Wall Street continues to feed on death and economic devastation

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Amid mass death, economic contractions not seen since the Great Depression, rising unemployment, and impoverishment for millions, Wall Street continues its relentless surge, siphoning up wealth to the heights of society.

Yesterday, the S&P 500 index ended up by 1.4 percent. It briefly climbed above its record high set in February during the day, before finishing within a hair's breadth of that level. The index has risen 3.3 percent so far this month and is up by 4.6 percent compared to the start of the year.

The Dow rose by 269 points, or 1 percent, and the tech-heavy NASDAQ index climbed by more than 2 percent.

Since the crisis of mid-March, when the market plunged and the financial system froze, the S&P 500 has risen by 50 percent on the back of government corporate bailouts and the pumping of trillions of dollars by the Fed and the assurances that it will continue to function as the backstop for Wall Street.

The rise of the US market followed similar developments in Europe, most notably in the UK where the FTSE 100 index rose by 2 percent. This came in the face of data for the second quarter that showed Britain had experienced its worst recession on record. Gross domestic product fell more than 20 percent for the three months, an annualised rate of almost 60 percent.

A breakdown of the rise in the S&P 500 index points to the growth of monopoly and the increasing domination of the high-tech companies, with more than one third of yesterday's rise coming from the increase in the share prices of just three companies, Apple, Amazon and Microsoft.

Together with Alphabet (the owner of Google) and Facebook, these companies dominate the S&P 500. Amazon's revenue alone has risen by 40 percent for the quarter as a result of the increase in online orders due to the COVID-19 pandemic.

It is a different story for smaller companies. Companies in the Russell 2000 stock index have reported aggregate losses so far of $1.1 billion compared to profits of close to $18 billion a year ago.

Predictably, as COVID infections and deaths have continued to mount in the US, President Trump has hailed the rise of the stock market as an indication of economic health. Speaking at a press conference on Tuesday evening, he said the US economy was "rebounding with a strength like nobody thought was possible… We're very poised for a great third quarter and very poised for some great stock numbers."

Amid a continuing health disaster, by far the worst per capita in the world, he claimed the decline in European GDP was 40 percent worse than in the US and "we've built such a strong base that we're able to do things and sustain better than anybody in the world by far."

But rather than the stock market rise indicating underlying economic health, it is a fever chart of the diseased character of the US economy and its financial system for which Trump is the representative.

Less than five months ago, all US financial markets—including the $20 trillion market for US Treasury bonds, the foundation of the global financial system—froze threatening to set off a meltdown going far beyond that of 2008.

Nothing has been resolved since then. In essence what has taken place is that a debt crisis has been temporarily resolved by the creation of still more debt through the interventions of the Fed.

As a recent article in the *Financial Times* noted, after spending years warning of the dangers of excessive corporate debt, central bankers have responded to the coronavirus storm in financial markets by creating more of it—a continuation and intensification of the measures put in place after 2008.

"To stave off a debt crisis, monetary policymakers create conditions that allow companies to borrow even more, increasing the potential severity of the next crisis," the article noted.

So far this year, more corporate bonds have been issued than in the whole of 2019 with more debt expected next year under conditions where the capacity to repay this debt is being weakened.

According to the Bank of America, the ratio of the debt of top-rated US companies to editda (earnings before interest, tax depreciation and amortization) hit 2.4 at the end of the second quarter, the highest level in records going back 19 years, and will reach 3.2 by the end of this year.

Even companies whose bonds are rated as junk, that is, lower than investment grade, have been able to cash in. Earlier this month, the *Financial Times* reported that one such company, Ball Corporation, a maker of aluminium cans, was able to raise $1.3 billion by issuing a 10-year bond paying below 3 percent—the lowest borrowing cost ever recorded in this market.

With the Fed intervening in financial markets to buy up all forms of debt—from US Treasuries to corporate bonds—companies have gorged themselves on cheap money. In the 12 years since the 2008 crisis, the level of outstanding US corporate bonds outstanding has doubled to $12 trillion.

These figures have far-reaching economic and social implications. On the one hand, they signify that all the conditions are being created for a meltdown of the financial system, leading to companies either going bankrupt or slashing jobs and investment as they struggle to make repayments, with defaults threatening to rip through the financial system.

On the other, they signify a deepening of the assault on the working class already underway.

The Fed can create massive amounts of money through the press of a computer button, adding to the already existing mountain of financial assets. But it cannot create new value. Financial assets, including stocks, do not of themselves embody value. In the final analysis they are a claim on the surplus extracted from the working class in the process of production which must now be increased to meet the demands of Wall Street.

The divergence between the claims of the stock market is indicated by the rise of the S&P index to its record high in the face of the biggest contraction in the real economy since the Great Depression.

The price to earnings ratio of stocks in the S&P 500 now sits at 22.5 compared to the average of 15.5 over the past decade—an indication of the extent of the onslaught on wages, jobs and working conditions that is already being undertaken and which will intensify in the immediate future.