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LET'S TALK PLAINLY, SHALL WE ?

The Gurus of Wall Street are at it, again!

Day One: *'Things appear to be on the mend,'* Guru John Smith goes on record in an interview with an evening, business television talk show.

Day Two: *'We are a buyer of second-tier stocks because we think that the worst is over'*, Guru Peter Jones tells a reporter on an early morning talk show.

Day Three: *'This is the beginning of a bull market. The time to buy US equities is now …* ***Now! Now!*** *Stocks are badly underpriced,'* according to Guru Jack Pattern who tells a television anchor on a US evening television news channel.

And so it continues, day after day after day.

All this is twaddle and bull…t, in **TARGET**'s opinion.

Let's recap a bit and talk in a language of the plain-speaking people, shall we?

The problems of today, internationally, had its origins in the US on or about August 9, 2007, following confirmation of the inevitable collapse in prices with regard to the US housing market.

The US housing market's bubble has, since that date, well and truly burst; the value of real property is continuing down the slippery slopes.

House prices in the largest single economy of the world will, most likely, continue to fall to even lower levels.

They are almost bound to fall much further before they level off, contrary to protestations of Wall Street gurus.

Many home-owners in the US, today, are having to dig deeply into life savings in order to hang onto their homes, the market values of which are well below the purchase/market prices with little chance, in the next decade or so, for a price recovery.

Some US home-owners have, already, given up the ghost, walking away from their financial commitments and allowing banks and/or finance houses to repossess their once proud *'castles'*.

US banks and finance houses do not want to repossess these properties – in fact, it is the last thing that they want to do in these difficult times – because buyers for pre-owned houses in the US are as difficult to find as virgins in a whorehouse.

Provisions for bad and doubtful debts by banks and finance houses, around the world, in respect of the US subprime, mortgage-lending industry, which has spread far and wide, are rising at such a fast rate that it is, almost, unimaginable.

Just a few short years ago, such a situation, as it exists, today, was completely unthinkable.

The losses, today, with regard to the subprime, mortgage-lending industry crisis, as it has come to be known, internationally, those that have been admitted by banks and finance houses, that is, are:

Citigroup Incorporated	$US40.70 billion
UBS AG	$US38.00 billion
Merrill Lynch and Company Incorporated	$US31.70 billion
HSBC Holdings plc	$US15.60 billion
Bank of America	$US14.90 billion
Morgan Stanley	$US12.60 billion
The Royal Bank of Scotland plc	$US12.00 billion
JPMorgan Chase	$US9.70 billion
Washington Mutual	$US8.30 billion
Deutsche Bank AG	$US7.50 billion
Wachovia Corporation	$US7.30 billion
Crédit Agricole SA	$US6.60 billion
The Suisse Group	$US6.30 billion
Mizuho Holdings Incorporated	$US5.50 billion
The Bear Sterns Companies Incorporated	$US3.20 billion
Barclays plc	$US3.20 billion

TOTAL:**$US223.10 BILLION**

(That amount of money is just about enough to purchase New Zealand, to be facetious about this very serious situation.)

Meanwhile, the price of crude oil on international commodity exchanges continues its relentless rise, hitting one record high level after another.

Some Wall Street gurus claim that the high price of crude oil is due to the weakness of the US dollar vis-à-vis other *'hard'* currencies.

Nothing could be further from the truth.

The translation value of the US dollar vis-à-vis other *'hard'* currencies is independent of the international price of crude oil, or, put another way, the record-breaking price of crude oil on international commodity exchanges has not been caused by the erosion of the US dollar against other currencies.

The thirst for this strategic commodity continues unabated, especially in countries, such as the People's Republic of China (PRC), India, and the many emerging economies of Asia.

The requirement in Asia and on the Indian Continent for more and more crude oil will not diminish overnight, to be sure.

In fact, the opposite is true: The thirst of crude oil will escalate as these economies grow apace.

Oil producers of the world are able, today, to supply international markets with about 85 million barrels of crude oil, daily.

The current requirement is about 87 million barrels of crude oil, daily, however.

Another problem is that, even if oil producers could flood the markets of the world with as much as 90 million barrels of crude oil, daily, refineries, around the world, would not be able to increase capacity sufficiently in order to cope with the demand for an increase of about 6 percent.

A number of countries, seeing the translation value of the US dollar vis-à-vis their currencies eroded as the weeks go by, are opting for payment in euros, these days.

They are fearful that the US dollar's value against their currencies could weaken even further.

Brazil led the charge; other countries followed Brazil's lead.

There is, however, no correlation between the translation value of the US dollar and the thirst for more crude oil in spite of the suggestions from some Wall Street gurus who look for any excuse in order to make themselves appear knowledgeable to the masses.

As the price of crude oil continues to rise, it will cut a swath through the Bottom Lines of many corporate entities, from Alaska to the Antipodes, and, in many cases, corporate entities will be unable to stand the pressure and seek the protection of bankruptcy courts from irate creditors.

At some time, as with the US, high-technology bubble, also known as the *'dot-com bubble'* (or, sometimes, the *'I.T. bubble'*), which was a speculative bubble, covering about 1995–2001 (with a climax on March 10, 2000, with the NASDAQ's Composite Index, peaking at 5,132.52 points), during which stock markets of the West saw their values increase rapidly due to the growth in the new Internet sector and related fields, so the crude-oil bubble will, undoubtedly, burst.

When that time will come, nobody can, today, foretell.

But come it must.

And, when it comes, Wall Street will be littered, once again, with the bones of commodity traders and stockbrokers who had sung the praises of buying oil-futures contracts aggressively as well as the scrip in equities of companies, involved in energy and energy related industries.

Conclusion: There is a long way to go before the financial problems of today can be resolved.

Hang onto your knickers, folks!

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