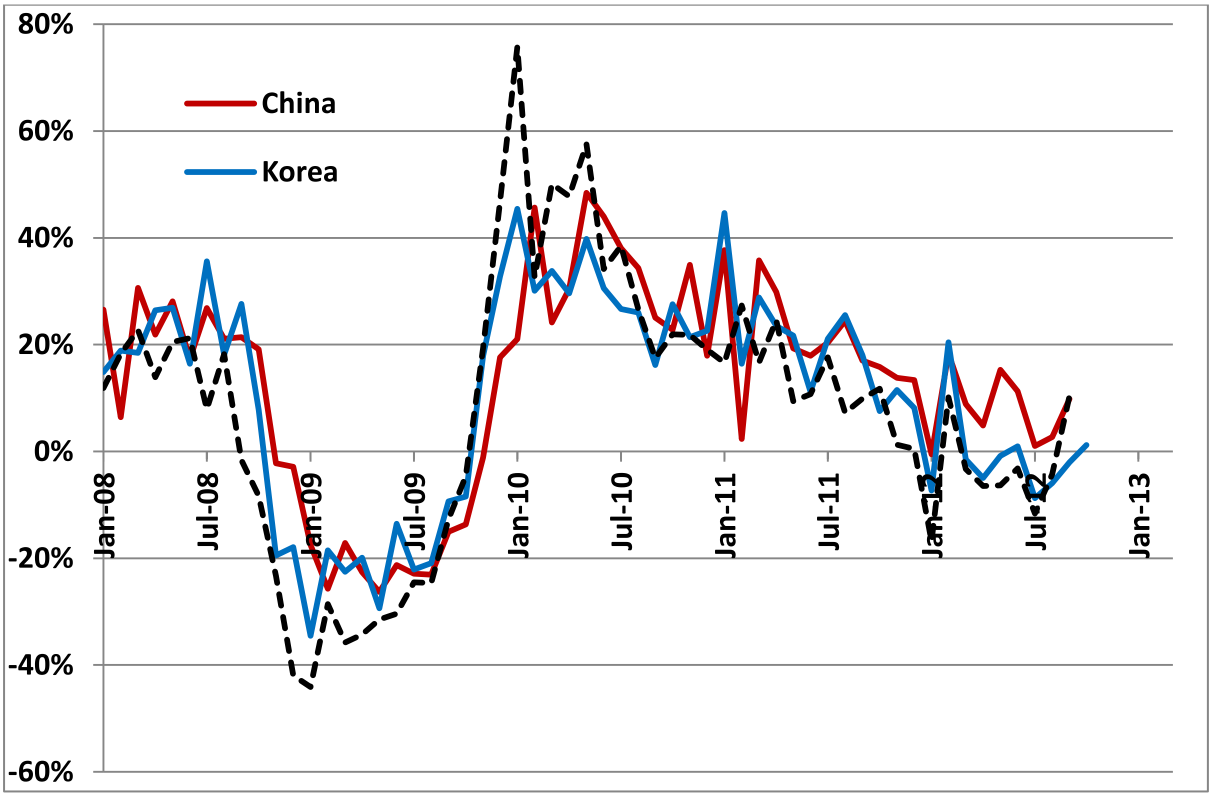


It would seem to me that the US is beginning to look more and more like some of the Asian manufacturing powerhouses!

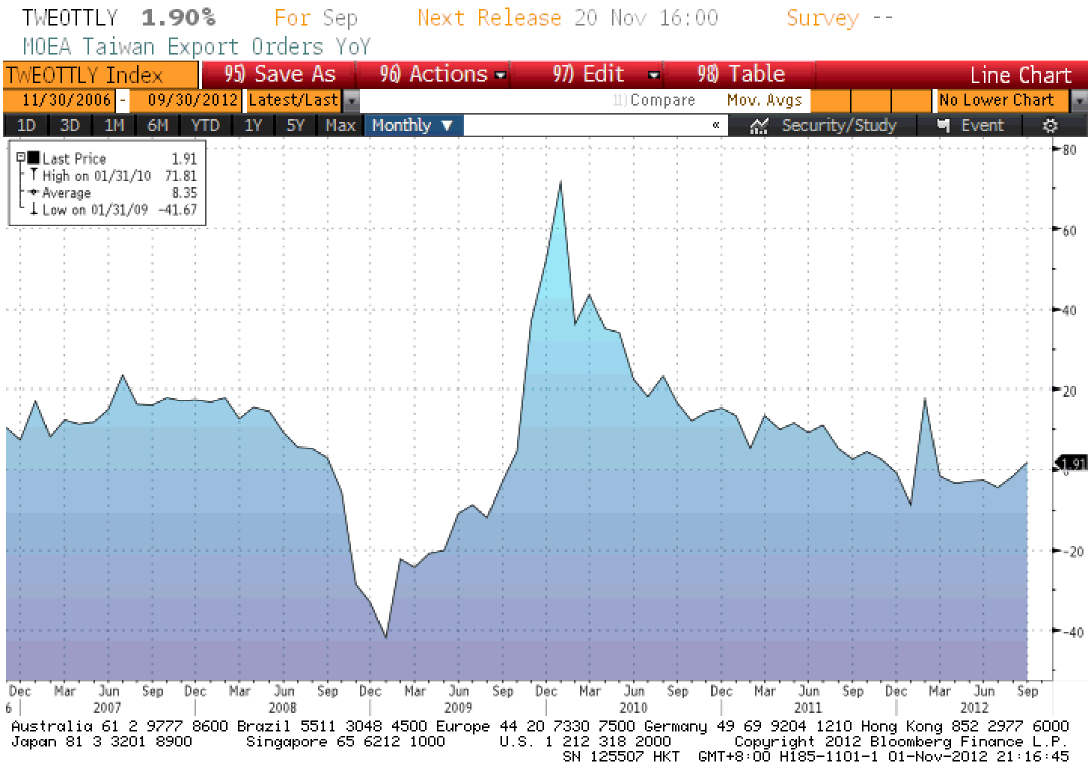
And the US manufacturing inventory to sales ratio is clearly very healthy.



