<u>DESPERATE HOUSEWIVES (EPISODE 9)-</u>
<u>JAPAN, AMERICA, AND MARKETPLACE INTERVENTIONS</u>
 March 29, 2011

"This city [New York City] is headed for a disaster of biblical proportions", asserts Dr. Peter Venkman. This terrifying warning occurs in "Ghost Busters", an amusing movie in which scientists- formerly university professors who studied the occult- trap and battle troublesome ghosts, spirits, poltergeists, and so forth for money. (Ivan Reitman, director; 1984)

OVERTURE

In fragile, deteriorating, or desperate economic times, who do businesses and individuals call for support or salvation? Central bank firefighters and agile politicians head rescue lists of many firms and consumers. Regulatory and political interventions into the beloved "free market" belong to recent times as well as distant eras in the United States and elsewhere. Recall fights to alter currency levels and trends. Or, lower those interest rates fast! Picture the assorted liquidity measures and huge economic stimulus packages that emerged during the worldwide economic crisis that began in 2007. The spectacular money printing exercise by America's Federal Reserve Bank is a formidable example.

America and other nations have built- and even released, though rarely- strategic petroleum reserves. Petroleum prices now are lofty; the Middle East and other regions occupy current headlines. Under what supply/demand and price circumstances will the US government sell oil from its hoard?

Marketplace warriors always should ponder the potential for new (or further) noteworthy dramatic intrusions by central banks, finance ministries, politicians, and so on. Let's peer forward and concentrate our focus to a few financial domains of Japan and the United States.

JAPANESE YEN

Over 15 years ago on 4/19/95, the Yen reached a record high against the dollar around Y79.8. This level faced a challenge not long before Japan's disastrous 3/11/11 earthquake. Japan's initial effort in autumn 2010 to preclude a breach of that 1995 Yen/dollar cross level succeeded. The dollar's low in that struggle was on 11/1/10 at about Y80.2. Japan must encourage exports to help sustain its economy, and thus the Yen should not be "too strong". However, Japan's March 2011 earthquake and its tragic consequences sparked a dynamic Yen rally. The Yen flew to a new all-time high against the dollar of around Y76.3 on 3/17/11 (8.3pc drop from 3/10/11's Y83.2). Massive foreign exchange intervention by Japan and its allies forced a Yen retreat back above Y80.

Additional intervention (at least by Japan) to weaken the Yen probably will be repeated should the Yen vigorously attack Y76 (a five percent fall under the present resistance target around Y80). A more explosive rally versus the dollar, say a ten percent move under Y80 to Y72, would induce a fortress effort to halt Yen strength.

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The stronger the Yen and the greater and longer lasting the physical damage and practical disruptions from the earthquake, tsunami, and nuclear plant accident, the harder it becomes for Japan to generate exports to help finance economic growth and reconstruction. The US Geological Survey estimates the earthquake at 9.0. This makes it the fourth largest in the world since 1900 and the biggest one in Japan since modern instrument recordings began 130 years ago (3/14/11). As time since the earthquake has passed, damage estimates have increased and estimates for Japanese GDP lowered further. According to Japan's government, the rebuilding cost will be Yen 25 trillion ($309 billion; the Kobe earthquake damage of 1995 was Yen 10 trillion), about five percent of GDP (Financial Times, 3/24/11, p6; Kobe damage about 2.5pc of GDP). Could the expense turn out to be even more?

After the earthquake, Japan's central bank marched in, making almost Y22 trillion available to financial institutions and doubling its asset buying program to Y10 trillion (Financial Times, 3/15/11. p4). Like the US with its Federal Funds rate, Japan can't ease by cutting policy interest rates since they're already close to zero. However, to encourage economic growth in general and repair the damage in particular, Japan's central bank could print even more money.

Or, government and industry could borrow funds from the domestic Japanese marketplace (or elsewhere) and then quickly spend them. Japan indeed has a gigantic government deficit and debt. Prior to the earthquake, the International Monetary Fund forecast Japan's overall fiscal deficit for 2011 at 9.1 percent of GDP (US deficit 10.8pc, Euro area 4.6pc). It estimates Japan's general government gross debt for 2011 at about 228pc of GDP (America's at 101pc, Euro area 87pc). ("Fiscal Monitor Update", Table 1, p2, 1/27/11).

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The Yen/dollar cross rate is important and makes exciting headlines, but suppose one views the Yen more broadly, not merely against the dollar. Japan's real effective exchange rate is a good indicator (Bank of Japan monthly data goes back to 1980 and currently through February 2011; 2005 equals 100).

