

Sunday, August 28, 2005

CAT5 "perfect storm" shaping up in the financial markets?

Speaking as a guy who believes it is inherently impossible to predict things like stock market crashes, earthquakes and alien invasions, I'm getting numerous signals today that are food for thought on their own and ominous in aggregate. On one hand there is Hurricane Katrina which is barreling down on New Orleans, and if it hits can cause a lot more damage and fallout than we're accustomed to seeing from hurricanes, even bad ones. Apparently there's only been three other CAT5's in history and tonight Stratfor Global Intelligence sent out a breaking news report titled The Geopolitics of Katrina. Stratfor's core business is meticulously researched analysis, they are not in the "breaking news" business. The last time I received a breaking news alert from them was about 10 hours before the Iraq War II started, telling readers that bombers had been spotted departing from bases in Europe.

The economic effects from a full-on Katrina hit on the oil refineries and ports of Louisiana could be hard hitting. In fact the overnight oil price has already spiked past \$70/barrel as I type this (gold is up a couple bucks an ounce in fairly short order as well).

This combined with the fedspeak out of Jackson Hole this weekend make for an interesting couple weeks ahead. The speeches contained a couple of startling nuggets once you remove the circular, double-talk which the Fed carefully crafts to glaze over as many eyes as possible while bluffing at an appearance of transparency. Greenspan pronounced the housing bubble all but "ready-to-pop" in that understated hocus-pocus which is his trademark: "The housing boom will inevitably simmer down. As part of that process, house turnover will decline from currently historic levels, while some house price increases will slow and prices could even decrease".

Which is nice non-threatening way to state that the housing bubble which has been fueled entirely by reckless credit expansion is about ready to pop.

Governor Donald Kohn waxed philosophic on the pitfalls of financial derivatives and had this to say:

The risk is that private agents overestimate the ability or willingness of central banks to damp volatility in asset prices or the economy, or that they fail to appreciate that future policy actions depend on an imperfectly predictable economic outlook. But developments should have partially alleviated some of these concerns. Investors have had an opportunity to observe that policy actions in 1987, 1998, and 2001-03 cushioned the economy, but they did not stop major declines in the prices of equity in 1987 and 2001 or of risky credits in 1998. Short-term rates have risen substantially in the past year, reducing the profitability of "carry trades" without triggering an unwinding that drove long-term interest rates higher or widened risk premiums. And expectations that policy tightening would remain gradual over the near-term have not stopped long-term rates from fluctuating substantially in response to incoming data; the movements of future or forward rates out the yield curve after surprises in data have been at least as large since 2003 as they were before.

That is not to say that we have nothing to worry about. As I already noted, Alan Greenspan, himself, has often been concerned about market complacency--as recently as his latest monetary policy testimony. People may well perceive the economy as more stable than it is or central banks with greater power than we have to smooth the economy or to foresee our own actions.

Which, as George Ure notes, sounds like a nice soft way to tell the financial bankers in fedspeak/doublespeak: "If the derivatives blow up, don't assume we (the Central Bank) will be able to fix it".

These long-winded innocuous sounding pronouncements sound unimportant, barely comprehensible and boring. They are carefully crafted to appear to be just that. They are not. These statements are analyzed six-ways from Sunday by hordes of financial analysts and trillions of dollars worth of assets and perhaps more importantly, derivatives of assets, will slosh around the global economy based on their conclusions.

Any one of these factors on their own could make things interesting. All of them coming together in one shot could be pretty wild.

Posted by Mark Jeftovic in Venture Capital at 21:48

Saturday, August 20, 2005

Corruption, not terrorism, is the true enemy of our time.

As I watch more of our rights being chisled away, such as random searches on subways in NYC or the impending "Lawful Access" here in Canada, I realize that like it or not, some form of surveillance society is probably inevitable. I also thought this long before 9/11 as this post of mine on the OpenFlows mailing list describes back on Sept/99.

In it I cite Damon Knight's short story I See You which describes a not-so-distant future society where everybody can monitor anything in both time and space. Crime becomes impossible and privacy extinguished. As David Brin once observed, "Everybody wants privacy for themselves and accountability for everybody else".

If we are headed where I think we are headed, I will trade some privacy if I get everybody else's accountability in exchange. That means I will not sit still for a "top down" Big-Brother type surveillance society where politicians and lawmakers confiscate our rights to enforce laws which benefit their backroom deals. But I will settle for a massively parallel "everybody-sees-everything" society or "somebody-sees-everything" society that would sufficiently impair the corrupt from operating at any level of society.

So if a cop wanted to search me as I enter the subway that's fine. I'll scan in his badge number with my PDA and if he finds something on me he doesn't like, then he better not have any unexplained cash deposits into his own or his family's bank accounts and he shouldn't be driving a Ferrari on a beat-cop's salary. My lawyer will be checking out all of his dirty laundry, not to mention the chief of police, the TTC commissioner and whoever passed the goddamn law in the first place.

In a massively parallel surveillance society, you look at mine means I'll look at yours. If the police can call my ISP and get my access logs, I'll agree to it if I (and everyone else) can look at the banking records of my political candidates. I'll sit still for something like "Lawful Access" as long as I can also call Irwin Cotler's ISP and get the logs of his internet activity. After all, if he's doing something "subversive" then he shouldn't be the Justice minister, should he? The higher up the food chain people get, the more responsibility they shoulder, then the more magnifying glasses they should be under. The stakeholders of a given situation should be able to monitor the activities of the rulemakers.

