

How will the Fed explain away No Rate Increase?

written by Egon von Greyerz | December 15, 2015

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For face saving reasons the Fed definitely must increase interest rates on the 16th.

This is what the Fed has led the market to believe and any deviation from this would give the Fed a vote of no confidence from the investment world. Still, it is difficult to comprehend how anyone could have confidence in the Fed. They have no strategy, no policy but are just reacting to events. They even admit this themselves by declaring that their decision is data driven. But even when the data and events stare them in the face like in 2007-8 they did not recognise the crisis as it was unfolding.

The problem is that economic data in the US does not justify a rate increase. The Fed knows this and therefore I am sure they are now praying that some event outside their control will give them the excuse not to increase rates.

Economic data in the US is deteriorating. Retail sales are weakening, manufacturing is declining and junk bonds are now yielding 17%, indicating real problems which is also reflected by the number of defaults. In addition, energy, student and car loans will all become a massive sub-prime disaster with trillions of dollars in write-offs.

The ECB just lowered their rate to -0.3%. Inflation is non-existent in the Eurozone economy with most countries struggling to survive and with a banking system which is more vulnerable than during the 2007-9 crisis.

Emerging markets are suffering due to the collapse in commodity prices, a strong dollar as well as a debt burden which will never be repaid.

On top of all the global economic problems, the geopolitical situation is now more serious than at any time since the 1930s.

With this background it would be totally ridiculous for the Fed to raise interest rates this week. They are too far behind the curve. Thus, if they realise the situation the US and the world economy is in, they should rather lower than increase rates.

We shouldn't hold our hopes too high, since the Fed seldom takes rational decisions. But if they did this time, markets are going to get a shock that

will be hard to forget with gold surging and stock markets crashing

For more details see my latest King World News interviews of Dec 6 and 13:

“Elite Domination Of The World And Their Plans To Send Global Markets Into A Full-Blown Panic”

“Joe Granville’s Warning, Full-Blown Crisis, Total Wealth Destruction And \$10,000 Gold”

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