Federal Reserve is playing game with the financial markets



JANUARY 5, 2023

By : Masih Rezvani_Ph.D

Preface

Have you ever wondered why some big and successful companies, in the short term, lost a share of their market and put themselves to the worst situation? why some small and unknown companies gained a good position at the International market? Did you ever ask of yourself why some institutions easily tolerate and overcome the political, economic, and social? fluctuations, and, in front of some organizations not be able to do it???

Hi My name is Masih Rezvani , I have spent nearly 10 years as a market technical analyst, market researcher, educator and trader.
My job is to find great opportunities that have been overlooked or ignored by 99.9% of investors – especially companies on the verge of potential major breakthroughs. I seek out investors who are looking for something out of the ordinary… that doesn't cost a lot… and gets you in the "backdoor" of an emerging trend.

In this article, I'd like to share something related to the US Federal Reserve's games with the bank's interest rate policy that began in 2008.
What modern academic economists fail to teach: What is the role of the central bank in creating bubbles?
As of the end of 2021, the United States and the entire world are dangerously close to the "top" of the Federal Reserve bubble.
The relentless censorship of the internet and social media by private companies since the 2020 coronavirus is alarming and can be compared to book burning in the 1930s.
Thank you for your interest and support.

Will the Federal Reserve hitting hard and sharp to the financial markets because of the revive itself?

It seems increasingly certain that the US Federal Reserve and global powers will use the dramatic increase in inflation as an excuse to crash the financial markets .The suddenly increase rise in inflation after the bad policies of the Covid-19 quarantines and the trillions of dollars in emergency spending by Trump and Biden, along with the continued unprecedented actions of the Federal Reserve in terms of playing with interest rate policies and buying trillions of dollars in bonds to keep the inflated bubble, are the context has provided for the imminent fall of the market.

Thrught with a simple look at the Disruptions to supply chains from Asia and even to normal trucking across North America , We can see, that these are the main cause of the worst inflation in four decades in the United States. Heavy and unprecedented support packages for the "stimulus" of Covid, have caused the economic order to lead to worse deviations. All these things have prepared the land for the central banks to bring down their highly indebted system and recover itself However, the main issue is not the "inflation", maybe this is as a mysterious or "temporary" process, but we must know that the policies of the Federal Reserve have a exact understanding of inflation and they are keeping themselves in the safe side in any way .

But what is the Background ?

The decision to collapse the financial system comes amid widespread global pandemic measures that have ravaged the global economy since early 2020.Their miscalculated war has sent a massive flood of arms and advisers into Ukraine, that is why the Russian prompting responded them .They are increasing pressure to China over Taiwan and running proxy wars against China in Ethiopia and the Horn of Africa and countless other places.

The impending collapse of the dollar system, then will destroy most of the world because of its debt ties, will occur when the major industrialized countries fully engage in a new economic self-destruction through the so-called Green New Deal in the European Union, and in the US and beyond, ridiculous zero-carbon policies (Pay attention to my other article / Energy Crisis) to phase out coal, oil, gas and even nuclear have put the EU's power grid on the brink of major blackouts this winter as reliance on unreliable wind and solar It forms a major part of the network.

On December 31, Germany's new "green" government is overseeing the forced shutdown of three nuclear power plants that generate electricity equivalent to the entire country of Denmark.

Wind and solar can't fill these gaps at all. In the US, Biden's "Building Better Returns" policies have pushed fuel costs to record highs. Interest rate hikes in these circumstances will wreak havoc on the entire world. , which seems to be precisely planned in advance.

Unreal US inflation Report

Since the early 1970s, when President Nixon asked his friend, then-Federal Reserve Chairman Arthur Burns, for a way to get rid of politically damaging monthly consumer inflation data that reflected rising oil prices along with grain prices Find out, the Federal Reserve has used an important item , they called "core inflation," "core inflation, “meaning the increase in consumer prices minus energy and food, at that time energy accounted for 11% of the inflation data, and food accounted for

25% by weight. By 1975, the OPEC oil price had increased by 400% and the world grain price had increased by 300% due to crop problems in the Soviet Union, meanwhile, American consumers had to pay much more for gasoline and bread.

Now all that is lacking is a statement by the Fed that inflation is more alarming than they thought and requires aggressive rate hikes to “squeeze inflation out of the system,” a common central bank myth made dogma under Paul Volcker in the 1970s.

Inflated US Stock Market

Wall Street markets are at a important point these days, with stocks at historic highs, helped by rates close to the Fed and the Fed's $120 billion monthly purchases of Treasuries as well as Fannie Mae mortgages.

It is done by the Federal Reserve, Almost , around in early 2022, it could trigger a panicked exit from stocks (get out while the profits are good),***No one wants to be the last on Wall Street.***

This, in turn, is likely to trigger panic selling and a market collapse that will make the recent collapse of Chinese real estate and stocks .

Since the global financial crisis in September 2008, the Federal Reserve and other major central banks such as the European Central Bank in the European Union and the Bank of Japan have pursued unprecedented policies of zero interest rates and often easy bond purchases to bail out major financial sectors.

Institutions and Wall Street and European Union and Japanese banks had little to do with the health of the real economy.

It was about the biggest bailout in history for brain-dead banks like Citigroup or HSBC and hedge funds like AIG.

The predictable result of the unprecedented policies of the Federal Reserve and other central banks has been the creation of artificial inflation and the largest speculative stock bubble in history.

