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Economic Reality Hits – Bloodies Financial Markets

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Ashok Dhillon has 40 years of front-line business experience in Canada and International markets. He incorporated his first construction company in 1974, and since then has founded and led companies in construction and international power development.

Over the last 20 years Mr. Dhillon, has led and worked with top Canadian talent in the legal, engineering and accounting firms, such as Fasken Martineau, Russell & DuMullen, Stikeman Elliott; Hatch, Moneco Agra, New Brunswick Power, SNC Lavalin; and Ernst & Young, Arthur Anderson, and Grant Thornton. And in London, worked with Perkins Couie and Morgan Grenfell. Mr. Dhillon's companies have partnered and worked with Pan Canadian Oil & Gas, WestCoast Energy, TransCanada Pipelines, and international companies such as AES, Enron Power, Hyundai Heavy Industries.

Mr. Dhillon has worked and negotiated with highest levels of Governments in Canada and India. He has pursued and won mandates to develop power plants in Canada, and foreign jurisdictions such as Hungary, Iran, Pakistan and India with uncompromising ethical standards. His extensive experience in securing and negotiating multi-hundred million and billion dollar mandates in power project development, gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends.

Mr. Dhillon has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".

The global financial markets took a collective jump out of a high 'Fantasy World' window and hit the economic reality ground hard, on the unequivocal realization that the opium of extraordinary liquidity is going to be withdrawn, eventually, sometime in the foreseeable future. The financial markets behaved just as one would expect a real life addict to behave - totally irrationally. We say irrationally because in reality nothing much has changed from a couple of days ago when the markets were setting new highs. And nobody threatened the withdrawl of the stimulus immediately; in fact the timeframe was left intentionally ambiguous so as not to panic anyone. But as we mentioned in our previous blog: 'Fed Chairman Reassures – Financial Markets Dump', nobody was really listening in the financial markets, as everybody tried to beat the others to the exit doors and lock in the previous gains, as if the future was already here.

The economic realities a few days ago were exactly what they now, so the current panic is not justified in its intensity. But then, reality never really had anything to do with it anyway, did it? Hundreds of Billions of dollars being injected intravenously for years, directly into the financial markets, globally, had created the dependency and the inflated markets, and that had everything to do with the severe over-the-top reaction to the mere hint that the easy money may, one day, not be there. It is almost as if a bandage over the eyes has been ripped away and for once investors and speculators are forced to look beyond the Central Banks intravenous needles, to the real economic fundamentals and the global economic fundamentals, and the overall picture looks decidedly and shockingly ugly. What we have been seeing, and saying all along, has suddenly been recognized and not liked globally.

The global risks flashed themselves yesterday, to the terror of the addicted.

In the U.S. the Federal Reserve Chairman, Ben Bernanke, said the obvious, that Quantitative Easing will start to be reduced at sometime in the future, possibly starting at the end of this year, if the economic growth was to keep to its current positive trajectory, but not if the numbers deteriorated. That triggered the realization that the real economic recovery was weak and many other headwinds face it, such as higher interest rates and weakening emerging markets.

In China we got a peak at the truly frightening state of its financial institutions as the Central Bank moved to tighten credit and infused funds into a possibly troubled bank, while its latest economic numbers continued to deteriorate. And in Brazil, massive numbers of people demonstrated against cost of living hikes, corruption and perceived officialdom insensitivity.

None of these events in and of themselves were unanticipated, and we at least for our part, have been for months pointing out these exact dangers of the global economies, developed or emerging, being not in the least stable, healthy or healed from the 2008 debacle. We have been saying since last September 2012, that all the collective 'Quantitative Easing' is not going to engender a sustainable global economic recovery, regardless of how many trillions were spent, until the structural realignment necessary, to reflect the drastically changed reality, was undertaken and entrenched as the new economic order. That has barely begun to happen, hence no sustainable recovery is verifiable anywhere, in fact much adjustment is required to begin the task of properly restructuring each major economy to fit the new reality. That is what the markets have always known but ignored, and now are partly acknowledging with the recent bloodletting.

All the pundits on all the television business channels are now trying to explain how this could have happened and how they, for the most part, 'didn't see it coming'. It is almost comical to see them trot out all the reasons that they now think may be the reason why the markets across the board tanked in all classes. And even now, most of them are merely guessing as to what is happening and why. The reality of the interconnectedness of the global economies and the specific reasons as to why it will continue to hold back a sustainable recovery, still eludes most. We were keenly aware of the problems brewing, and are equally keenly aware that it is by no means over yet. The extreme volatility will continue over the near term, while the deflationary trajectory in the global economies will continue to be irresistible regardless of stimulus, over the coming months and year.