Bell Tower Associates

Weekly Review

June 3, 2015

Quote of the Week

"The healing art is mostly a work of time"

~ Ovid

Falling Productivity in the U.S. and Wages

In 17th and 18th century England, English businessmen sought other means of productions in light of the **high wages**, which drove up the costs of producing goods. Their solution was using coal-powered machines, which, in turn, created an economic boom that favored the average worker known as the Industrial Revolution. Now America stands in the same shoes England stood. Politicians all over the country, such as St. Louis mayor Francis Slay, desperately seek to **raise wage**s as much as to **$15** an hour.

Producers, however, are already struggling to spend on **capital** as other **costs** are sucking money out of **capital spending**. A Wall Street Journal survey reports, "94% of economists said weak capital spending had a 'large' or 'modest' impact" on the slowdown of productivity growth in the country. Without the balance between capital and labor, America will most likely see the same **stagnancy** that characterized pre-industrial Europe. Until a proper increase in capital growth returns to the U.S., **productivity growth** will most likely continue its **slowdown**.

Recovery is still slow at hand, as the **Bureau of Economic Analysis** released numbers on Friday May 29, 2015 revising **GDP** to **negative 0.7%** in the **first quarter**. Furthermore, despite an increase of **0.4%** in **personal income**, **personal consumption expenditures** (PCE) **decreased** to **0%** in April.

The Economist reports that Janet Yellen, **Federal Reserve** chairman, believed that "the first-quarter slowdown was 'largely' due to **temporary factors**, such as a severe winter in parts of the country and a labor dispute involving workers at West Coast ports."

Personal savings, however, were **$51.5 billion larger** in April than in March, suggesting that American **consumers** are still clinging tightly to their wallets as spring marches its way into the heat of summer.

Issues in the Mediterranean

Sailing out to the blue **Mediterranean**, not all things are as refreshing economically as the ocean vistas. The **Treasury Department** also claimed that **Treasury Secretary** Jacob J. Lew made two phone calls to Greece's **prime minister**, Alexis Tsipras on May 22 and May 27. Secretary Lew recently expressed concern as regards to Greece's relations with its European **creditors**, as Bloomberg News reports: "It's a mistake to think that a failure is of no consequence outside of Greece."

Greece is set to pay the **International Monetary Fund**, of which the greatest shareholder is **U.S.**, **1.7 billion dollar**s in loans. Greece is unlikely to be able to pay the money it owes due to its still **struggling economy**.

It seems likely, however, that the U.S. will be pushing for more say in how the **European Community** deals with Greece considering Secretary Lew's recent push for a deal: "warning that failure to do so would deepen Greece's hardship and introduce broad **uncertainty** for Europe and the global economy" (Bloomberg News).

Volatility in the Eurozone…

Mario Draghi, the President of the **European Central Bank**, recently sold **German government security bonds** that left them on one of the worst two-day dives since the introduction of the Euro. Draghi further said that **markets** should start to become accustomed to higher levels of **volatility**.

Chaos ensued shortly after.

Germany's **10-year** borrowing costs jumped, while **treasuries** tumbled and **inflation** in the **Eurozone** jumped. Draghi's statements on the volatility that is currently pervading the Eurozone only encourages volatility to continue and has convinced **investors** that the **ECB** does not intend to take any actions against it. In lieu of the **Greece crisis** that is occurring this week, the Eurozone prices will, most likely, continue to be **volatile** until some sort of settlement is made as regards Greece.

Performance Tables For This Week:

	Weekly Returns	Month to Date	Year to Date
S&P 500 Index	0.35%	0.35%	3.59%
DAX	2.83%	2.58%	16.66%
MSCI Global	0.63%	0.63%	6.04%
China Shanghai Composite	6.53%	6.53%	52.32%

Speaking of $1.7 Billion…

Billionaire investor Paul Singer is no closer now than he was in December to getting back the $**1.7 billion dollars Argentina** owes NML (a group of investors that includes Singer) from its 2001 **default**. Argentina claimed that it would be liable to pay **$5.3 billion dollars** if it paid NML its $1.7 according to an Argentine law that includes the "**RUFO clause**." This clause, however, **expired** in January, and Argentina has still not paid NML. Even with the upcoming **elections**, the "pro-business candidate," as *Business Insider* claims, is **not** looking to **settle** with Singer even if he should win.

An anecdote such as this recalls the wise old words of **Shakespeare's** Polonius: "neither a borrower nor a lender be," or at the very least, not to Argentina…

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