

EU Zero, Cultural Integrity 1

ICAP Technical Analysis



The market commentary contained in this document represents the opinions of the author. Such opinions are subject to change without notice. Principals and employees of ICAP Corporates LLC may or may not trade in the commodities discussed in this document, taking positions similar or opposite to the positions discussed herein. The information contained in this document is taken from sources we believe to be reliable, but it is not guaranteed by us as to the accuracy or completeness thereof and is sent to you for information purposes only. Commodity trading involves risk and is not for everyone. Any trade recommendations contained in this document are generated by Walter Zimmerman who is a registered futures broker with ICAP Corporates LLC and are intended to be a solicitation to enter into the recommended trades through ICAP Corporates LLC as futures broker.

Over-view

1. My 22-23 June observations post noted that, in this age of aggressive and sustained manipulation of the global financial markets by central banks, the ability of price trends in the equity markets to reflect the collective mood of nations was seriously compromised.
2. I cited the up-coming Brexit referendum as a valuable opportunity to gauge the real collective mood of a nation.
3. And the Brexit vote did not disappoint.
4. Also noted in that 22-23 June post was that the clear goal of central bank manipulation of the financial markets was an attempt to place the mask of a bull over the reality of a bear.
5. Prior to QE, stock markets were always driven higher by an upsurge in collective hopes.
6. The unstated but very real mechanics of QE was to harness a global upsurge in fear into buying the stock markets.
7. The fear of lower to zero to negative interest rates would drive investors into buying equities. The greater the fear, the higher the equity prices. What a brilliantly devious enterprise!
8. An actual upsurge in global fear would raise equity prices, not collapse them. Well that hitherto successful attempt at market manipulation stopped working last night.
9. The big problem that I see from here is that the media coverage of the Brexit aftermath has been 100% focused on the financial consequences. This as a serious distraction from what is actually going on here.
10. The Brexit vote to 'Leave' was neither an economic nor a financial decision. And as long as EU policy makers focus on the financials and the economics they will have learned nothing. And if the EU policy makers cannot quickly figure out what is going on here, then the EU is truly doomed.

The European Union: Ta Ta!

There were two major offspring of the epic bubble in hope and optimism that began to inflate in earnest from 1992:

1. One offspring was the Nasdaq bubble.
2. The other off-spring was the European Union
 - Both were triumphs of hope over reason.
 - In both cases optimism over-reached rational expectations.
 - Both off-spring were emotionally driven and unsustainable excesses.
 - That the Nasdaq bubble burst way before the European Union bubble should not obscure the fact that both bubbles were siblings.

A Principle Error Behind the European Union

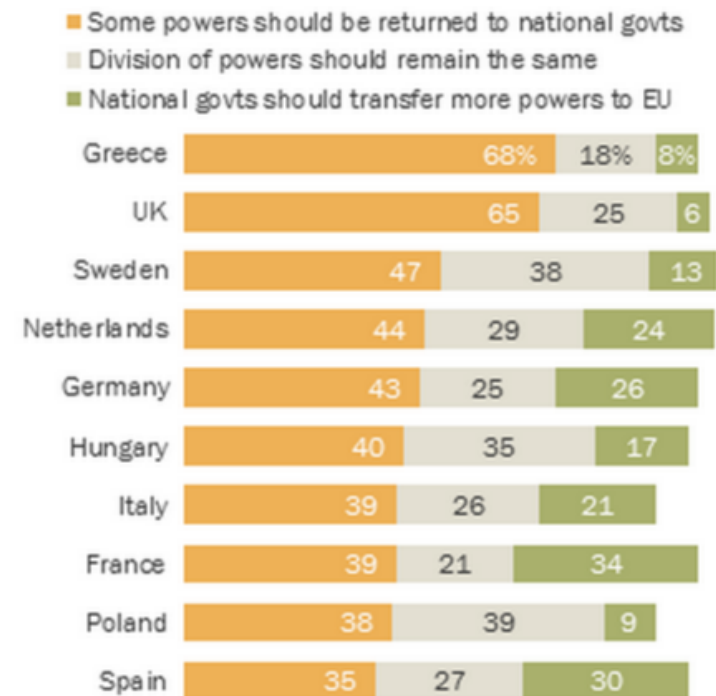
The triumph of hope over reason that formed the European Union paved over a critical factor that has since become glaringly obvious.

- The principle error was the assumption that nationalism is always bad because it inevitably leads to wars.
- Nationalism should therefore be regulated out of existence. After World War One and Two, one will miss nationalism.

Yet nationalism is an innocent and spontaneous expression of each country's unique culture and character. The uniqueness of each country is birthed and shaped by each country's distinct geography and climate. Nationalism is not always and inevitably bad. Regulatory over-reach from the EU collided with national cultural integrity. The EU regulators lost.

Disagreement on 'ever closer' union

Which statement best describes your views about the future of the European Union?



