



World of Finance at the Turning Point By Ernst Wolff



For the German stock index DAX, the year 2018 was the year with the biggest losses since the financial crisis of 2008.

December 2018 will go down in history as the worst December performance, since stock exchanges have existed.

In this program, see how Ernst Wolff assesses the current financial situation, and why in his view “the game” might soon be over ...

The world of finance is at the turning point:
an assessment by Ernst Wolff

For the German stock index DAX, the year 2018 was the year with the biggest losses since the financial crisis of 2008.

Since October 2018 a collapse of stock prices has been observable all over the world.

December 2018 represented the peak of the losses, and it will go down in history as the worst December in the history of stock exchanges.

In view of this development the questions arise: What's up with the stock markets? And, is the world economy falling off track?

In the view of the financial expert Ernst Wolff, the end of the year 2018 denoted a turning point within the financial world. So far, the global financial system has been kept artificially alive for almost ten years by the central banks – which created billions of currency notes out of nothing, and lent them out at the lowest interest rates.

These low interest rates enticed more and more investors, with borrowed money, to enter the stock markets.

Thus stock prices rose far above their real value, resulting in the biggest speculation bubble of all time.

The financial markets thrived on this money and always asked for more, thereby becoming extremely vulnerable to each and every change in the financial policy of the central banks. The downturn of the stock markets at the end of 2018 was a consequence of a modified financial policy at the central banks.

Instead of pumping more money into the financial system and lending it out at the lowest interest rates, they have begun to tighten their hitherto slack financial policy.

So for instance, step by step – headed by the US Federal Reserve – interest rates are being raised. Meanwhile, the money that was being pumped into the financial system is again being withdrawn.

Concurrent to this risky therapy of the central banks, the financial markets are being shaken by a whole series of crises, as for instance the trade war enacted by the USA.

Listen to the assessment of Ernst Wolff concerning this very special situation of the financial markets:

“A more adverse encounter of potential triggers for a system collapse is difficult to imagine.” If the central banks would continue to increase the interest rates and to further reduce the money supply, then Ernst Wolf sees as a result three development stages of the financial markets coming upon us:

1. Through the withdrawal of money speculating is reduced. Investors with borrowed money withdraw and conservative investors sell their shares. Stock prices fall.
2. This way, the high debt-level of many market players becomes more and more evident. Distrust grows; loans are granted more and more hesitantly. As a result enterprises have to sell more and more securities to service their debt. Stock prices continue to fall.
3. Due to the ongoing share price-losses, the initial creditors reclaim their money from debtors. The first insolvencies occur, and enterprises go bankrupt. As a result more and more concerned creditors will also reclaim their money, until an unstoppable downward spiral has been set in motion.

This process is like an avalanche slowly beginning, then building up speed and finally destroying everything in its path.

Listen again to the financial expert Ernst Wolff:

“We are still in the initial stage of this process.

But this does not mean, that a crash could not come soon, for the speed in which things may happen, nobody can foretell.

But one thing can be ascertained at present: [...] The message from the global financial sector for the change of year 2018/19 is clear:

The casino is closing its gates. The game is over.”

from hag

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