

WATCH OUT FOR THAT CANCER !

Unfortunately for man, much too often, it is only when a killer disease has spread to vital organs of a person's body does the problem become obvious and very apparent.

By that time, it may well be too late to cure the malady.

Pancreatic cancer is one such uncontrolled (and very unwanted) growth which, when it is discovered, usually ends a person's life in a very short space of time: Weeks or months, in most cases.

There is no known cure for this cancer, today.

To a great extent, there is a similarity between the onset of an economic recession and the realisation of its debilitating effects on an economy – which, rarely, are immediately apparent – and a person, contracting pancreatic cancer before the cancer kills the host.

There are definitive signs, today, pointing to the emergence of an economic recession in the US, but until the US Government and noted economists can confirm at least 2 consecutive quarters of negative growth, it is said that the recession does not exist.

This makes one wonder whether or not there should be another method(s) of evaluating the health (or otherwise) of an economy so that action may be taken to attempt, at least, to ameliorate the harmful effects of an economic recession.

An economic recession is commonly defined as being a decided fall-off in activity in an economy.

However, the question arises as to what is the measure of the term, '*a decided fall-off*'?

Essentially, the definition of this term is somewhat arbitrary, with some economists, claiming that it is the duration of the fall-off in economic activity that is the key.

Whereas 2 consecutive quarters of negative growth in the **Gross National Product (GNP)** – GNP = In economic terms, used to describe in monetary value, the total annual flow of goods and services in the economy of a nation – some economists maintain that 3 consecutive quarters of negative growth of a GNP is correct because 2 consecutive quarters of negative growth in an economy is too short a period of time.

A significant decline in output and employment is, without question, a telltale sign of an economic recession.

Which, of course, begs the second question: How does one define the term, '*a significant decline*'?

(Bertram Russell, a noted British philosopher, who died in 1970, always maintained that the study of economics was too difficult for him, whereas Max Planck, the noted, great German physicist who died in 1947, after having discovered, in nature, an absolute unit where previously relativity had held sway; this unit is known as the quantum of action, maintained that it was philosophy that was much too difficult for him comprehend).

Again, one is left with the enigma that the term, '*a significant decline*', in the context of economics, is, also, essentially arbitrary.

Potentiality is another suggested approach to making a determination about the onset of an economic recession, but, once again, one would have to find an acceptable definition of the term, '*potentiality*.'

When, about 2 years ago, **TARGET** stated, very definitively, that the housing bubble in the US, when it burst, could become devastating to the entire economy unless checked before it was too late, few people took much notice.

In fact, **TARGET** received a number of telephone calls for people, claiming that this medium did not understand the economics of the US.

(Shades of Galileo Galilei (1564 –1642), who ran afoul of the Holy Catholic Church in his day and is widely recognised as being a symbol of the battle against authority for freedom of inquiry.)

At a dinner with the chairman of one public company, some time ago, that company, being listed on the Main Board of The Stock Exchange of Hongkong Ltd, this economist was accused to being an alarmist, a panic monger.

Now, down the road, about 2 years on, the penny appears to have dropped and noted economists, such as Dr Alan Greenspan, the former Chairman of The Federal Reserve (of the US), have come out with similar statements to those of **TARGET**.

Needless to say, the chairman of that HKSAR publicly listed company has not agreed to have another dinner with **TARGET**.

TARGET continues to maintain that, despite what appears to be a bull run on Wall Street, today, the American people are, merely, enjoying the calm in the eye of the evolving US economic cyclone.

If the labour situation in the US is to be considered one of the key indicators of the health, or otherwise, of the economy, then, there can be little question that the situation in The Land of The Free and The Home of The Brave is worsening.

The situation, as at April 21, 2007, was that Initial Jobless Claims were about 321,000, down from 341,000 Claims (upward revised), as at April 17, 2007.

However, Continuing Claims for Unemployment Insurance plough on, from about 2,529,000, as at April 7, 2007, to about 2,594,000, as at April 14, 2007.

For pen-pushers, that is an increase, within 7 days, of about 2.51 percent.

The prospects for the future, if this situation persists, are frightening.

Watching statistics, such as these, must be nerve-wracking for many US Government officials – because they prefer to interpret US economic statistics, optimistically, most of the time – and it will be telling to learn whether or not Continuing Claims for Unemployment rise appreciably in the coming months.

TARGET strongly suspects that to be the case.

The following table of Continuing Claims for Unemployment Insurance needs little interpolation:

	April 14, 2007	April 7, 2007	March 31, 2007	March 24, 2007	March 17, 2007
Continuing Claims*	2,594	2,529	2,524	2,489	2,517

* Seasonably Adjusted; in Thousands

In addition to the above matter with regard to the Continuing Unemployment Insurance Claims, while many Wall Street gurus appear to be singing the praises of Wall Street '*darlings*', as many of them declare bumper profits for the last quarter, being overlooked, to a great extent, it appears to **TARGET**, is the matter of investment activity.

Industrial production in the US is, definitely, on the decline and, as long as this situation persists, management will seek to cut costs, as much as possible, and make use of existing (and ageing) capital infrastructure as long as possible.

The economic situation in the US is, clearly, dangerous and should be considered very disturbing, regardless of the platitudes, uttered by certain officials of the Government of the United States.

If the present emerging economic storm continues, as storms of this type, which are known to be very volatile but inclined to regenerate themselves when they are fueled by atmospherics (in this case, a worsening economic situation in the US), the coming economic recession will make itself felt before the end of this year.

A rough **TARGET** estimate is that there is a 33-percent probability of an economic recession in the US before December 31, 2007.

Previously, put that 33-percent figure was only about 20 percent, but the situation has, definitely worsened since our first prognosis.

If **TARGET** is correct – and there is every indication that this medium is pretty close to the mark, as things stand, today – then, taking precautionary steps at this juncture must be considered mandatory.

One of those steps inculcates taking trading profits, where possible, and putting that money in the bank until the time comes around again when cash will, once again, be king.

As with some illnesses that strike man, the microbe may not be immediately visible to the naked eye, but its effects may well become obvious in the fullness of time, and, only too often, then, it is too late to consider, taking remedial action.

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