

If you don't look you won't see the market cracks and collapse ahead

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Related Categories: 2012

I have been following the stock market this year (via various economic newsletters and feeling the energy that is changing). And while the markets have not crashed yet in my opinion they are not being held up by much more than air at this point. The latest QE was mostly priced into the markets over the summer. And now that the Fed has committed everything with \$40 **billion** per month of money printing and near to zero interest rates promised for years ahead of time there is not much else that they can do. (The European central bank and Bank of Japan are doing similar things). There are a lot of leading bad economic indicators right now - from the crash of the dry Baltic shipping index, to Chinese orders for raw materials down, even the German economy which was growing until the summer is now contracting. There is also the fiscal cliff in the US in January. I would say it is pretty likely the US and other major stock markets will collapse this year.

Here is some data on corporate earning and the slowdown. Fedex is a bellweather of the economy because so many sales are shipped by them...

FedEx Corporation (NYSE/FDX) has cuts its corporate earnings forecast for the upcoming year after announcing sluggish results from its previous quarter. The reason for the decrease in corporate earnings: weakness in the global economy and customers are moving towards cheaper alternatives. United Parcel Service, Inc. (NYSE/UPS) is in a similar business to FedEx and I will not be surprised if we see troubles in its corporate earnings as well.

As I have been writing in these pages, it's not only corporate earnings that are declining, corporate revenue at the S&P 500 companies are declining as well. Historically, when there is negative revenue growth in S&P 500 companies, a recession usually follows.

Intel Corporation (NYSE/INTC) has slashed its forecast for third-quarter revenue—a decline that was eight percent more than expected. The fall in revenue is directly related to less demand for its chips—customers reduced their inventories and businesses bought fewer computers. Intel will also be scaling back its capital spending because of its weaker-than-expected business. (Source: *Reuters* , September 7, 2012.)

Similarly, HNI Corporation (NYSE/HNI), one of the largest office furniture makers in the world, has also cuts its sales growth forecast projection for 2012 by almost 50%. (Source: *Business Week* , September 18, 2012.)

As a group, the corporate earnings of the S&P 500 companies are expected to drop 2.2% in the third quarter of 2012 from the same period in 2011—the first quarterly drop in corporate earnings for the S&P 500 since the third quarter of 2009. In this third quarter, corporate earnings are expected to slide three percent from the second quarter of 2012. (Source: *New York Times* , September 16, 2012.)

While the rally in the stock market and the politicians will have the majority of Americans thinking the opposite, the evidence clearly points to the U.S., much of Europe, and now China all witnessing an economic slowdown. In an economic slowdown, corporate earnings and revenue decrease as demand for products and services declines.

Even if you don't believe this 100% but say 50% it would still be worth diversifying any investments that you have (401k, IRA, stocks, bonds, bank accounts etc). And I would include in that diversification cash, foreign bank accounts, gold and farm land. (All of these can be held in a self directed IRA if that is important to you for tax reasons)

More details and ideas at:

<http://abundantmichael.com/blog/index.cfm/2012/5/3/9-steps-to-prepare-for-a-financial-crisis--your-crisis-insurance>

PS If you REALLY want to see what's coming -- and you can stomach it -- watch this mind-blowing trailer for a film project called "Gray State." WARNING: Extremely disturbing images, but probably quite accurate, too. Less of a wake up call and more like a bitch slap for the slumbering...

<http://abundantmichael.com/blog/index.cfm/2012/9/13/What-will-living-in-the-Gray-State-in-April-2013-be-like>