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Government Continues to Attack the Markets

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International Disarray Competes with Domestic Disarray

There is considerable upset in the world at the moment. The South Koreans have indicated that the North attacked and sunk one of the South's military vessels. The people in Thailand are rioting. The Taliban has staged a new series of attacks in Afghanistan. The Greeks are protesting austerity. Oil is bubbling up in the Gulf of Mexico so that Floridians are awaiting an inundation of tar balls.

At the same time in the United States, Senators continue their outright attack on the financial system. They refused to stop debating the financial regulation bill because they felt that more punitive measures needed to be added. The attacks have reached the point that even the Administration, through the Treasury, is now coming out against what these people are attempting to do.

Consequently, the futures are suggesting a significant down draft when the equity markets open this morning. The calendar is being set back to the third quarter of 2008, when government sponsored panic exacerbated loan loss problems in the banking system (you may recall one key Senator calling for Zombie banks to fail and another in the opposite party suggesting that banks might have to be nationalized). This caused a run on the United States banks that led to extraordinary measures to be taken to salvage the system.

The government has been relentless in telling the American people that their money is at risk in the financial markets. These markets are corrupt, run by people who are willing to sell products that are toxic in nature. The government has worked hard to prove that investors in the markets are not safe. Thus, it is possible that the markets could follow the same trail as they did in the fourth quarter of 2008 with investors fleeing to safety by taking their money out.

Certain facts do remain, however. The American economy is improving. Corporate profits are rising. Troubled loans are showing signs of decline. The vast majority of Americans own financial instruments and they are not crooks. The system is working despite arguments to the contrary. The banks are functioning and so are the markets. Plus, despite higher jobless claims 90% of the country is at work.

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