

# Armstrong Economics

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*Answering Your Questions*

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## BIGGEST PROFIT MARGINS IN HISTORY

The number one question pouring in is about the banks and their profit margin. Yes, the bottom line remains that the cost of money declines sharply for depositors while the cost of borrowing rises. Where the value of cash for three years is 0.7% to a depositor, for a fully collateralized borrower, the cost is about 4%. This is a profit margin for the banks of 571%. In other words, when the discount rate was 17% in 1981, this would have been the equivalent of a prime rate at 9707%. The profit margin at banks has **NEVER** been so high. The Fed has increased the profit margins of banks but they in turn are not accommodating the economy. They require more stringent collateral today than at any time in the past and want **ZERO** risk failing to stimulate anything. Have a brokerage account? Ask the broker how much he will lend you against fully collateralized shares. You will quickly see that the profit margins are **EXTRAORDINARYILY** high for no risk at all! This is becoming a giant shell game whereby everyone **THINKS** the objective is to “stimulate” the economy, but in reality, it is bailing out the banks once again covertly by allowing their profit margins to increase dramatically. Therefore, lower interest rates only widen the spreads increasing profits to the banks while the economy fails to expand significantly. It has not led to a borrowing boom in the slightest – essential for inflation.

The Fed is covertly still bailing out the banks because they cannot foreclose on a lot of properties when they were pooled, sliced, and diced lacking a single institution to come up with a certified mortgage. So the banks are **STILL** being bailed out through the back door. So everyone is wondering where the inflation is, yet QE1 & QE2 failed to do much of anything. Congress is even blind to what the Fed is doing. Everything is not exactly what it seems. Even the economic growth at 2.8% for 2011 is highly dubious. If businesses increase their inventory holding because they were unable to sell their products, GDP shows this as expansion because the business bought the inventory, forget selling it. Welcome to Wonderland Alice! You can check-in, but you cannot check-out until you find the way out of this maze.

# World Economic Conferences



## 2012 Conferences

2012 CONFERENCES

We will be holding three World Economic Conferences this year. These will be substantially different from the Philadelphia Conference. That was a combination of an Analytical Training Seminar and a World Economic Conference. Normally, each type of session is a two day event. Consequently, these two events had to be crammed into two days. Unfortunately, we could not accommodate everyone. We had to turn down 365 people. Traditionally, these events are limited to 100 attendees. Because of the overwhelming response, the room was full to capacity at 300+. That prohibited Mr. Armstrong from mingling with the crowd at the cocktail party and he was unable to see each and every person as he enjoys doing. These three upcoming conferences will be smaller, just forecasting, and will be two day events instead of the single day WEC which was provided in Philadelphia. Seating will be \$1500 per seat. Those who are interested in attending please send your email to reserve a seat to:

**2012WEC@Gmail.COM**

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