After the Kobe earthquake of 1/17/95, the Yen rallied about 14.4pc on this basis (January 1995 average to April 1995 average). Japan's 2011 economic disaster probably will be ultimately greater than that of 1995. The post earthquake Yen rally versus the dollar in 1995 lasted several months. Also, the Japanese tried to weaken the Yen prior to the March earthquake, so the Yen probably possesses underlying strength relative to the dollar. Both Japan and the US have an ominous fiscal situation. Yet even if Japan's currently seems more horrible, it has more domestic financial resources to rely on to hold the fort. Japan- unlike the US- is a nation of savers. Both central banks are keeping policy rates near zero. The Federal Reserve's money printing and efforts to secure sufficient inflation have been substantial and sustained. United States regulators and politicians continue to tolerate (and even promote) a weak dollar on a broad, real trade-weighted basis even though it has achieved new record lows. **Thus a test of the recent Yen/dollar lows around Y76 is a likely eventuality.**

JAPAN AND US TREASURIES

But what if Japanese recovery involves, at least in part, bringing some money home from overseas? Let's investigate the "bring the money home to Japan" issue a bit more closely. Suppose the Japanese government, institutions, and individuals liquidate some of their foreign assets. Most of these holdings are not denominated in Yen. When these are sold and converted into Yen, the carting of that money home tends to strengthen the Yen.

All else equal, and even though the global galaxy has lots of money, that Japanese repatriation of funds makes somewhat less cash available for American and other borrowers.

In June 2010, Japan possessed (official and private combined) about $800 billion of US Treasury securities. Its ownership grew to about $886bb in January 2011 (US Treasury). Among foreign nations, only China grasps more US federal government debt securities (about $1.2 trillion of them).

What if Japanese owners decide to liquidate, or be smaller net buyers, of US Treasury securities? All else equal, this will make it harder for the US to finance its gaping fiscal deficit. What happens to United States interest rates and the dollar if other asset holders, not just Japanese ones, buy US Treasuries with less enthusiasm, or become net sellers? If this scenario emerges, the friendly Federal Reserve (a buyer of last resort) could elect to embark on yet another round of quantitative easing (money printing) sometime after the current round ends in June 2011.

As the broad real trade-weighted dollar ("TWD") in recent months has attained historic lows (1973-present), further TWD feebleness (which probably would involve a resumed Yen rally versus the dollar) helps to make US asset holders in general (not just Japanese players) rather uneasy. How tolerant will foreigners remain of US dollar weakness, the American fiscal circus, and inflationary risks from extravagant Fed money printing? What if foreign buying of US assets in general, not just US Treasuries, dwindles or becomes net selling? In this script, the slumping dollar and increasing US interest rates help to undermine US stock prices.

JAPAN: CURRENCY AND STOCKS

Many oracles in Japan and elsewhere talk about the strong Yen. To what extent is this vision accurate? The Yen/dollar relationship is not the whole story.

Admittedly the Yen's real effective currency rate (2005 equals 100) rocketed up about 36.0 percent from its 79.7 low in July 2007 at the dawn of the worldwide financial crisis to its 108.5 summit in January 2009. It approached the January 2009 top in fourth quarter 2010. At the 105.2 elevation in October 2010 (101.3 was the February 2011 level, the most recent month with data), it remains about 32.0 pc over July 2007.

However, April 1995 at 151.1 is the all-time high in Japan's real effective exchange rate. The last major peak was 131.4 (December 1999), likewise far above the January 2009 and October 2010 (and conjectured March 2011) highs. In February 2005, the effective rate was 104.4. **Thus the Yen in recent months and weeks, though strong on a real effective basis, is not remarkably so.**

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The Japanese stock marketplace does not equal Japan or its economy. Yet the equity arena partly represents or reflects them. Japan's regulators and politicians, like those in America, pay attention to equities and applaud and encourage rallies in them. Although obviously other variables matter, currency levels and trends influence trends in and levels for Japanese equities. **The urgency of the intervention versus the dollar not only recently (as Japanese stocks cratered), but also the persuasive efforts to weaken the Yen in autumn 2010, underlines the notable fragility of**

Japan's economy prior to the recent disaster. **How long and to what extent can exports save the day for Japan (and the Japanese equity marketplace)?**

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The horrible earthquake should not be blamed for all the recent weakness in Japanese stocks. The Nikkei had been slipping prior to the 3/11/11 earthquake. Not only was a recent high three weeks earlier, on 2/17/11 at about 10890. The February 2011 level also was beneath that of one year earlier, in April 2010.

