

Headlines:

- **Dow Plunges 1,700 Points as U.S. Coronavirus Cases Rise, amid Fed's Grim Economic Outlook**
- **Can the US Refuse to Pay \$1 Trillion Debt to China for Using COVID-19 as a Bio-Weapon?**
- **Japan's Top Billionaire Tadashi Yanai says the Image of America is Breaking**

Details:

Dow Plunges 1,700 points as U.S. Coronavirus Cases Rise, amid Fed's Grim Economic Outlook

U.S. stocks convulsed lower, plumbing intraday nadirs Thursday afternoon, amid signs of a resurgence of cases of the illness derived from the novel strain, and as investors digested Wednesday's downbeat economic outlook from the Federal Reserve. The market moves came even as the number of Americans filing for first-time jobless benefits declined again in the most recent week. The number of U.S. coronavirus infections passed the two million mark and over 112,000 Americans have died, according to Johns Hopkins University. Despite fewer cases being recorded in some cities and states, the seven-day average of new cases over the last two weeks is still rising in more than 20 states, leading investors to worry about a second wave of the epidemic just as business activity is resuming. President Trump announced he will resume holding election rallies with the first in Tulsa, Okla., on June 19 but he isn't expected to require that attendees practice social distancing. Meanwhile, U.S. Treasury Secretary Steven Mnuchin said the U.S. shouldn't shut down the economy again even if there is another surge in coronavirus cases. The global case tally for the coronavirus climbed to 7.39 million on Thursday, according to data The death toll rose to 417,022. Earlier, on Wednesday the Fed's updated policy statement and projections indicate that it expects a 6.5% contraction by the end of the year on a year-over-year basis, with the unemployment rate ending at 9.3%, well above the Fed's estimate of the long-run rate forecast of 4.1%. The central bank's dour outlook has a lot to do with the stock market selloff, said Kristina Hooper, Invesco chief global market strategist. "The stock market has almost had blinders on," Hooper said in an interview. "More than one in three companies in the S&P 500 are dispensing with earnings guidance. So investors have anchored to data, which has been relatively positive about reopenings in various states, improvements in PMIs and the jobs report last week. In one fell swoop Jay Powell threw a lot of cold water on that narrative." Hooper thinks the market moves of this week aren't necessarily the start of a sustained leg downward. "Typically the initial reaction to the Fed press conference is not the subsequent reaction. There needs to be some digestion by investors." In U.S. economic data Thursday, another 1.54 million Americans filed for initial jobless claims, the government said. That beat expectations for 1.565 million people seeking unemployment benefits, according to the Econoday consensus. Although new jobless claims have been falling since March, more than 2.2 million applications for unemployment compensation were filed in the last week of May through state and federal relief programs. That is almost as many as the 2.5 million jobs regained by the economy in the entire month. [Source: Market Watch].

The artificial reality of the Fed's printing machine has collided with the real economy, and the markets have plunged. The sharp rise in the Dow Jones was driven by the Fed and the C-suite of major corporations buying back shares, so they could exit richer than ever before.

Can the US Refuse to Pay \$1 Trillion Debt to China for Using COVID-19 as a Bio-Weapon?

US-China relations are at all time. US President Donald Trump has left no stone unturned in countering and cornering China and even threatened to cut all ties with Beijing. However, the most dangerous counter-measure that the US could take against China, as proposed by many

right-wing lawmakers and political experts, is to default on nearly \$1 trillion in U.S. Treasury bonds held by China. Sen. Lindsey Graham, a close ally of US President said on Fox News, "They should be paying us, not us paying China," and expressed support for a suggestion from Sen. Marsha Blackburn, R-Tenn., that the U.S. should cancel its sovereign debt held by China. John Yoo, a law professor at the University of California, Berkeley said in an article that the U.S. could "make China pay for COVID-19" by reneging on its commitment to bondholders. "Conceivably, Washington could even cancel Chinese-held treasury debt and use the proceeds to create a trust fund that would compensate Americans harmed by the pandemic." There are other experts who differ and say- we are the biggest debt market in the world when it comes to sovereign debt and the dollar is valued as the world's reserve currency. The problem behind this notion is it heightens the interest rates and devalues the dollar and could negatively impact the markets. One of the biggest advantages the US has is the most inexpensive cost of borrowing and the fundamental reason behind this is that we pay our debts, and that's been a blessing to the US taxpayer and the economy," said Mark Zandi, chief economist at Moody's Analytics. If the U.S. intentionally walked away from these commitments, that advantage would erode. It will mean that all investors will price in the event that the US government gets exasperated at them for whatever reason... and you don't get your bonds paid," Zandi said. "They're going to demand a much higher interest rate for taking that risk. Earlier, as the EurAsian Times had reported, a suit was filed in a Texas District Court in the US seeking compensatory damages of over \$20 trillion US Dollars against China for the "creation and release, accidental or otherwise" of the Novel Coronavirus (COVID-19) as a biological weapon in violation of China's international obligations. The plaintiffs have sought a whopping \$20 trillion, which even surpasses the Chinese GDP, claiming coronavirus is the result of a biological weapon prepared by Beijing. They blamed China of aiding and abetting death, provision of material support to terrorists, conspiracy to cause injury and death of US citizens, negligence, wrongful death, and assault and battery. Meanwhile, White House chief economic adviser Larry Kudlow affirmed in a recent interview that he didn't expect China to sell U.S. debt because he said doing so "would bankrupt the Chinese government." But China pared its holdings of long-term treasuries by roughly \$36 billion in the first three months of 2020. "I think they're already becoming more cautious in their buying," Zandi said. "If the Chinese take it seriously, then they're going to be more cautious buyers" — which could drive borrowing rates higher and make it more expensive for the Treasury Department to pay off its massive debt. [Source: Eurasian Times]

The fact that the US is considering on defaulting on Chinese debt to punish Beijing for Covid-19 indicates that Washington is not prepared to engage China on a military war footing. This is likely to embolden China to reassert its economic and military might in the Asian Pacific.

Japan's Top Billionaire Tadashi Yanai says the Image of America is Breaking

The race relations crisis is changing how the world sees America, according to Japan's richest man. "The very image of America is breaking," Tadashi Yanai, CEO of Uniqlo owner Fast Retailing, told CNN Business in an exclusive interview. "I truly hope that this will have a positive impact in the long term, just like the Civil Rights Movement." Yanai, 71, is Japan's biggest billionaire and one of the world's wealthiest people. As the largest shareholder of Fast Retailing, Asia's biggest clothing retailer, his estimated net worth is about \$31.3 billion, according to Bloomberg. In recent weeks, the company's operations in US cities such as New York, Philadelphia, San Francisco and Los Angeles have all been "hit hard" as protests erupt nationwide over the death of George Floyd, said Yanai. "It shows just how devastated the US spirit is. The political situation is untenable. It's not working," he added. "There needs to be a stronger desire to take positive civic action when there are social problems. It's wrong to keep ignoring them like some are now." [Source: CNN]

America's staunchest allies are openly questioning America's manifest destiny and so called exceptionalism. Today, America is the sick man of the world, and it is very unlikely that the US will regain its standing in the world.