

Hello Everyone,

*As long as I remember
The rain's been comin' down
Clouds of mystery pourin'
Confusion on the ground*

*Good men through the ages
Tryin' to find the sun
And I wonder, still I wonder
Who'll stop the rain*

John Fogerty, Creedence Clearwater Revival

Who will stop the rain? Indeed.

American cities are burning. Covid19 has everyone jumping 10 feet if someone sneezes. 40 million unemployed and the stock market yawns.

Something bigger is going on. Part of that something bigger involves the currency markets. Thus, today's missive goes there...and we will expand on the theme on Friday.

I hope this helps you see the markets in a broader context.

Signed, Your So-Arrest-You-For-Opening-A-Business-But-Not-For-Looting-One? Financial Advisor,

Greg

KKOB 06.01.2020 Andre the Giant vs. Barney Fife

Bob: So, Greg, on Friday we talked about how small the stock market was compared to the bond market and the currency markets. You said, on a typical day of stock trading we'd see roughly **\$250 billion** worth of trades. Meanwhile, on a typical day in the currency markets we'd see over **\$6 trillion** in trades. Yet, most investors don't even consider the idea that currency markets could affect their stocks.

Greg: Right. But, for as big they are, currency markets typically move slowly. So, it's kind of like having Andre the Giant (the currency market) in the ring with Barney Fife (the stock market).

Most times, Barney can avoid Andre. But, if Andre manages a lucky punch, Barney doesn't have a chance.

So, why bring this up now, when the stock market is having such a great run?

Bob: I don't know. But, I am waiting for Andy and Goober to make an appearance in today's segment.

Greg: Very funny. And no, Aunt Bee doesn't appear either. But, Jerome does. And Jerome is Jerome Powell, who is our current Federal Reserve Chairman. Two weeks ago, he was on **60 Minutes** talking about the Fed's response to Covid19. Here is part of the exchange with Scott Pelly:

➤ **Scott:** *Is it fair to say you simply flooded the system with money.*

➤ **Jerome:** *Yes. Yes we did.*

➤ **Scott:** *Where does it come from? Do you just print it?*

➤ **Jerome:** *We print it digitally. So, we as a Central Bank, have the ability to create money digitally.....That actually increases the money supply.*

He also said, there was *"no limit to what we can do and the lending programs that we have."*

At least he's honest.

So, Bob, you don't have to be financial whiz to connect some dots here. We have a Federal Reserve that has digitally printed \$4 trillion in 6 weeks. What do you suppose that will do to the value of the dollar?

Bob: Well, eventually it will devalue it. But, what I have noticed is economic things don't have a direct cause-and-effect

relationship. I mean, they print the money now, but prices don't go up immediately.

Greg: Great point. There is almost always a lag. That is why those closest to the font of money benefit the most. They get the money first before prices go up.

But besides the lag making it difficult to see cause and effect, this money-printing phenomena has gone global. The Europeans, Japanese, and Chinese are all cranking out currency by the trillions. I think the theory is, "if we do it all together, then no one will notice."

The problem with that thinking is... eventually every currency will be falling against things that can't be printed. So, Bob, think food, water, timber, cotton, soy beans, and precious metals.

Bob: So it's not just because supply chains have been broken that we are seeing rising food costs. I mean, I know we were already printing money by the trillions before Covid19. The process just accelerated.

So, for politicians, this is kind of a gift. They can blame rising prices on Covid---- and not on their overspending.

Greg: You are not the first one to make that observation. Blame the virus. We couldn't pay back the \$23 trillion debt before this started. Now, if we return to normal, it might be with a debt north of \$30 trillion.

So, this brings us back to our Andre the Giant vs. Barney Fife analogy.

Because of Covid--- and the money printing-- Andre (the currency market), is in disarray. Currently, Andre is stomping his feet and flailing his arms about. So far, Barney (the stock market) has

avoided the mayhem. But if history is any guide, eventually, Barney will either get tired... or Andre will get in that lucky punch.

Bob: That was a good way to explain it. And I must admit, this is a whole new world for me. I don't know much about currencies. Can we keep this going on Friday? I'd like to hear your take about how the dollar compares to other currencies. Until then, how do people reach you?

Greg: Gladly. My number is 250-3754. Or go to my website at zanettifinancial.com

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