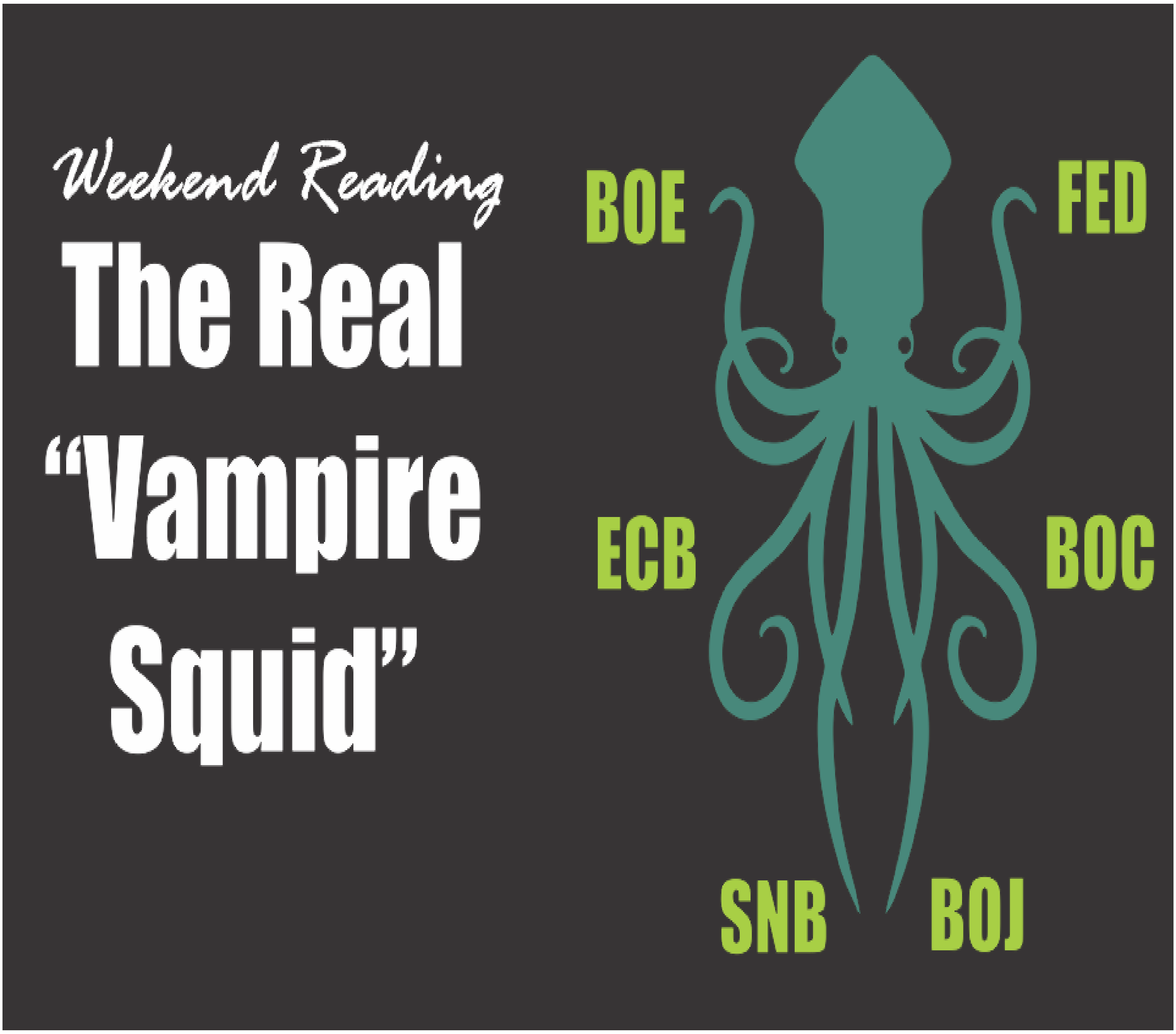


First, it was Hurricane *"Harvey"* and an expected $180 billion in damages to the Texas coastline. Now, *"Irma"* is speeding her way to the Florida coastline dragging *"Jose"* in her wake. Those two hurricanes, depending on where they land will send damages higher by another $100 billion or more in the weeks ahead. The immediate funding needed for relief to Americans is what you would truly deem to be *"emergency measures."* But that is not what I am talking about today. Nope, I am talking about Central Banks. On Thursday, Mario Draghi, of the ECB, announced their latest monetary policy stance:

> *"At today?s meeting, the Governing Council of the ECB decided that the* ***interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.40% respectively.*** *The Governing Council expects the* ***key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases.*** *Regarding non-standard monetary policy measures, the*

