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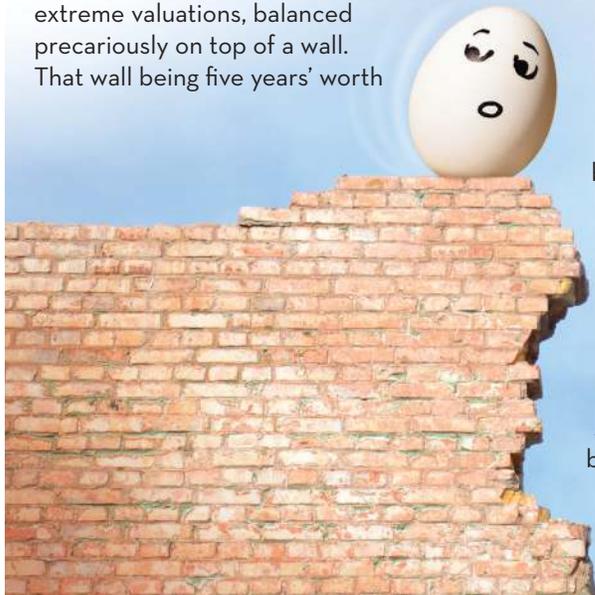
MARCH 2, 2015

Humpty Dumpty Markets

Forgive me if the precarious state of global equity markets brings to mind an old English nursery rhyme:

*Humpty Dumpty sat on a wall,
Humpty Dumpty had a great fall.
All the King's horses
and all the King's men
couldn't put Humpty Dumpty
together again.*

Though not explicitly described, he is typically portrayed as an anthropomorphic egg. So here we have global equity markets, fragile as an egg in their extreme valuations, balanced precariously on top of a wall. That wall being five years' worth



of global central banker's machinations pushing asset prices ever higher and their inherent volatility ever lower. I fear we are on the edge of an abyss.

The market's sharp moves up and down this year are the strongest possible indication Humpty Dumpty is losing his balance. No longer willing or able to coordinate their policy efforts, these modern Masters of the Universe are now going their own ways in the "beggar thy neighbor" global currency war. In this rush to the bottom, central bankers have given Humpty the shove and volatility is back.

Like it or not, global central bankers attempts to keep interest rates at preposterously low levels, simply isn't stimulating demand for borrowing as anticipated. It didn't happen here with QE 1, 2 & 3, it's not happening in Japan with Abeconomics and it won't happen in Europe. This is because the global economy is still submerged in its own indebtedness.

All this has done is fuel massive asset bubbles as the Wall Street crowd and Obama's "crony capitalists" bid stock valuations beyond

the peak of every market cycle on record (except 1929). Does anyone on this continent really believe the strength of the underlying economy supports these extreme valuations? I guess if you do, then you also believe unemployment is 5.6%. This brings to mind the quote popularized by Mark Twain there are "lies, damned lies, and statistics."

I believe major economies are on the brink of recession and "all the Kings horses and all the King's men" won't be able to put things together again. Therefore, investors need to understand that stocks are no longer an investment but speculation. Prudent investors should take money off the table and invest in physical assets that provide income in place of profits built on sand.

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