

DAILY GLOBAL  
COMMENTARY

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## Ring-Fence the Bad Assets – Re-Arranging the Deck Chairs on the Titanic?

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Yesterday I expressed my opinion on the lack of economic substance of allowing financial institutions to value the assets on their books at historical cost or whatever they so desire ([Mark It as You Choose, but Is Enough Cash Coming In?](#)). Today, yet another “costless” solution to the bad-asset problem is being put forth in the *Financial Times* – quarantine the bad apples from the good ([Wall St banks seek to ring-fence bad assets](#)). Simply isolating the bad assets does not make them “good.” Selling the isolated bad assets in an arms-length transaction to some other private entity presumably results in a loss for the seller. If not, why are they considered bad assets? Selling the isolated bad assets to some government entity at some price above an arms-length transaction shifts the loss from the selling institution to the taxpayers. When will the modern-day alchemists face up to the fact that they have lead, not gold, on their balance sheets, take their losses and move on?

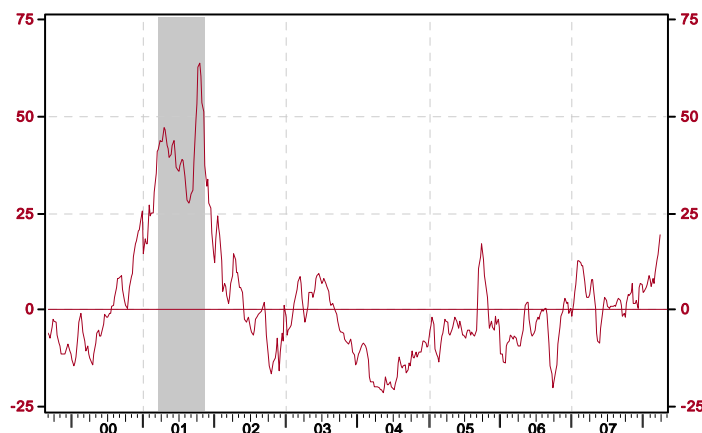
## Jobless Claims – If One Week Does Not a Trend Make, How about 4 Weeks?

Initial jobless claims soared upward by 38 thousand in the week ended March 29. Maybe the moveable feast of Easter played havoc with the seasonal adjustment factor. Maybe a strike in the auto-equipment sector biased upward new unemployment claims. So, lets look at 4-week moving averages of not-seasonally-adjusted initial claims and compare them with year-ago data. Chart 1 shows that the year-over-year rate of increase in initial jobless claims is picking up speed – hitting 19.5% in the four weeks ended March 29. Obviously, the latest observation is affected by the surge in the latest one-week tally. But if we rewind the tape a little, we still see double digit year-over-year percentage increases in the 4 weeks ended March 15 (13.13%) and March 22 (14.35%). A similar rising pattern has been established for continuing unemployment claims (see Chart 2). Chart 3 shows that the unemployment rate among those covered by out-of-work insurance has stair-stepped its way up from 1.9% to 2.2%. In the words of Alfred Kahn, President Carter’s Council of Economic Advisers chairman – the economy has entered a “banana.”

Chart 1

Initial Unemployment Claims, NSA, 4-Week Average

% Change - Year to Year



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Chart 2

Continuing Unemployment Claims, NSA, 4-Week Moving Average

% Change - Year to Year

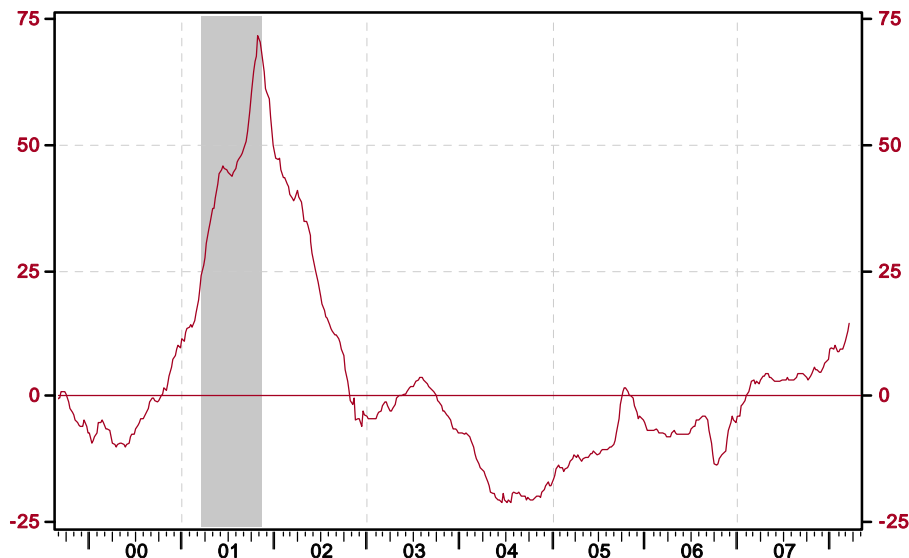
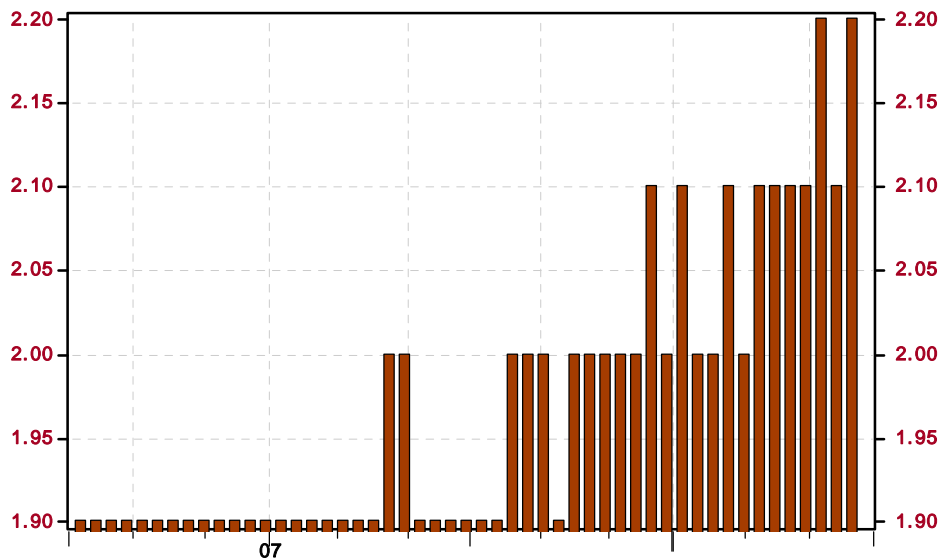


Chart 3

Insured Unemployment Rate: Percent of Covered Employment

SA, %



Source: Department of Labor /Haver Analytics

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