Meanwhile over in Asia, Korean export growth (YoY) in October 2012 has just turned positive for the first time since June 2012. Taiwan's export growth (YoY) turned positive already in Sept for the first time since Dec 2011. (excluding Chinese New Year distortions).

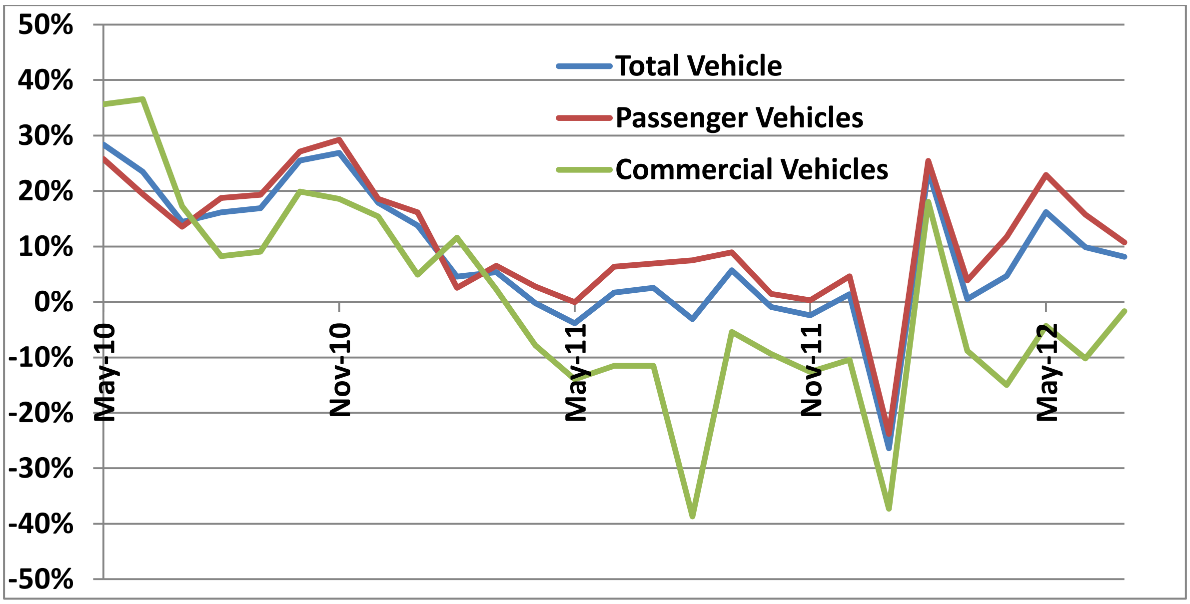


Taiwan's export orders have also turned positive for the first time since Nov 2011 (excluding Chinese New Year distortions).



Everyone's worried about China's industrial activity but their policy makers' have already implemented selective investment stimulus. Furthermore, we have news today that China's manufacturing PMI for Oct has gone above 50 (indicating expansion), having been below 50 (indicating contraction) in Aug and Sept.

China's sales growth of passenger cars can only be described as healthy! But even the struggling commercial vehicles sector is improving steadily.



It would seem to me that the US economy is far more likely to accelerate than decelerate, fiscal cliff notwithstanding. Ditto China.

If you can pardon me for shooting from the hip, I'd say the fiscal cliff matters most to financial wonks because they are the ones with the high pay packages. But in the real world where guys produce real goods and services, if demand is rising and job opportunities are increasing, taking away some tax reliefs that don't really affect them that much anyway isn't going to make them go into lock-down mode!

And if China is going to revive its economic vigor using some old tricks like infrastructure investment and exports, so be it! It doesn't matter whether the cat is black or white – if it catches mice, it's a good cat!

So, if I'm right, the world's No. 1 and No. 2 economies will likely do better in 2013 than in 2012. If that's the case, my message to all the economic watchers is to cheer up. Just because your bank or fund is failing and you may lose your job, doesn't necessarily mean that the real world (where people actually make useful stuff and provide useful services) is going down too.

Finance has peaked and its influence on the rest of the world is now on the wane.

It's time to get real.