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For the Japanese stock marketplace, using the Nikkei as a benchmark, what levels may ignite intervention by Japanese authorities to protect it? Even if regulators do not purchase stocks, other rescue efforts such as money printing are available.

Everyone knows the Nikkei remains distant in both price and time parameters from both its mountainous historic high near 40000 in December 1989 and pinnacles exceeding 20000 over a decade ago.

However, the advance to the 4/5/10 high near 11410 was quite a bull stampede. It was about 63.0 percent up from worldwide financial crisis lows around 7000 (10/28/08 at 6995; 7030 on 3/9/09). Few cheer stock bear trends. Many define these as a drop of twenty percent or more. The 8810 level of 8/27/10 thus matters since it was a noteworthy tumble (22.7pc fall) from the 4/5/10 hill. Though the recent Nikkei nosedive to about 8225 on 3/15/11 smashed through that August level, prices did not stay long under 8810; the Japanese authorities intervened fast. The slide from the pre-earthquake 2/17/11 level around 10890 to the 3/15/11 low was about 24.5pc. Japan therefore will watch and probably defend the 8225 region. However, the crucial levels Japan will protect are 7600 (the 4/28/03 bottom) and 7000.

DUET: JAPAN AND AMERICA

"Since it costs a lot to win
And even more to lose
You and me bound to spend some time
Wondering what to choose." "Deal", by the Grateful Dead

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Despite talk of diverse engines of economic growth and decoupling, the various regions and marketplaces of the worldwide economy generally are closely intertwined. Substantial connections exist between nations as well as between equity, interest rate, currency, and commodity marketplaces. The economic crisis that erupted in 2007 evidences this. **Consequently observers should monitor closely not only price levels and trends of various financial battlefields. Policies initiated by a given nation, including its marketplace interventions via regulators and politicians, can have significant consequences for other countries and numerous marketplaces.**

The schematic tables below indicate the fairly close price and time relationship between Japanese and American financial sectors of recent years. Note the nearness in time of noteworthy marketplace turns in Japanese and American government notes and bonds in recent years. See those in equities as well. One can include currency and commodity (and many other) variables in this context. Of course significant marketplaces, events, and policies in regard to Japan and the United States interrelate with those of China, Europe, and elsewhere.

Japan: JGB Ten Year Yield (date)	**US: Ten Year Treasury Note Yield (date)**
Major double top high: 2.02 percent (5/10/06) and 2.00 (6/13/07)	Major double top peak: 5.25pc (6/28/06) + 5.32 (6/13/07)

[JGB's major low before this was .44pc on 6/11/03. That in the UST note was 6/16/03 at 3.07pc.]

High 1.91 (6/6/08)	High 4.27 (6/13/08)
Low 1.16 (12/30/08)	Low 2.04 (12/18/08)
High 1.57 (6/11/09)	High 4.00 (6/11/09)
Low 1.20 (12/2/09)	Low 3.10 (10/2/09)
High 1.41 (4/6/10)	High 4.01 (4/5/10)
Low .83 (10/6/10)	Low 2.33 (10/18/10)

[Further rounds of Federal Reserve Board quantitative easing policy around 8/3 and 11/3/10.]

High 1.36pc (2/16/11)	High 3.77pc (2/9/11)

[One day before the recent Nikkei top]

Japan: Nikkei Stocks (date)	**US: S+P 500 (date)**
Major high 18300 (2/26/07)/18297 (6/20/07) followed by 17488 (10/11/07)	Initial highs 1462 (2/22/07) and 1556 (7/16/07) followed by the major peak 1576 (10/11/07)

[Yen cross rate low versus the dollar
6/22/07 at 124.14; note timing of 2007 yield highs in JGB and UST.]
[Compare the timing of major equity lows in 2003: S+P 500 final bottom 3/12/03 at 789, Nikkei 4/28/03 around 7605.]

Final high 14601 (6/6/08)	Final top in financial crisis was 1440 (5/19/08)

[Gold peak 3/17/08 at 1034, Yen/dollar high Y95.8 that day. Broad real trade-weighted dollar low April 2008 at 84.0. Broad GSCI plateau 7/3/08 at 890.]

Major low around 7000 (6995 on 10/28/08; 7028 on 3/9/09)	Major low 667 (3/6/09)

[Gold bottom at 681 10/24/08. Broad GSCI low around 306 on 2/19/09. Yen 101.0 low versus dollar reached 4/6/09. Broad real trade-weighted dollar minor high around 96.7 in March 2009; note the "weak dollar equals strong stocks" hymn since spring 2009.]

