Stepping on the Commodities Gas Pedal

By The Mogambo Guru

06/08/09 Tampa Bay, Florida Oil has, finally, started to rise again, having been down below the breakeven point of pumping it, as they, too, have all kinds of rising costs like everybody else, as well as pension programs and myriad, large governmental entitlement programs to pay for.

And what is this "breakeven point" for oil? The last I heard, a couple of years ago, is that oil needed to be higher than $70 a barrel to make their relevant governments' budgets balance, taxes and duties being what they were.

However, that was back when the inflationary idiocy of "quantitative easing" was still considered an absolute stupidity by every known theory of economics since Adam Smith in 1776, but which now has become "conventional operational mode" thanks to a system of cowardly, corrupt and embarrassingly ignorant-to-the-point-of-stupidity governments (especially the federal one), a laughably incompetent public school system that has turned out generations of ignoramuses, the irresponsible greed and ignorance of the populace, and an ignorant and often complicit media, a pox upon all their houses.

With higher energy prices begins the bleating of us beleaguered bumpkins who must pay these higher and higher energy prices, and the higher prices of all of the things made with petroleum products, without an offsetting increase in our incomes because my stupid boss says that I am overpaid as it is and she would cut my salary and fire me if she wasn't so afraid of me.

And we whine, "Why doesn't the government think about me and my precious, precious children, and do something about higher prices, like give me money like they are giving everyone else?"

And it is not just oil, but all commodities that are shooting up, as Ian Mathias here at *The Daily Reckoning* reports that **commodities are on a tear (up 12.3%), and that "May was the best month for the CRB Index since 1974,"** which was more than a third of a century ago.

And things are going to get worse, as we import most everything nowadays, and Mr. Mathias notes that **"After falling through its 200-day moving average earlier this month, the dollar index has been in steady decay.** The index crashed through another important level this morning – the 80 score, a long-standing point of support."

Sure enough, he includes a chart that shows the dollar index falling from 89 to less than 80 in a month! This is a shocking collapse in relative buying power, sort of like my IQ during that "lost" phase of my life that I don't talk about mostly because it's all kind of a blur, but I somehow ended up married and working a full-time job, which I assume is the karmic price I must pay for whatever I did, which I figure must have been really bad.

And when talking of foolishness, it is no mystery to me why the dollar has been falling, and is thus no mystery to me why Randall W. Forsyth, in his Current Yield column in *Barron's*, notes that **"This has been the worst Treasury bond market ever, at least by some measures,"** which is sort of like saying "your performance has been the worst in company history, at least by some measures," which is almost exactly what my boss told me in my last Employee Annual Evaluation, although she could not cite relevant, inflation-adjusted statistics to prove the allegation of "worst in company history" to my complete satisfaction, and so the meeting degenerated into a shouting match of me calling her a lying shrew who is out to get me because she lusts for my Hot Mogambo Body (HMB), and she is yelling at me how she is disgusted and revolted at the thought of my HMB and she's yelling into the phone, "Get security personnel in here! Now! All of them!"

Just as that episode in the Tragic History Of The Mogambo (THOTM) turned out badly, I expect the same for the economy, as Mr. Forsyth notes that "Amid concern about the Treasury's trillion-dollar borrowing needs, the reluctance of creditor nations to accommodate them and the Federal Reserve's money printing, **the benchmark 10-year Treasury yield climbed to a high of 3.70% Wednesday, from just over 2% at the turn of the year.** And the 30-year long bond vaulted more than two percentage points from its December lows to 4.63%"

These are virtual doublings! Gaaahhh! Higher interest rates are NEVER a good thing!

This comes at the same time as the Federal Reserve is "quantitatively easing" So Damned Much Money (SDMM), and then using the money to buy up scads and scads of other people's bad debt and Treasury debt, exploding the balance sheet at the Federal Reserve, so this is exactly what you would expect; inflation rises so interest rates must rise, too.

And that means that our old friends gold, silver and oil, will rise, too, in the general inflation! Whee! This investing stuff is easy!