End of Recession Is Premature; GDP Will Slide Further

August 20, 2009 |

Looking at the data from the Bureau of Economic Statistics, here are some interesting comparisons.

GDP during the great depression – from the end of 1929 to the end of 1933, GDP declining a whooping 45.6%. The second dip was a modest 6.3% between the end of 1937 and 1938.

The only other year over year declines in GDP were 1945 / 1946 and 1948 / 1949.

Between 2007 and 2008 – GDP rose 2.6% and that should not have been declared a recession.

I say the recession began at the end of 2008 – In the first two quarters of 2009, GDP is down from 14.441 trillion to 14.150 trillion, a decline of 2.0%. Look for more declines right through 2011.

Tax bills are pressuring distressed homeowners - Homeowners are falling behind on property taxes. Another sham of the mortgage meltdown was not requiring homeowners to escrow property taxes. Now this issue is causing foreclosure proceedings and draining budgets of state and local governments.

Current lending standards requires 20% down with property taxes, homeowner insurance, community fees and homeowner association fees managed by the servicing bank and paid as a part of the homeowners monthly mortgage payment.

How I summarized my thoughts on the US economy in USA Today on Tuesday:

I don't think there is a recovery.

[...]

Calls for an end to the recession by the end of the year will be wrong.

[...]

They are talking about a double dip, and we haven't even gotten out of the first dip yet.

My big concern is the lack of jobs. The stated unemployment rate is about a point higher than the reported 9.4%. Hiring will lag even if the firing ends, and if people don't have jobs, they can't buy stuff or pay their mortgage.

Community and regional banks face huge fees for FDIC Deposit Insurance Fund.

When the FDIC responded to my question about the Deposit Insurance Fund they neglected to mention that they assessed the banking system $5.6 billion in May.

I hope that they mention that in the second quarter 2009 FDIC quarterly banking profile to be released next Thursday, August 27th.

That would keep the DIF in the black, but more assessments are likely to be needed in September and December. The FDIC would like to avoid tapping its temporary $500 billion line of credit with Treasury.

The daily chart shows declining MOJO, which is now at 5.5 down from 6.1 on Tuesday. We have a neutral daily chart profile influenced by my weekly pivot at 994.4. Note the pattern of lower highs since the August 7th high of 1018.

The weekly chart remains overbought with a weekly MOJO reading of 8.5. Note again the ascending wedge that I defined about a week ago. My annual pivot remains at 967.1.

The daily and weekly charts for the S&P 500 are from Thomson / Reuters.

Disclosure: My policy is to have no positions in stocks that I cover.

http://seekingalpha.com/article/157251-end-of-recession-is-premature-gdp-will-slide-further