High 11408 (4/5/10)	High 1220 (4/26/10)
Low 8810 (8/27/10)	Low 1040 (8/27/10; though low at 1011 on 7/1/10. the August one is key)

[Note Euro FX low versus US dollar at 1.2588 on 8/24/10 and the Fed's additional quantitative easing policy of August and November 2010. Gold low 1158 7/28/10; GSCI low around 490 8/25/10.]

High 10891 (2/17/11)	High to date 1344 (2/18/11)

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Critical questions beckon for interest rate levels. For example, will additional signs of economic weakness induce further yield declines in Japan and the United States? Yet also consider worsening fiscal situations (whether in America, Japan, Europe, or elsewhere) and qualitative easing (particularly in the US and Japan, and don't forget China's substantial money supply growth). Will such factors overwhelm signals of economic weakness and help to propel yields up? Additional weakness in the US dollar from current levels, especially on a broad real trade-weighed basis, boosts pressure for higher US interest rates. Keep in mind the consequences of substantial, sustained, and widespread commodity price inflation.

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In some circumstances, significantly plummeting note and bond prices (rising yields) may lead or occur alongside falling equity prices. Further weakness in the dollar (especially on a trade-weighted basis) does not automatically translate into further United States (or Japanese or "worldwide") stock rallies.

AN INTERLUDE: YEN/DOLLAR, TRADE WEIGHTED DOLLAR

The Yen/dollar relationship is important, but that cross rate does not necessarily move in the same direction (or to the same extent) as the broad real trade-weighted dollar trend. The overall dollar (the TWD) may weaken while the Yen/dollar cross travels in the opposite direction (the dollar strengthens versus the Yen). Alternatively, the TWD may rally while the dollar sags against the Yen.

After all, the Yen is only part of the TWD. Note the current percentage trade weights (as of 5/17/10) in the TWD for several key American trading partners; the 2000 percentages are in parentheses. Japan is now about 8.3pc (but it was 12.8pc in 2000; compare the 20.7pc role in 1986). China is 17.9pc (way up from 7.9pc), Euro area 17.8pc (17.3pc), United Kingdom 4.1pc (5.5pc), Canada 14.7pc (16.9pc), and Mexico 9.6pc (10.4pc).

Remember the change that occurred in the Yen/US dollar trend in midsummer 2008 (and as equities were falling lower and lower), after the economic crisis that emerged in mid-2007 had unfolded for over a year.

Although the dollar on a broad real trade-weighted basis strengthened over the April 2008 through March 2009 period (84.0 to 96.7; monthly averages), the dollar's movement during that period versus the Yen involved notable swings. The dollar rallied from Y95.8 on 3/17/08 to its 8/15/08 high at Y110.7. However, the dollar slumped about 21.3pc from that Y110.7 level as the worldwide financial crisis worsened to around Y87.1 by late autumn and early winter (12/17/08; 1/21/09). Were Japanese bringing money back home at an especially great rate during the late summer 2008 to early winter 2008/09 "flight to quality" months? However, during this period, the TWD rallied. It was 86.6 in August 2008 and rose to 94.5 for November 2008. Though the TWD dipped slightly in December 2008 to 92.9, January 2009's 93.8 was an increase relative to December 2008, and both these months are well above August 2008's 86.6 (and September 2008's 88.6). The dollar then rallied against the Yen until 4/6/09's Y101.0 (not long after the low in the S+P 500 and the Nikkei).

<u>INTERVENTION? THE US TRADE-WEIGHTED DOLLAR + AMERICAN STOCKS</u>

"You say you got a real solution
Well you know
We'd all love to see the plan." "Revolution", by the Beatles

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The TWD recently broke major historic support (1973-present; monthly averages) around 84.0 (October 1978, July 1995, and April 2008). The February 2011 TWD level is 83.2, and nominal daily rates for calendar March suggest a modest additional fall has occurred in calendar March. Admittedly the fall under 84.0 is not yet severe. The almost complete silence by American regulatory and political leaders regarding this dollar erosion of recent months and the fall to new lows nevertheless is noteworthy. Where is the hooting, squawking, or even chirping that "the United States supports a strong dollar"?

