

Hello Everyone,

“Pop Goes the World”

Men Without Hats --- 1987

Men Without Hats was a Canadian “one hit wonder” band. Still, the song is occasionally used in the movies.

Let’s hope Covid19 is a “one hit wonder” virus ----and the strain is occasionally used for study by toxicologists and epidemiologists....and that’s all.

In the meantime, not only is America being irrevocably changed, but so is the world. Thus, the “**pop goes the world**” theme of today’s missive.

I hope today’s transcript gives you a broader understanding of what is going on.

Signed, Your What-Should-I-Wear-To-The-Living Room-Today? Financial Advisor

Greg

KKOB 03.30.2020 Relief---But At What Price?

Bob: So, Greg, for at least part of last week, Wall Street cheered as both the Federal Reserve and the Government rushed through rescue packages for banks, businesses, and individuals.

Plus, there was some encouraging news about treatments and cures for Covid19.

So, market-wise, is the worst behind us? Do you see the markets V-ing back up?

Greg: I hope so. But, if they do, it will be the shortest bear market in history. Let me tell you a story.

In 1987, I was a fairly new stock broker. Little did I know, Wall Street had recently been through a 17-year bear market that had lasted from 1965 to 1982.

Well, when the crash of '87 occurred, one of the older brokers at my EF Hutton office commented, "You don't balance a 17-year bear with a five-year bull. This market will recover."

And, he was right.

So, my question is---- can you balance an 11-year bull market with a six week (!) bear market? I guess anything is possible, but I believe there has been some structural damage done to both the economy and the markets. It will take time to repair.

Bob: But, back in '80's they didn't have the tools they have now. I mean, I have never seen such a rapid response to a tumbling market. And so far, the effort seems to be working.

Greg: You're right. But at what cost? Let me explain.

We all know, the Federal Reserve is printing trillions to buy both government --and corporate (!)--- debt. Well, OK. As the Fed does this, however, they end up owning the debt of IBM, Boeing, Southwest Airlines, Campbell's Soup, and so on.

Bob, once the Fed owns all that debt, won't those corporations--- and hundreds more---now be beholden to the Federal Reserve?

And, just think....the Fed gained that control with no effort, no sweat, no production. They just tapped a keyboard and created "money" to buy all those corporate IOUs.

Bob: I hadn't thought of it like that. But, you're right. The debtor is obliged to pay the lender back. And, I'm guessing the Federal Reserve will get paid back----- with interest.

Greg: Sure. Yet no one is talking about this.

Meanwhile, consider this. Treasury Secretary Mnuchin said last week the US Government would bailout corporations in exchange for company stock.

Bob, that means our government will be a major shareholder in these companies. Once that happens, ***government officials should sit on company boards.*** They should help guide company policy and business decisions.

Bob: But isn't this what happened with General Motors under President Obama? The government bailed them out, and then dictated union terms to management.

Greg: Great analogy. But now it's happening across all industries in America. Corporate bankruptcies are set to soar. Thus, the Federal Reserve and the Federal Government are coming up with "free money" to keep companies going. But it's not free.

The result will be the Federal Reserve Bank will own corporate America's debt---- and the Government will amass huge positions in America's stocks.

Anyway, if this had happened in the 1930's, we would have called it Italian Fascism. But back then, Mussolini merged the government and private corporations by force. Today it is being done voluntarily. In fact, businesses are begging for it.

And now that we're throwing in Central Bank intervention, we're getting this weird fusion of corporations, government, and banks in a colossus of wealth, power, and control. I don't know what you'd call this, but it isn't capitalism.

Bob: You're right. If it were capitalism, companies would fail. New companies would then take their place. But getting there would mean an awful lot of economic pain. I mean, we'd

probably be looking at a depression if it weren't for all this intervention.

Greg: You're right. But by avoiding the pain, don't expect America to look the same once the virus has run its course. Once that power-and- control ratchet tightens, it is very difficult for it to ever loosen.

Governments and banks historically like control...and they're getting it.

Bob: I can see both sides of this...and this is really tough. Fascinating report. How do people reach you?

Greg: It is tough. There is no perfect solution. My number is 250-3754. Or, go to my website at zanettifinancial.com

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