I'm being overly dramatic to illustrate a point. The point is this: we are being observed more and more. This tide may be impossible to reverse. It is also increasingly clear that our leadership is rampant with corruption. Wars have been started on based on lies. Funds are misappropriated. Backroom deals abound. If the state can monitor the citizens "for safety's sake" then the citizens must be able to monitor the state for the same reasons.

And then we need to get serious about corruption and have some real world consequences for breaches of the public trust, which I think is one of the highest crimes imaginable.

The sad state today is politicians and financiers can abuse their power, lie, employ the powers of the state for their private gain, and even when caught they get a walk or some token prison sentence and will be pardoned down the road once their fate fades from public memory.

China may not be a free an open society like ours is supposed to be. But over there white collar criminals and corrupt politicians get the same treatment as a common murderer: they are executed.

What kind of signal would it send if Kenneth Lay and Bernie Ebers were hanged? What about next politician who is found to have lied to his constituents with grave consequences?

People who hold office need to be scared to death (literally) of abusing that power. They shouldn't have to be, they're supposed to be there out of a sense of public service, but until that sentiment returns to the land, forget terrorism, we need to get tough on corruption. We need to have a War on Corruption, one that may not end in our lifetimes.

Posted by Mark Jeftovic in Armchair Analysis at 11:40

Wednesday, August 17, 2005

Not enough guns for Sieg

My friend Sieg is back from his vacation in the USA and he laments the sad state of gun ownership in Canada and compares with the States. This is another area where I have mixed feelings and sometimes disagree with him. Sieg's problem is he gives people too much credit. Although he advocates "outlaw idiots, not guns". We live in a society where you are pretty much rewarded for being docile and stupid and penalized for being smart enough to know better. He also doesn't live in downtown Toronto, like I do.

Here in Toronto it's not unheard of to get your head blown off waiting at a bus stop. There's been between 3 and 5 fatal shootings within a 10 block radius of my apartment in the last month. If there were any more guns around this place would be Beirut, or maybe Fallujah.

Would I feel safer about things if everybody owned a gun? Probably not. It would imply that I trust people to have half a brain in their heads when it came to using them and I don't have that faith in my fellow man. Not when I turn on the evening news.

Of course, on the other hand I see the logic in gun ownership and responsible self-defense. Don't come crying to me if, while breaking into somebody's house they empty a shotgun into your gut, or your face. As we unix geeks like to say "Don't do that then". In my book when you violate somebody else's rights you forfeit your own. It seems almost silly to have to explain that but the point seems lost in civilized society.

There is an unconfirmed anecdote I've seen around (seems almost urban legend-ish to a guy here in Canada) that the Swiss citizenry are all well armed and trained. There is a gun in every household apparently, and they know how to use them. The Swiss haven't been in a war in over 500 years. After 9/11, while the rest of us were hastily giving up our rights and having our shoes x-rayed at airports, the Swiss advised their citizens to begin carrying their bayonets on flights. Any would-be hijackers trying to commandeer a plane with a pair of box-cutters would find themselves confronted by a plane full of bayonet-wielding passengers.

Which approach has more long-term viability?

Alas, if this were true, it illustrates a completely different headspace and culture among the Swiss, far more enlightened and not easily transportable to our instant-gratification addicted and attention span deficient culture. It would probably take 2 to 3 generations of intense, conscious therapy on our own collective society to get the maturity level up to a point where that approach would work.

Otherwise all you'll have is what they have in the US (or maybe downtown Toronto). And that clearly isn't working.

Posted by Mark Jeftovic in Armchair Analysis at 17:32

Wednesday, August 3, 2005

On the internet, a plane crash is never just a plane crash.

Plane crashes are in themselves so rare and so spectacular that when they occur we are both horrified and fascinated. Hence the eyewitness reports from yesterday's Air France crash at Pearson that spotted drivers pulled over to the side of the 401, standing on their car roofs photographing the spectacle with their camera phones.

Yesterday was a good day. It's rare that something like that happens and everybody gets out alive. In fact it's quite amazing and I think everybody should be thankful and happy that there were no fatalities.

Of course, this kind of event brings the nutjobs out en masse:

Cloak and Dagger

RADIO-NEWS Bulletin

4:54 PM EDT August 2, 2005

WAR BETWEEN BRITAIN

AND FRANCE BREAKS

OUT IN TORONTO

Toronto - British Secret Police Forces attacked an Air France Jet at Pearson Toronto Airport this afternoon.

This escalation of hostilities comes on the heels of four British MI-6 agents being arrested by the French in Chicago and are in detention for attempting to assassinate the Chicago Grand Jury Special Prosecutor Patrick Fitzgerald who brought down criminal indictments against George Bush and Dick Cheney last night.

Last week French Special Forces prevented British Intel from assassinating Special Prosecutor Patrick Fitzgerald.

Stay tuned to the Cloak for more breaking news on this new escalation of the ongoing Anglo-French War.

It seems things are unraveling fast.

This came from <http://www.cloakanddagger.de/>, which if you look at the web page has the stamp of CREDIBILITY all over it. (*sarcasm*). Note to the fringe: animated graphics and java ticker messages are the stamp of the loons and the lowfi net users. If you want to be taken seriously, do not use these elements in your web pages. They've gone the way of the tag.

I remember when JFK Jr. went down in his plane and there were nutjobs posting all kinds of conspiracy theories about it, one going so far as to claim the event was prophesized by Nostradamus.

This is getting ridiculous folks. The lunatic fringe is diluting the credibility of true social, political and economic scrutiny and criticism.

Posted by Mark Jeftovic in Nutjob Watch at 14:24