This silent intervention (quiet inaction) of recent months represents a deliberate policy effort to weaken the TWD. It is not separate from the Fed's quantitative easing and low short term interest rate doctrines. This weak dollar policy intertwines with the stimulus packages (deficit spending) of Congress. One reasonably can argue that in the US, a fair amount of the lamentable leverage of a few years ago within the consumer sector (and some financial institutions and other businesses) has been transferred (transformed) into greater leverage (debt) in the federal (and state and local) government sector.

From the standpoint of the US equity battlefield, the dollar pattern versus the Yen is less important than the broad real trade-weighted dollar trend. How far must the broad real trade-weighted dollar (or equities, or both) fall to inspire a notable change in Fed (and Treasury) policies or to motivate significant deficit action by the Congressional political carnival?

At what level will the US react with at least verbal intervention (jawboning) to support the dollar? Much depends on what America's trading partners say. A five percent fall under 84.0 to around 79.8 probably will produce some supportive talk, and maybe even some policy changes, especially if US stocks happen to be falling substantially. However, it may require around a ten percent breakthrough of the 84.0 level toward 75.6, especially if accompanied by a noteworthy equity decline, to unearth genuine dollar support intervention (policy changes), something beyond mere talk. Would a five percent fall under 84.0 under current circumstances really be "amazing" or "extraordinary"? No. Would a ten pc dive be "absolutely incredible" or "unbelievable"?

What will induce the Federal Reserve to liberate nominal policy rates (Federal Funds), long chained near the nominal floor of zero?

Though enormous monetary base increases engineered by the Federal Reserve do not guarantee "more than desirable" inflation (the Fed would like around two pc), they risk "excessive" inflation. The US monetary base was around 844 billion dollars in August 2008 in the middle of the economic crisis. It soared, eventually reaching $2.11 trillion in February 2010 before declining to November 2010's $1.97tr. As the Fed's newest quantitative easing (money printing) has continued, the base quickly has ballooned further (21.7pc versus November 2010), to over $2.39 trillion (two weeks ending 3/23/11).

What happens if the US government has a shutdown after around April 8 due to a lack of budget deals to enable the financing of fiscal 2011 operations? Many estimate that the federal government likely will challenge its borrowing limit of $14.3 trillion sometime between April 5 and May 31 (NYTimes, 2/12/11, pA14).

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The S+P 500 low since the Japanese earthquake, 1249 on 3/16/11, was above the 4/26/10 high of 1220. US corporate profits rose substantially in calendar 2010; after tax profits leaped up about 30.4 percent year-on-year, slightly exceeding the prior record level of 2006. Many oracles have faith that American corporate profits will remain rather strong (though annualized 4Q10 earnings were about 3.3pc less than 3Q10's). **US equities probably will keep edging up for while longer, breaking the 2/18/11 S+P 500 level of 1344. However, they probably will not ascend much above this.** A five percent rally above 1344 carries to about 1410. Recall the final high in the last bull move at 1440 (5/19/08) and the initial high just over 1460 (2/22/07). Twice the March 2009 low of 667 is 1334. Stock bull moves can last a long time, but a two year rally (especially with a doubling of the index) is substantial in time terms. Though the adage that "timing is everything" is inescapable, a noteworthy high in the next few months looks likely.

For the United States, in addition to intersecting factors such as a weakening TWD, major current and long run fiscal deficit problems with no solution on the horizon, and inflationary pressures from realms such as money printing (and commodities), the Japanese equity vista is worth revisiting. Keep in mind the directional and timing links of recent years (which admittedly are not guaranteed to continue) between the equity (and the interest rate) marketplaces of Japan and United States. Not only did the rally in the Nikkei from around 7000 in March 2009 to its 4/5/10 height of 11410 fall far short of its 2007 peaks around 18300. Even before the March 2011 earthquake, the Nikkei never retested the 4/5/10 high. The longer the time over which the Nikkei fails to exceed the 4/5/10 high (and especially it stays mournfully beneath its February 2011 top around 10890), the greater the downside risks appear for the S+P 500.

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Recall the Nikkei low of 8810. A new test of that level would worry the US somewhat, for the US and Japanese stock fields both rallied from that late August 2010 time. American policy makers would fearfully monitor a resumed Nikkei freefall back to the mid-March 2011 low of 8225. Declines under this support would greatly agitate both Japanese and American guardians.

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At what levels in the S+P 500 itself will the Federal Reserve and its allies probably intervene to support US (and perhaps worldwide) stocks? Recent history demonstrates that these economic sentinels need not buy equities in order to bolster or rally them. Of course short term interest rates may be kept low. Broad real trade-weighted dollar depreciation relative to current levels could be tolerated or even encouraged somewhat more. And even though the current Federal Reserve quantitative easing is scheduled to end at the end of second quarter 2011, it's not impossible to imagine yet another round. New or expanded share buyback programs may be promoted.