What is size of the today’s US stock market bubble today?

In October 2008 just after the Lehman crisis, US stocks were listed at a total of $13 trillion capitalization and today it is over $50 trillion, an increase of almost 400% and more than double the total US GDP. (Apple Corp is $3 trillion a lonely).

Yet with massive labor shortages, lockdowns across America and huge disruptions to trade supply chains especially from China, the economy is sinking and Biden’s phony “infrastructure” bill will do little to rebuild the vital economic infrastructure of highways, water treatment plants and electric grids.

For millions of Americans after the 2008 housing collapse, buying stocks has been their best hope for retirement income, and now , A stock crash in 2022 is being prepared by the Fed, only this time it will be used to usher in a real Great Depression worse than the 1930’s as tens of millions or ordinary Americans see their life savings wiped out.

Stock Buyback Game

As President, Donald Trump constantly pointed to new record rises in the S&P 500 stocks as proof of the booming economy, even though as a savvy businessman, he knew it was a lie,It was rising because of the Fed zero interest rate policy, Companies were borrowing at low rates not to expand plant and equipment investment so much as to buy back their own stocks from the market to artificially inflate share prices. That had the effect of boosting stocks in companies from Microsoft to Dell to

Amazon, Pfizer, Tesla and hundreds of others. It was a manipulation that corporate executives, owning millions of their own company shares as options, loved. People like Jeff Bezos made billions, while creating no real value in the economy, Over the past four quarters, S&P 500 companies bought back $742 billion of their own shares,Q4 of 2021 will likely see a record increase in that number as companies rush to pump their shares ahead of a reported Biden tax on corporate stock buybacks. Since the beginning of 2012, the S&P 500 companies have bought back nearly $5.68 trillion (trillion, not billion) of their own shares, This is not a small game, The dynamic is so insane that amid a Microsoft decision last months to buy back ever more shares, Microsoft CEO dumped over 50% of his Microsoft stock in one day. But the stock barely budged because Microsoft itself was busy buying back shares. That indicates the level of unreality in today's US market. (The insiders know it's about to crash).Tesla's Elon Musk just sold $10 billion of his stock, allegedly to pay taxes.

Making the stock market even more vulnerable to a panic selloff when the Fed raises interest rates, there is nearly $1 trillion in margin debt as of October, debt for those buying stocks on borrowed money from their brokers. Once a major market selloff begins, likely early in 2022, brokers will demand repayment of some or all of their margin debt, so-called margin calls. That in turn will accelerate the forced stock selling to raise the cash calls.

It is a big Taper

There is much discussion about when the Fed will reduce its buying of US Treasury securities as well as government-linked home mortgage bonds. That buying has been huge, Since the start of the covid pandemic hysteria in February 2020, total Federal Reserve holdings of such securities have more than doubled from $3.8 trillion to $8 trillion as of end of October 2021.That has kept home mortgage rates artificially low and fueled recent panic home buying as citizens realize the low rates are about to end.

The Fed calls it "taper", reducing the current $120 billion monthly buying of bonds to zero at the same time it raises key interest rates, a double whammy. This is huge, and blood is flowing from Wall Street at the beginning of the 2022, when the Fed is playing game with interest rate .Already in November the Fed began reducing its monthly market supporting buying. "In light of the substantial further progress the economy has made toward the Committee's goals of maximum employment and price stability," the FOMC declared in its recent minutes. It announced that it is decreasing the amount of Treasury and Mortgage backed securities purchases in November and December.

Since the Vietnam War era under President Lyndon Johnson, the US Government has manipulated employment data as well as inflation numbers to give a far better picture than exists. Private economist John Williams of Shadow Government Statistics, estimates that actual USA unemployment, far from the reported 4.2% for November, is actually over 24.8%. As Williams further notes, "The Inflation Surge Reflects Extreme Money Supply Creation, Extreme Federal Deficit Spending and Federal Debt Expansion, Pandemic Disruptions and Supply Shortages; It Does Not Reflect an Overheating Economy." Federal Budget Deficits are running a record $3 trillion a year with no end in sight.

A rate hike at this uncertain time would almost certainly upset the fragile US and global financial system, paving the way for a crisis in which citizens may turn to buying and selling cryptocurrencies to help themselves. Policy is controlled by central banks. (Federal Reserve or Bank of England or ECB.)

It is worth noting that every major crash in the US stock market since October 1929, including 2007-2008, has been the result of deliberate actions by the Federal Reserve, covered under claims of "maintaining inflation". First they create bubbles with "comfortable incomes", then they adjust the master plan. Their goal is always to use the collapse to concentrate as much wealth as possible to the top of even one percent more than everyone else.

This time the damage is more domestic, with the Washington-based Institute of International Finance estimating that the level of global debt, which includes debt owed by governments, households, companies and banks, rose from $4.8 trillion to $296 trillion at the end of June. which is 36 trillion dollars higher than the pre-Covid-19 level.

92 trillion dollars of debt includes emerging markets such as Turkey, China, India or Pakistan. Rising interest rates cause major crises around the world as borrowers are unable to repay.

This is done intentionally by central banks led by the Federal Reserve since the crisis of 2008, through increasing and decreasing interest rates.

Stay with me for more details

Warmly Regards

Masih Rezvani_PhD

https://masihrezvani.com/