

View from the Bridge

By Clive Hale

an alternative look at the investment world

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Plus ça change...

"Solidarity in our union is alive, 'Grexit' is dead. Greece is back on its feet. The sacrifices of Greek people have not been in vain. It's not only a new day for Greece, but also a new day for Europe."

Greek Prime Minister Antonis Samaras declared that the Grexit era was dead; speaking in Brussels to reporters after the Eurogroup approved the mammoth bailout fund of €52.5 billion. Plus ça change, plus c'est la même chose. Nothing has changed; political spin is alive and well, Greece is still bust and the eurozone is in for yet another unsecured loan. He would probably have liked to have said a "new dawn for Greece" but the ultra right wing party – New Dawn – have the lien on that catchphrase. In a way he is right as the can has been given a seriously good kicking and Greece is off the agenda for a while, but we still have Spain and Italy to worry about. The ECB's new mandate to regulate eurozone banks is all about sorting out the Spanish Cajas and Bunga Berlusconi has put a spanner in the Italian Job. That iconic film ended with a coach, full of gold bars, hanging over a precipice. Given Italy's burgeoning gold reserves this is not a bad metaphor for the state that country finds itself in.

Meanwhile in the US, as predicted, QE3 has morphed into QE4, with a specific target to reduce unemployment; another triumph of hope over reality in the Greek vein. Yes we are seeing an improvement in non-farm payrolls and the unemployment rate, but both are relatively anaemic compared to past recoveries. The assumption that we will return to previous employment rates and GDP growth is truly heroic. Hurricane Sandy has added a new dimension to "seasonal adjustments" and if you believe everything the US Bureau of Labor Statistics has to say, then your name is probably Antonis Samaras.

The "Big Issue" that no one is prepared to address is how we unwind this enormous central bank largesse. If you throw enough money at the problem one part of the equation will go away, but how do you expunge the debt burden that it creates? Central bank printing creates the short term life blood for profligate government spending at very accommodative rates of interest, but the baby they are left holding is a going to be one hell of a problem child.

As the world is coming to an end on December 21st, according to Mayan mythology, why should we care? As with any prediction timing is the problem. I have every intention of enjoying my Christmas turkey, complete with brussels sprouts (am I the only one who does),

on the 25th, but I am still more than a little concerned about the pile of tin ware building up outside the doors of our central banks.

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