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Another motive for the Fed rates hike?

From Danielle DiMartino Booth...(formerly a staffer at the Dallas Fed)....

“What if it really is all about reinvestment and not one teensy quarter-point rate hike? Over the next three years, some \$1.1 trillion in Treasuries could roll off the Fed's balance sheet if reinvestments were to cease. Tack on the potential for mortgage backed securities (MBS) to prepay and/or mature and you're contemplating a figure that approaches \$2 trillion.

Make no mistake, shrinkage of the Fed's balance sheet to half its current size is much more feared by market participants than a slight tick-up in interest rates. Taking the step to not reinvest would increase the supply of Treasuries and MBS available to investors and reduce the Fed's support of the economy. The higher the supply on the market, the lower the price and hence, higher the yield, which moves opposite price.”

Source... <http://dimartinobooth.com/the-fed-awakens/>

Mohamed el-Erian thinks they have done OK...so far...

http://seekingalpha.com/article/3762356-feds-smooth-liftoff-doesnt-signal-mission-accomplished?source=email_macro_view_eco_4_23&ifp=0

Meantime, hedge funds continue to take a beating...

<http://www.bloomberg.com/news/articles/2015-12-18/hedge-fund-casualties-surge-to-257-in-third-quarter-amid-rout>

Junk bonds are also facing an upsurge in redemptions...as things go sour.

Business as usual Stupid! COP 21 revisited

Keeping fossil fuels in the ground was never going to work and an assembly of 40,000 do-gooders, mouthing platitudes, has nothing to do with reality.

Japan and South Korea remain pragmatic...

<http://www.dailysabah.com/asia/2015/12/15/japan-s-korea-plan-61-new-coal-plants-in-next-10-years-despite-global-climate-deal>

Just like India...

<http://www.reuters.com/article/us-climatechange-summit-india-coal-idUSKBN0TX15F20151214>

Humanity, or so it seems, is now relying on technology to save itself. Yet the path ahead for subsidies even remains unclear...

<http://peakoil.com/alternative-energy/economists-are-from-mars-electric-cars-are-from-venus>

It also remains unclear whether, or when, sufficient technological solutions will be found.

The oil disaster continues

One after another, the shoes drop...sometimes companies going bust in the oil patch, sometimes countries getting into strife, sometimes both...

<http://fuelfix.com/blog/2015/12/16/100-billion-evaporates-as-worlds-worst-oil-major-plunges-90-percent/#34195101=0>

The US oil production continues to sink but it makes absolutely no difference to the glut. Meanwhile, more oil drilling rigs are finding work...not that 17 rigs makes any difference...

<http://www.reuters.com/article/us-global-oil-idUSKBN0U103V20151218>

I tend to agree with all the points made in this article...

<http://thecrux.com/how-oversupplied-is-the-oil-market-really/>

Cyberspace espionage

China has emerged as leader in global espionage of all sorts, and a source of hackers...yet its internet ambitions are far more grand... from Sinocism...

[“At U.N., China Tries to Influence Fight Over Internet Control - The New York Times](#) Over the last six months, United Nations diplomats have negotiated over the text of a document set to define the policies and frameworks of how the Internet is governed in the future, and who has a role in the process. The final version presented on Wednesday at the General Assembly contains a word that civil society groups, businesses and many Western governments oppose: multilateral. Multilateral is code for states making the rules. The inclusion of the word was largely spearheaded by China, which worked to enshrine state control over the Internet in the document, said negotiators who were involved in the process. During the discussions, representatives from China demanded repeatedly that the word would be included, according to participants and draft versions of the document that laid out which countries made each submission...The document is being formally adopted just as China holds

its World Internet Conference, which started Wednesday. The conference is part of a global lobbying effort by China aimed at promoting a concept called "Internet sovereignty"

China flexing its muscles in the South China Sea

The Philippines are getting little traction with Chinese incursions into their territorial waters but are reluctant to take military action, so China is upping the ante. From Sinocism...the threats are getting explicit...I suspect soon there will be a shooting war...after all, the Chinese are flouting international law as well as destroying coral reefs in someone else's back yard....

"It would be shame if a plane fell from the sky': China's warning to RAAF over South China Sea flights - ABC News (Australian Broadcasting Corporation) "The Chinese people cannot understand why the Australian military would get involved, and to be honest, they have less patience to prevent a flare up," the newspaper said. "Australian military planes better not regularly come to the South China Sea to 'get involved' , and especially don't test China's patience by flying close to China's islands. "Everyone has always been careful, but it would be a shame if one day a plane fell from the sky and it happened to be Australian."-

On the Western borders, the Han population is extending its push...and the backlash from locals is growing...from Sinocism...

"The Complex Impact of Urbanization in Xinjiang | The Diplomat Hardly a year ago the city of Horgos didn't exist. It was little other than a rural expanse of small towns, villages, and lavender fields on the farthest fringe of China's Xinjiang Autonomous Region, right on the border with Kazakhstan. Once a vibrant junction on the ancient Silk Road, Horgos endured a long descent into obscurity as the trade routes that were its lifeblood dried up, leaving it marooned from the rest of the world by sheer distance, mountains, and deserts. Now, it is precisely this frontier position that has brought Horgos and many of Xinjiang's other cities to the forefront of China's national policy, and the influx of development and urbanization which has followed has severely affected the region's local people and traditional cultures."

Perhaps (with thanks to Roy) this is what will happen to the Philippines...

Japan isn't taking Chinese aggression lying down

The first move was to get government approval for Japanese military to become more proactive...now...

<http://www.reuters.com/article/us-japan-military-china-exclusive-idUSKBN0U107220151218>

But on the economic front, Abe has been unsuccessful in tweaking the Japanese economy...

<http://www.reuters.com/article/us-japan-economy-idUSKBN0U10W020151218>

Global recession - if or when?

I am still sitting on that 55% projection... Others think that the chances are much higher of a global recession. I argue it would already be here if we stripped away the monetary goosing.

of GDP. But let's face it, we are spoiled for choice when we look for candidates for recession....even Australia and Canada...

<http://www.caseyresearch.com/articles/odds-of-a-global-recession-65>

What if I am right? What if governments do not defend the huge pile of debt that they have allowed banks to build well enough?

Then perhaps we need to be thinking of those alternatives...like perhaps "prepping" or gold?

<http://thecrux.com/debunking-anti-gold-propaganda/>