

Bill Gary's

PRICE PERCEPTIONS

48 YEARS

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Issue #1536 • August 21, 2015

Expecting the Unexpected – Part II

As indicated in recent editorials, a number of economies in Asia and South America are slowing or have entered recession. The slowdown led to a significant decline in commodity prices. Now, it is beginning to pressure global equity markets. Traditionally, when commodity markets lead equity markets down, the two begin to feed on each other with investors liquidating one asset to maintain another.

Many analysts expect China to launch new stimulus measures this weekend to stall the collapse in their equity markets. Although it may provide a bounce for equity as well as commodity markets, it appears another round of stimulus will only provide a chance for those still in financial straits to ease their burden by liquidating even more assets.

As experienced in the current crude oil collapse, production has not declined. In fact, it has increased in some areas, as producers must maintain cash flow to meet debt obligations. The same principle may prove true for other commodity producers. They have purchased high price land, borrowed millions for new equipment and must maintain cash flow to pay taxes, living expenses and debt obligations. Although most analysts do not expect this type of contagion to push commodity prices even lower, as we indicated in the August 14 editorial... *Expecting the unexpected could become the rule rather than the exception.*

A handwritten signature in black ink that reads "Bill Gary". The signature is written in a cursive, flowing style.

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