



The Immediate Outlook

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EUROPEAN SHARE MARKETS IN LIGHT OF BROKEN PROMISES SHATTERED DREAMS

The Crisis in Greece is exposing the same crisis we will face in all Western countries. As Margaret Thatcher once said; **“Socialism works until you run out of other people’s money.”** That day is quickly arriving. The Greek debt of \$400 billion is exploded to \$1.2 trillion thanks to unfunded liabilities – pensions. This is why I say we are facing the collapse of socialism. If we turn every so called “rich” household upside-down and confiscate all their wealth earning \$250,000 or more, it will not solve the problem even for one year.

Governments through the West promised everything, but funded nothing. Our political systems have failed because politicians will not act to prevent a crisis and will sit on their hands until there is no chair to sit on. The riots in Greece are a dry run for the rest of the West when people realize there is nothing there for their future.

This is not radical fringe analysis. It is simple math. I am stunned time and time again how the political status quo just will not move in advance. A simple pocket calculator ought to suffice to reveal that what is taking place in Greece, with half the population of Canada, is fundamentally no different than what we face in every country. What the politicians fail to comprehend is that capital is not stupid. Once it smells the problem is ripe, it will panic on a **CONTAGION** basis. This means, the future becomes accelerated. So where one country might not reach the same corresponding point of insolvency as has hit Greece for another 20 years, capital will sell assuming the crisis will hit everywhere.

The Dow collapsed as the Fed’s “Operation Twist” gets underway, buying the long-term from the market and replacing this with the short-term paper. This is highly dangerous because it is removing the stable factor to interest rates. By moving short-term, this makes interest rates highly volatile for as capital becomes uneasy, rates will rise as it begins to shift from public debt to private asset classes.

French Cac-40 MATIF (Monthly 1991 - Date)



FTSE London Share Index (Monthly 1993 - Date)



The DAX is below important monthly closing support right now. If the DAX closes this month **BELOW** 5600, then a drop to retest the major Monthly Bearish Reversal which lies at 3618 becomes possible. The lowest monthly closing for this entire correction took place in February 2009 at 3643.5. The French Cac40 never made new high in 2007 and thus it is still on target to complete a 12 year decline into a low for 2012. A monthly closing **BELOW** 2499 will signal a new low should unfold quickly thereafter. The FTSE in London also looks rather bleak. Here too the high remains 2000 and a 12 years decline points to new lows in 2012. A year end closing for the FTSE **BELOW** 12895 will signal new lows next year.

Either way we look at it, Europe is in trouble. We should expect new lows in the share markets in general for 2012, and that should be the final low with a reversal in trend thereafter. A full review will be published shortly. Meanwhile, the share markets are in trouble because of a collapse in public confidence. We need to complete the bear market runs in those markets that peaked in 2000 looking for the final low in 2012. Once this is completed, then it will be a reversal of fortune. This implies the Euro may seriously crack in 2012.