Governing Council confirms that the ***net asset purchases, at the current monthly pace of ?60 billion, are intended to run until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.*** *The net purchases are made alongside reinvestments of the principal payments from maturing securities purchased under the asset purchase programme. If the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council stands ready to increase the programme in terms of size and/or duration."*

Ladies and Gentlemen, these are *"emergency measures."* According to the Bank for International Settlements:

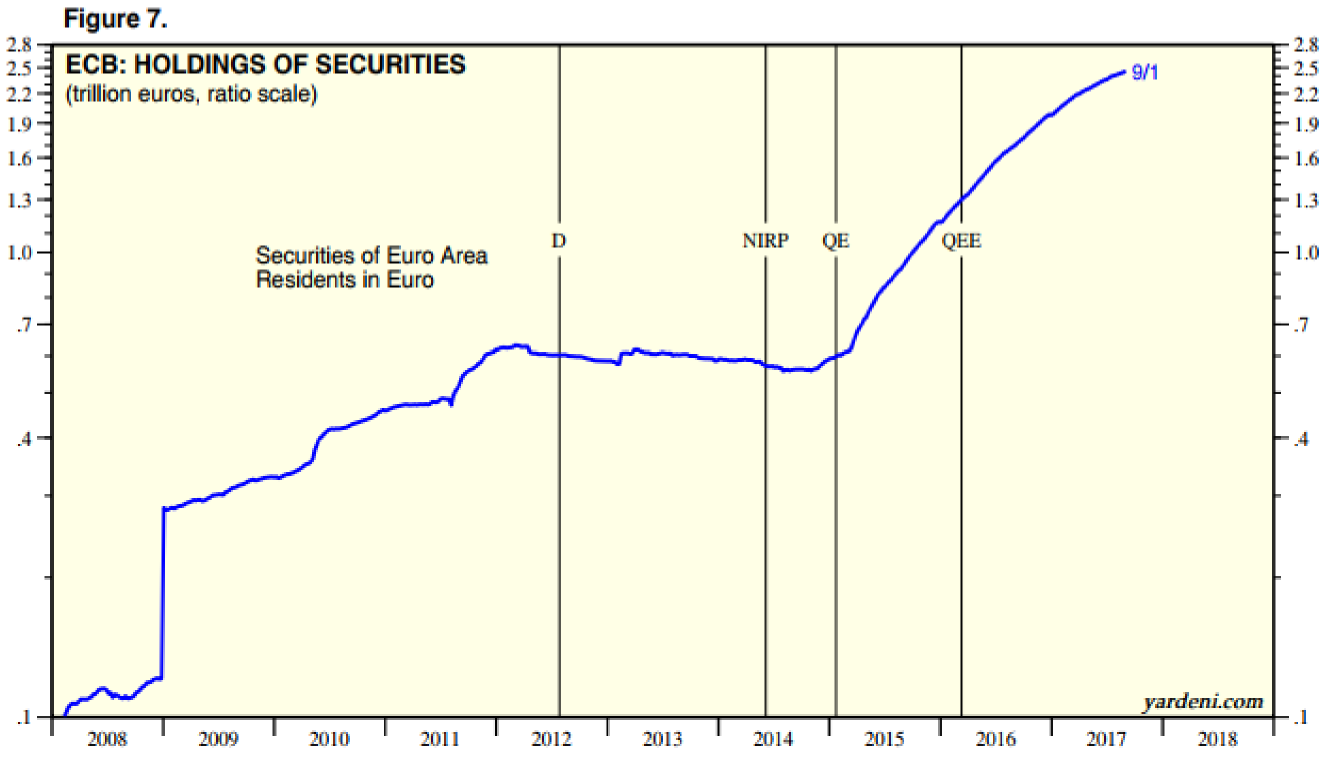
"Policy tools that involve the active use of central bank balance sheets ? ***both the assets and•the liabilities ? can help monetary authorities to navigate the policy challenges during times•of financial stress and when interest rates are close to zero.****"*

But wait, this is what Draghi said next:

"The economic expansion, which accelerated more than expected in the first half of 2017, continues to be solid and broad-based across countries and sectors."

So, what is it? **If you actually have *"solid and broad-based"* economic growth across countries and sectors, why are you still flooding the system with *"emergency measures,"*• and keeping interest rates near zero?** That's a rhetorical question. The reality is that Central Banks are keenly aware of the underlying economic weakness that currently exists as evidenced by the inability to generate inflationary pressures. They also understand that if the financial markets falter, the immediate feedback loop into the global economic environment will be swift and immediate. This is why there continue to be direct purchases of equities by the ECB and the BOJ. Which is also the reason why, **despite nuclear threats, hurricanes, geopolitical tensions and economic disconnects, the markets remain within a one-day striking distance of all-time highs.** *(Charts courtesy of Yardeni Research)*

ECB & BOJ Balance Sheets



D = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro (7/26/12). NIRP = negative interest-rate policy (6/5/2014). QE (1/22/15). QEE = expansion and extension of QE (3/10/16, corporate bond purchases started 6/1/16).