Note: Don't know responses not shown.

Source: Spring 2016 Global Attitudes Survey. Q49.

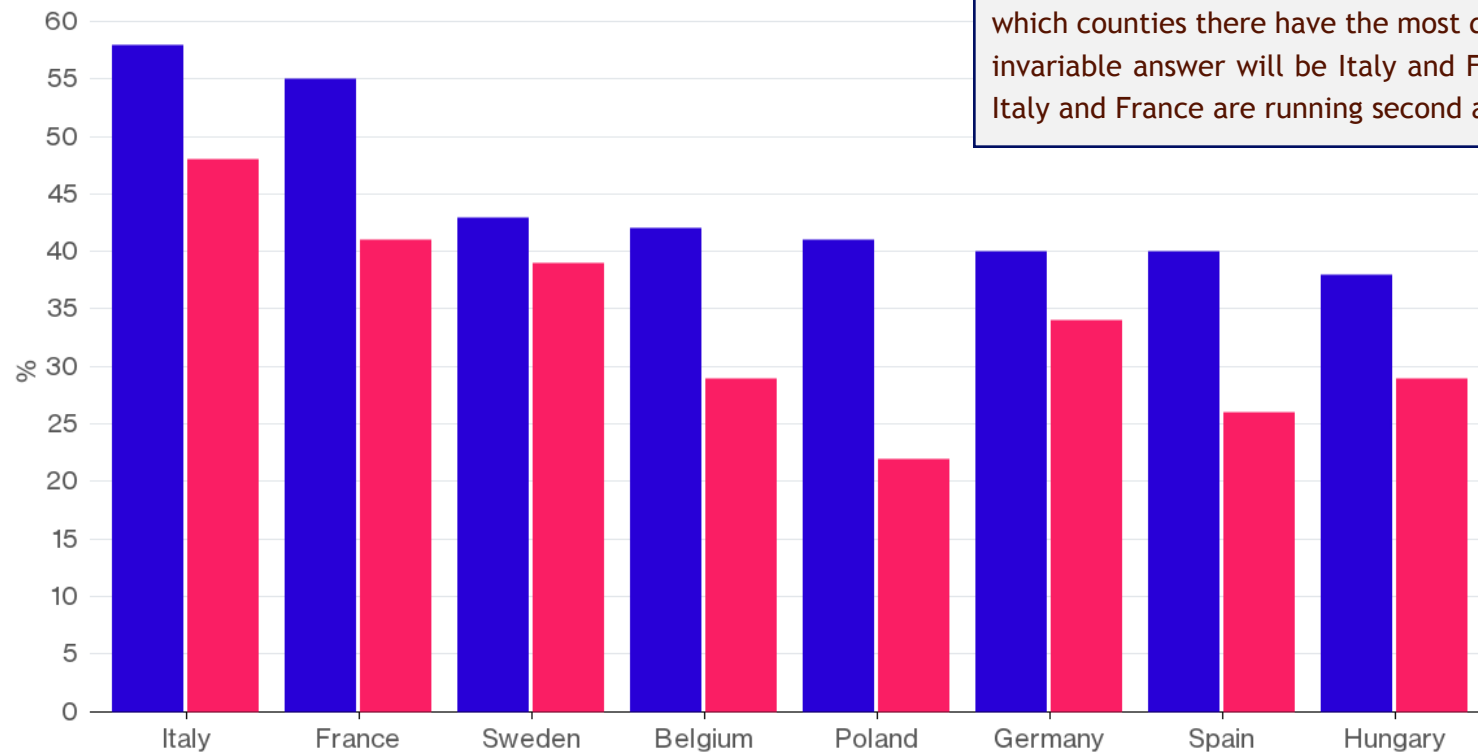
"Euroskepticism Beyond Brexit"

PEW RESEARCH CENTER

Brexit Contagion

Who else wants to leave the EU?

■ Want a referendum ■ Would vote to leave the EU



The Rise of Cultural Integrity

Any island nation will always and inevitably birth a powerfully unique culture. So it is only natural that Britain would leading this charge. Ask anyone who has ever travelled continental Europe which counties there have the most distinctive cultures and the invariable answer will be Italy and France. So no surprise that Italy and France are running second and third behind Britain.

Ipsos Mori
Poll of 6017 adults, March-April 2016



24 June 2016

EU Zero, Cultural Integrity 1

Learning and Looking Ahead

- European Union bureaucrats clearly dismissed blow-back from their over-regulation as dangerous populism.
- So that blow-back was roundly ignored.
- However it is a big mistake to dismiss the desire to maintain one's cultural integrity as ignorant and uninformed populism.
- It is a serious understatement to say that I am no fan of either demagogues or populism.
- However unless politicians and regulators recognize the legitimacy of innate and unique cultural values and adjust their policies accordingly, the risks to democracy from populism will continue to grow.