

## **MORE OF THE SAME**

### **DON'S BLOG 2018.09.04**

The following extracted from the website of Peak Prosperity helps explain my last writing concerning the worldwide slowdown in economic growth. If you may remember, it starts on the outside and moves to the core (emerging markets to developed markets). The key to understand is that most of the emerging markets have sovereign debt denominated in the U.S. dollar.

When things go to pot, the emerging market debtors need to sell their currency to buy dollars to pay down debt; and this then becomes a vicious cycle leading to a possible worldwide recession. Everything I continue to see points in this direction. I will continue to watch this closely. Please keep in mind the lead-time of this indicator is normally quite long.

## The Outlook For The Markets Is Deteriorating Fast

Countries all over the globe are suddenly failing

by Chris Martenson

Friday, August 31, 2018, 7:57 PM

Global Currency Returns vs. US Dollar (2018)		
Currency	Ticker	% Change YTD
Venezuelan Bolivar	VEF	-99.99%
Sudanese Pound	SDG	-61.1%
Argentine Peso	ARS	-50.5%
Turkish Lira	TRY	-44.0%
Angolan Kwanza	AOA	-38.8%
Brazilian Real	BRL	-20.7%
Liberian Dollar	LRD	-18.5%
Basotho Loti	LSL	-15.8%
Namibian Dollar	NAD	-15.8%
Swazi Lilangeni	SZL	-15.8%
South African Rand	ZAR	-15.8%
Russian Ruble	RUB	-15.3%
Iranian Rial	IRR	-14.6%
Tunisian Dinar	TND	-10.9%
Burmese Kyat	MMK	-10.8%
Swedish Krona	SEK	-10.3%
Pakistani Rupee	PKR	-10.0%
Nepalese Rupee	NPR	-10.0%
Bhutanese Ngultrum	BTN	-10.0%
Indian Rupee	INR	-10.0%

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Every single country on that list that is the proud holder of US denominated debt is now facing serious difficulties. Worse, the situation compounds itself as all of the debt holders have to sell their local currency in increasing amounts to buy the dollars with which they will pay off these debts.

The more they sell, the weaker their local currency gets. The weaker it gets the more they have to sell. It's this dynamic that then bleeds over into their local stock markets. Companies being crushed

by external dollar-denominated debts see their interest costs spike higher and higher. Very rapidly this crushes their income stream, so their stocks fall in price.

The contagion is spreading, quite rapidly too. It's well beyond a single story that we can confine to the particulars of Turkey or Argentina. It now involves India, for heaven's sake!

Next up is the big kahuna – the debt crisis that results when the individuals and companies toss in the towel and declare bankruptcy or simply stop paying off their loans or debts. This is when the debt crisis starts.

Excerpt from Peak Prosperity

<https://www.peakprosperity.com/insider/114335/outlook-markets-deteriorating-fast>