View from the Bridge

an alternative look at the investment world

By Clive Hale

www.viewfromthebridge.co.uk

Don't you love farce?

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My fault I fear
I thought that you'd want what I want,
Sorry my dear
But where are the clowns
There ought to be clowns
Quick send in the clowns, don't bother they're here…

So, after a week of superb pantomime, the debt ceiling has been raised (I am making a brave assumption that the vote tonight in the US will go the right way – if it doesn't then can one of you turn the lights out?) and the world has not come to an end…yet. Pantomimes usually end on a high note, unlike Greek tragedies, but we all know they are just a "bit of theatre".

The cunning plan is to reduce the deficit by $2.5 trillion over 10 years and at the same time raise the debt ceiling by the same amount which apparently will keep the US government in spending vouchers only up until 2013. How does this help?

Today's Institute for Supply Management (ISM) PMI index came in at 50.9 against economists' expectations of a low of 54.9. Any number below 50 and the US economy is contracting. The biggest drops occurred in prices and employment, and my guess, which is probably better than any economists forecast (having avoided partaking in the Keynesian Kool Aid), is that any saving in spending will be negated by a fall in tax receipts as the economy slows.

The Bernank has kept a very low profile whilst this has been going on although I suspect he has put his time to good use by boning up on the finer principles of obfuscation with the Murdochs. As a forward to the pantomime program the Fed is on record stating that there will be further monetary stimulus if the economy falters. It won't of course be called QE3, but what's in a name after all.

So by way of a foot note for those of you who think I live in a dungeon in a permanent state of darkness I have to tell you that I walked my daughter up the aisle last Saturday and after that I don't believe the sun will ever set.