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The Federal Reserve and other policymakers seek to fulfill their mandates by looking at numerous indicators in addition to equity price levels and trends. However, let's take a detour and survey the American household balance sheet. Remember that the US consumer (personal consumption expenditures) represents about 70pc of US GDP (Federal Reserve Z.1, "Flow of Funds", Table F.6, 3/10/11). We all know that not only one's income, but also one's net worth (and of course other factors) influences spending.

From end 2007 until the end of first quarter 2009, nominal US household net worth collapsed about $15.4 trillion dollars (Z.1, Tables B.100 and B.100.e). This awesome fall exceeds full year 2010 nominal GDP of about $14.7 trillion. Now scan Federal Reserve information for the 1Q09 to end 4Q10 period. Household net worth jumped about $8.1 trillion, reaching about $56.8 trillion (and thus recouping over fifty percent of the loss from 2007). Over the 1Q09 through 4Q10 period, "equity shares at market value" increased $7.2tr to a total of $18.2tr. **Thus nearly ninety percent of the recovery in US household net worth from end 2007 derives from the rally in equities** (7.2/8.1).

Given the crucial importance of consumers for economic growth, and given the great role in equities in the recent partial repair of the badly damaged consumer balance sheet (net worth), the Fed and its policy (and business) friends do not want a sharp fall in the S+P 500. **Remember too that owner's equity in household real estate has been crushed.** From year end 2006 of about $12.8 trillion and year end 2007 at $10.3tr, it suffered a bloody fall to just over $6.0tr at end 1Q09. By 2Q10 owner's equity in household real estate had recovered only to about $7.0tr. By year end 2010, it had weakened to about $6.3tr.

The S+P 500 was about 1258 at end 2010. The S+P 500 is up about 6.8pc from year end 2010 based on the 2/18/11 high of 1344 (which is not much above the current level). This adds about $1.2tr to the household balance sheet. However, the decline in the real estate net worth category probably continued from year end 2010 through the present. Based on data from the National Association of Realtors, the mean sales price (not seasonally adjusted) of existing US homes in February 2011 was about 6.8pc less than at end December 2010. Compare this down percentage for housing since end 2010 with the opposite move upward in stocks since end 2010.

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So given the current absence of anything like a full recovery in US household net worth, and with the mediocre real estate situation, the Fed and politicians probably hope the S+P 500 doesn't fall very far anytime soon. What would excite them?

The conventional definition of a bear trend in equities is a decline of at least twenty percent. All else equal, in the current economic environment, such a fall from the recent high level (1344; 2/18/11) or any new high level (at least up to around the 1440/1465 range; 5/19/08 and 2/22/07 tops) would worry the Fed and many other audiences. **Thus a 20pc fall in the S+P 500 from the high to date (1344 on 2/18/11) or a modestly higher price may induce intervention from central bank saviors and perhaps even political housekeepers.** A 20pc drop from 1344 gives 1075, rather close to the 1040 low point on 8/27/10 achieved during the beginning of further Fed quantitative easing announcements. And 1000 is a nice round number, not far from the 7/1/10 low of 1010. A lesser drop, say of 10pc from the current peak, equals about 1210. That is fairly close to the late November (11/30) take-off point of 1174. A ten percent fall probably would produce more talk than additional supportive behavior, though much may depend on what's happening in Japan and elsewhere.

CALL FOR HELP: DEUS EX MACHINA

What other devices are available to marketplace players seeking regulatory or political intervention? In some economic or political circumstances or regions, military intervention may be a tempting alternative. However, for answers to the significant current economic problems facing the United States, Japan, and many other industrialized and developing nations, physical war is not an appropriate or satisfactory option.

What else is out there to call upon? In classical Greek and Latin plots (and in artistic creations of other eras), an apparently inextricable problem or insoluble crisis might be suddenly and abruptly solved via a contrived and unexpected intervention of some new event, character, ability, or object. For example, sometimes in Greek tragedies a crane was employed to lower actors playing gods onto the stage. Unfortunately perhaps, this theatrical device of “deus ex machina” (“god out of the machine”) is not available to solve our present severe real world economic and political difficulties. Consequently many devotees of secular marketplaces instead await and hope to receive economic solutions (and perhaps financial salvation) from marvelous central bankers or wonderful politicians.