

## If the stock market up in real terms?

Posted At : September 27, 2012 1:23 PM | Posted By : Michael Smith

Related Categories: 2012

Even if the S&P goes up in dollar terms has it gone up in real terms? Have you noticed the price of gas and food recently...

### **It's now officially a 3-way race to the bottom between the dollar, the euro, and the yen.**

It started on September 6th with the ECB announcing a new, UNLIMITED bond-buying program. A week later, the US Federal Reserve officially announced QE3, another open-ended (de facto limitless) bond buying program. One week after that, the Bank of Japan announced it was adding another 10 trillion yen (\$128 billion) to its already massive bond buying program.

The mainstream financial media calls this a 'coordinated offensive', as if these central bankers are brigadier generals in combat. What a bunch of baloney. (though maybe this would make Ben Bernanke the COBRA Commander from GI Joe...) If they really want to use a military analogy, it's as if these central bankers are waging war on their own economies... and SAVERS.

For anyone who borrows money to spend or invest now (which includes governments and big financial institutions), the race to the bottom is a wonderful gravy train to be riding. But for anyone sitting on a pool of savings, it's highly destructive.

In the long-run, shares of best companies in the world will be solid hedges against such intense monetary inflation. But deep down, stocks are inherently risky.

Company fundamentals no longer matter very much; it's all about the debasement of the currencies in which those stocks are priced. The stock market isn't really rising, it's really the currency that's falling. In fact, as I am fond of reminding my friends, the Zimbabwe Stock Exchange did exceedingly well during that country's hyperinflationary meltdown.

Moreover, the system risks in the stock market are no longer trivial.

As a small investor, most people only have a claim to the shares that they buy. Brokage houses often use 'street name' registration, which means that if you buy Apple shares through your broker, your broker is actually listed as the shareholder on Apple's books.

This works fine and dandy as long as the system is functioning normally. But if your broker goes down in a sea of flames, what then? Government guarantees backed by insolvent agencies are hardly comforting.

Of course, you won't really hear about these issues in the mainstream financial press; I can just imagine getting laughed off the set of CNBC for suggesting that central banks are manipulating the stock market, or that most small investors don't actually own the shares in their brokerage account.

...

Other ways to preserve your purchasing power include tangible, physical assets. We all know about gold and silver bullion... but rare coins, stamps, art, fine wine, and other collectibles are also excellent stores of value.

Productive real estate is also a great option, especially cash flow positive rental property or fertile agricultural land. As my partner Simon Black frequently points out, owning FOREIGN real estate is one of the best ways to legally move money out of your home country, and it always gives you a place to go in case of emergency.

The strategic consideration in all of these options is PRESERVING the purchasing power of your hard-earned capital, safeguarding your standard of living, and minimizing systemic risk. Sure, I might miss a 50% rise in the S&P or Hang Seng... but I'll sleep soundly knowing that my capital is safe and earning a solid return, no matter how bad the storm.

from <http://www. Sovereignman.com/finance/its-officially-a-3-way-race-to-the-bottom-8887/>

