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Biiwii Commentary

***e*Research Corporation** is pleased to provide an article and video, courtesy of Biiwii.com, and written by Keith Weiner (link to the Author is provided on the following page).

The article, starting on the next page, is entitled: **"Boots on the Ground for the Next Economic Leg-Up".**

Biiwii.com was created in mid-2000 solely as a way to help get the message out about deeply-rooted problems about too much debt and leverage within the financial system. The concerns were confirmed and the message proved justified 3 to 4 years later as the system began to purge these distortions, resulting in a climactic washout extending from October, 2008 to March, 2009.

Along the way, a geek-like interest in technical analysis, a long-time interest in human psychology, and various unique macro market ratio indicators were added to the mix, with the result being a financial market newsletter (and dynamic interim updates), Notes From The Rabbit Hole (NFTRH) that combines these attributes to provide a service that is engaged and successful in all market environments by employing risk management first, and opportunity for speculation second.

But It Is What It Is: You can access Biiwii at its website: **www.biiwii.com**.

Notes From The Rabbit Hole: You can access NFTRH at its website: **www.NFTRH.com**

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Boots on the Ground for the Next Economic Leg-Up

By [Kevin Muir]

March 6, 2018

We are now eight years into an economic expansion. Not only that, the financial system is far from a shining beacon of stability. Global central banks are trying to push and pull at the same time, with the Federal Reserve desperately trying to raise rates and wind down their balance sheet. All the while, the ECB and the BOJ continue their monumental quantitative easing.

With good reason, as the moment the ECB even hints at slowing down their purchases, the EU economic train comes off the rails. Japan has been stuck in a perpetual state of quantitative easing that seems even longer than sitting through your least favourite boring movie. On top of it all, the root cause of the last crisis (too much debt), has been met with more debt. Add it all up and it is easy to see why veteran market strategists, like David Rosenberg, are preaching caution.

I must confess being partial to Rosie's view of the current environment. It feels late in the cycle with the risk/reward increasingly looking less and less favourable. I find myself looking for signs confirming the economy is sputtering from U.S. rate hikes.

When the Citibank U.S. Economic Surprise Index (see chart on the next page) slumped, it reinforced my forecast that the U.S. economy is on the precipice of rolling over.

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Recently, I had a couple of different interactions with shrewd market watchers that have perked my antenna. When the first occurred, I filed it away – assuming it was a sampling quirk. But when my second buddy, unbiddenly, told a similar tale, I jumped up from my chair.

Let us start with the first story. My pal is involved with lending to small business owners. He gets weekly reports that show delinquencies and other metrics that give a great snapshot of the health of America's small businesses (or at least his thousands of clients). Way back when the 2007-2008 crisis began, he knew it would be worse than Bernanke and the other Pollyannas were indicating as he had a ringside seat to the growing economic stress. His clients simply stopped paying their bills and defaults shot higher. Well, during our meeting last month he said, "Kev, I know the macro numbers are rolling over, but we are not seeing it in our data. I don't know if it is an anomaly, or if the macro data is wrong, but our data is not reflecting the recent slowing. In fact, many of our credit payment measurements are sitting at near record levels."

Fast forward to my next buddy. He is an old-school small-cap equity value investor. He gets on planes to visit places most analysts would not be caught dead at to get a sense of management and see the operation in person. With all of his contacts, he gets a good sense of how small-town America is doing. During our chat over drinks, he passed along his observation that the U.S. economy is "tight as drum." Phones are ringing off the hook. Trucks leaving the plant with product full to the brim. Business owners cannot find enough staff. Things are hopping.

All of this got me thinking.

What if the market watchers who are focused on large corporations and big-business are missing a massive revival of small business?

What if the fact that LIBOR has risen 100 basis points in the last six months is completely irrelevant for the true economic engine of America?

For the past decade, Wall Street has gained at the expense of Main street. What if that is about to change? What if Main Street is about to experience an economic revival that surprises all the bearish pundits?

Don't look now, but small-cap stocks are leading the rally.

I don't have any answers. I am unsure how to reconcile the difference between macro data and the anecdotal information. Yet a little part of me worries that it is too easy to simply dismiss the reports from boots on the ground as not "hard data". I have long liked the small-cap value trade CTRL-CLICK: (**Value vs. Growth: Decade Long Pause Provides Great Entry**) and this only encourages me all the more.

Biiwii/NFTRH on the Web

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Biiwii: but it is what it is

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