

Radio Show #2022-4, Podcast #36: OUTLINE

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INFLATION DESTROYS WAGES:

The Labor Department released a report Friday showing that worker pay increased about 4% in one year, the fastest rate in two decades. This led to predictable alarm that the U.S. is facing a "wage-price spiral," in which higher wages push up prices, which lead to demands for still-higher wages, and so forth. But the wage-price spiral is a false and antiquated economic idea that refuses to die and keeps generating bad policies.

WHEN WAS THE SUV INVENTED?

the Middle Ages began with the fall of Rome in 476 and ended around 1500. What caused the mass migration of Huns that ended the Roman empire?

A new clue comes from a recently discovered source: a 1,000-year old juniper tree on the Tibetan plateau. Its growth rings recorded a spectacular megadrought from 350 to 370, the worst in 2,000 years, that turned members of the tribal Hun empire into “climate migrants” or “refugees.”

The Trump Boom Lifted Black Americans, Jason Riley

A Cato Institute analysis of regulatory activity in the first two years of the Obama and Trump administrations counted a total of 6,793 new rulemakings for Mr. Obama and 4,310, or 36% fewer, for Mr. Trump. More significantly, among major regulations that impose a cost of \$100 million or more on the private sector, the tally was 176 for Mr. Obama and only 90, just over half as many, for Mr. Trump.

Congress passed the Tax Cuts and Jobs Act in December 2017. The top corporate rate fell to 21% from 35%, and companies were given an opportunity to repatriate cash held overseas at a tax rate of 15.5%. Taxes on wages and investment also fell. It was the most significant tax-code reform in 30 years, and the dividends were almost immediate. By the end of January 2018, more than 260 businesses—including major employers such as Walmart, FedEx, and 3M—had announced wage and salary increases, bonuses, and 401(k) match increases going to at least three million workers because of the new law.

FT PORTFOLIOS:

On a net basis, U.S. banks closed a record high 2,927 branches in 2021, according to data from S&P Global Market Intelligence. That number reflected a 38% increase from the number closed in 2020. Banks are finding that customer retention is improving as more people transition to mobile and online banking, which has been expedited by the COVID-19 pandemic. The biggest cost associated with operating branches is the employees. Banks have reported saving roughly \$250,000 per year for each branch shuttered. FTP 1/25/22

FT Portfolios:

Data from Chainalysis indicates that cybercriminals laundered \$8.6 billion via cryptocurrencies in 2021, up 30% year-over-year, according to Business Insider. Money laundering, however, accounted for just 0.05% of all cryptocurrency

transaction volume in 2021. Approximately \$33 billion in crypto has been laundered since 2017, mostly through centralized exchanges. Overall, crypto-related crime rose 80% in 2021. 2/1/22

The S&P 500 rose Monday but closed out its worst month since March 2020

as expectations for higher interest rates erode enthusiasm for stocks.

The broad U.S. stock index retreated 5.3% in volatile trading in January as investors wrestle with the question of how tighter monetary policy will influence equity valuations. High inflation and a strong labor market have led Federal Reserve officials to accelerate their plans for unwinding support for the economy.

The Nasdaq Composite fell 9% in January, its largest one-month decline since March 2020. The Dow Jones Industrial Average fared better, losing 3.3% for the month.

FT PORTFOLIOS:

Research from Citigroup found that nearly 40% of U.S.-listed ETFs, by value, are now owned by investment advisers, up from approximately 35% five years ago, according to the Financial Times. One of the bigger trends is the use of ETFs in managed accounts (model portfolios) offered by broker-dealers, financial advisers and registered investment advisers. Retail investors have around a 39% share of the ETF market, while institutional investors such as wealth managers, insurance companies and pensions come in at just over 20%. 2/2/22

Investors Sour on Muni Funds

Investors pulled \$1.4 billion from municipal bond funds in the week ended last Wednesday, the biggest weekly outflow since the early days of the pandemic.

Municipal bond yields, which rise as prices fall, climbed last week after the Federal Reserve signaled it would begin steadily raising interest rates in mid-March, reducing the appeal of outstanding debt. Tax-free yields on the highest-rated state and local bonds jumped to 1.55% Monday from 1.34% last Tuesday, according to Refinitiv MMD.

RUSSIA

In Europe, natural-gas prices are almost five times as high as they were a year ago because of cold weather, no wind, little sunshine and a drop in the flow of gas from Russia.

The U.S. Needs More Nuclear Weapons:

Since the early 1990s, the U.S. Defense Department spent only about 2% of its annual budget on sustaining and extending the life of the U.S. nuclear arsenal. In 1987 the U.S. had about 23,000 nuclear weapons in its stockpile. The U.S. has fewer than 4,000 today. World-wide, nuclear stockpiles haven't been this small since the late 1950s. Sounds good, right?

KAOS:

Andy Kessler wrote on Monday about chaos and exaggeration. He asked "What's with all the chaos conspiracies lately? In President Biden's Atlanta speech earlier this month he said that on Jan. 6, 2021, "a dagger was literally held at the throat of American democracy." Literally? Sorry about that, Chief. And of his opponents: "They want chaos to reign." Last Memorial Day, Mr. Biden declared, "Democracy itself is in peril, here at home and around the world." He constantly warns of "the existential threat" of climate change. Always chaos!

I have compared the chaos surrounding the Biden administration to the 1960's comedy, written by Buck Henry & Mel Brooks, Get Smart. Who was Don Adams who played Maxwell Smart, or agent 86 always at war with? KAOS. K-A-O-S!

PREVIOUSLY APPROVED

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Underwater Fiber Optic Cable:

Fiber-optic cable carries 95% of the world's international internet traffic.

Where those fiber-optic connections link up countries across the oceans, they consist almost entirely of cables running underwater—some 1.3 million kilometers (or more than 800,000 miles) of bundled glass threads that make up the actual, physical international internet.

Asset classes Most Closely Correlated With Inflation:

According to Investopedia

#1 is gold.

#2 are commodities; oil, copper, orange juice, pork bellies, etc.

#3 Real estate Inv Trusts, have adj rental income. Be careful though; I would avoid office and retail facilities.

#4 Rental real estate, also have adj rental income

<https://www.wsj.com/articles/inflation-drives-worker-pay-down-not-up-wage-price-spiral-raises-goods-keynes-friedman-cost-push-fed-11643662537>

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