Of course, the question becomes just exactly what will Central Banks do when economies on a global scale slip back into the next cyclical recession? There is a *"limit"* to the amount of *"assets"* that can be held by the Central banks unless the markets are to become **entirely centralized by the tentacles of the real *"vampire squid."*** As the BIS concludes:

> *"Let me remind you too about the considerable fiscal risks that many countries face ? **risks•that could at some point confront central banks with extremely difficult choices**."*

In the meantime, here is what I am•reading this weekend.

Politics/Fed/Economy

- **The Donald's Seinfeld Tax Plan**by David Stockman via Daily Reckoning
- **It's Time To Get Rid Of The Debt Ceiling**by Caroline Baum via MarketWatch
- **Congress May Tax Retirement Savings**by Allan Golombek via RCM
- **Tax Reform Should Not Add To The Debt**by Committee For A Responsible Budget
- **Trump Pursues Plan To End Debt Ceiling**by Damian Paletta via Washington Post
- **155-Member GOP Group Opposes Debt Ceiling Deal**by Jonathan Swan via Axios
- **The Underreported Story Of Middle-Class Revival**by Robert Samuelson via RCM
- **Hurricane Harvey Rebuild Will Divert Jobs**by Allan Golombek via RCM
- **15-Events That Could Trigger Next Recession**by John Mauldin via Forbes
- **Trump Really Hasn't Done Anything To Create Factory Jobs**by Steven Greenhouse via NYT
- **A Tax-Cut The U.S. Can't Live Without**by Richard Rahn via Washington Times
- **Populism Is Fading**by A. Gary Shilling via Bloomberg

Video

Ray Dalio's recent TED Talk - "How To Build A Company Where The Best Ideas Win"

Markets

- **Yield Spreads Fall To 9-Year Lows**by James Picerno via Capital Spectator
- **Shiller: Bitcoin Is The Best Example Of A Bubble**by Akin Oyedele via BI
- **Blankfein: Markets Have Been Going Up For Too Long**by Tyler Durden via ZeroHedge
- **Your Robo-Advisor Is More Active Than You Think**by John Coumarianos via WSJ
- **So, This Is What A Bubble Feels Like**by Kadhim Shubber via FT
- **5 Biotechs On Sale That Offer Less Risk**by Michael Kahn via Barron's
- **What Is GARP?**by Simon Constable via US News
- **Is It Time To Say "No" To The U.S. Market?**by Proinsias O'Mahony via The Irish Times
- **Bond Market Rally Is No "Knee-Jerk" Reaction**by Scott Dorf via Bloomberg
- **Is Dr. Copper Signaling Inflation Or Higher Stock Prices**by Sol Palha via HuffPo
- **I'm Not Afraid Of A Bear Market, Just Don't Want To Be There For It** by Doug Kass via RCM
- **Treasury Yield To 10-Month Lows**by Mark DeCambre via MarketWatch

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Research•/ Interesting•Reads

- **Company Buy Backs & CEO Option Cashouts•** by Owen Davis via Dealbreaker
- **Trouble Ahead! Hedge Funds vs. Robo's•** by Jonas Elmerraji via Daily Reckoning
- **Global Elites Plan For Cryptocurrencies•** by James Rickards via Daily Reckoning
- **Is The High Cost Of Housing Crushing Wages?** by Charles Hugh Smith via Of Two Minds
- **Does Government Spending Create Growth?•** by Frank Shostak via Mises Institute
- **10-Things To Teach Your Kids Before They Leave•** by Trae Bodge via MarketWatch
- **Normalization Delusion•** by Adair Turner via Project Syndicate
- **The Incredible Shrinking Corporate Tax Bill•** by Justin Fox via Bloomberg
- **Why Central Banks Are Shifting Goal Posts•** by Daniel Gross via Project Syndicate
- **Cryptocurrencies: The Beginning Of The End•** by Brett Arends via MarketWatch
- **Living In Houses They Can't Afford•** by Tyler Durden via ZeroHedge
- **Investors Are Missing Their Chance To Sell•** by John Hussman via Hussman Funds
- **Time For Hot Latin Stocks To Cool Off?•** by Dana Lyons via Tumblr
- **The Great Equity-For-Debt Swap•** by•Jesse Felder via The Felder Report

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> ***?Sometimes the market does something so stupid it takes your breath away.? -***
> *Jim Cramer*

Questions, comments, suggestions ? please email me.