No Recession In Sight? But Cutting Rates To Avoid One

President Trump and his economic advisor Larry Kudlow have important announcements. I can help with translations.

Please consider Trump 'Not Ready' for China Trade Deal, Dismisses Recession Fears.

Consumers Doing Well

- **Trump**: *?We?re doing tremendously well, our consumers are rich, I gave a tremendous tax cut, and they?re loaded up with money.?*
- **Trump Translated:** *The "tremendous tax" cut primarily benefited the wealthy. Consumers are tapped out. That's why housing and autos are on the ropes.*

Deal With China

- **Trump**: *?I?m not ready to make a deal yet [with China].?*
- **Trump Translated**: *China is damn sick and tired of my tactics. They prefer to wait hoping for a Democrat president.*
- **Trump**: ?*I would like to see Hong Kong worked out in a very humanitarian fashion,? Trump said. ?I think it would be very good for the trade deal.?*
- **Trump Translated***: I have completely abandoned the idea there will soon be a trade deal unless I further capitulate to the demands of China. I was forced to give Huawei Another 90-Day Reprieve* and sadly, I *Chickened Out by Delaying my Trade War Tariffs to Save the Holiday Season.*

Recession

- **Kudlow**: *?There is no recession in sight. Consumers are working. Their wages are rising. They are spending and they are saving.?*
- **Kudlow Translated**: *Judging from manufacturing, Recession is Imminent. Real wages are falling fast. New Buyers cannot afford to buy a home, because the Housing Bubble Reblown: Last Chance for a Good Price Was 7 Years Ago. Consumers are spending by going further in debt. The setup is not sustainable. It's the Debt Stupid. Expect Panic Rate Cuts.*

However, if there is *"no recession"* in sight, then by is Barron's writer Matthew Klein proposing to stop the recession by cutting interest rates like it?s 1995.

Kleion says How to Avoid a Recession? Cut Interest Rates Like It?s 1995.

> *One of the most reliable harbingers of U.S. recession?short-term interest rates on U.S. Treasury debt higher than longer-term yields?has been flashing warning signs for months. That doesn?t mean the economy is doomed to a downturn.*

> *So-called yield-curve inversions have preceded every U.S. downturn since the 1950s, with only one false positive in 1966. This past week, the yield on two-year Treasuries briefly surpassed the yield on 10-year notes for this first time since 2007. The most straightforward explanation is that traders...*

Absurd Notion

The rest of the article is behind a paywall, but I can tell you with 100% certainty Klein's notion is absurd.

Inverted yield curves do not cause recessions. They are symptoms of a buildup of excess debt, or other fundamental problems.

Those problems will not not go away if the Fed *"cuts rates like 1995"* or even like 2008.

If a zero percent interest rate stopped recessions, Japan would not have had a half-dozen recessions in the past decades that it did have, many without inversions.

Not even negative rates can stop recessions.

The Eurozone, especially Germany, has negative rates. Yet, it's highly likely the Eurozone is in recession now and even more likely Germany is (with the rest of the Eurozone to follow).

Monetary Madness

As a prime example of global monetary madness, witness Inverted Negative Yields in Germany and Negative Rate Mortgages.

Even if the Fed made a 100 basis point cut (four quarter point cuts at once), what the heck would that do?

Stop recession for how long? Zero months? Six months? And at what expense?

What Then?

Yes, what then? Negative mortgages? A 10-year yield of -1.0% like Switzerland.

And if that doesn't work?

Hello **@M_C_Klein** What then?

Central banks are the source of problems, not the cure. If central banks could stop recessions, there never would be any!