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The Forecast is for Trillion Dollar Deficits Going Forward

By Blake Robben (June 6)

Spending policies by the United States federal government has resulted in a mountain of debt to the tune of over 21 trillion dollars. That amounts to a debt bill of $250,000 for every family in the United States. This year alone the United States government will have to borrow over 1 trillion dollars to meet its fiscal year spending needs. Let's put this in perspective folks… Our government will have to borrow in one year the same amount of the value of the Apple Inc. stock market capitalization. The United States government is able to run such massive deficits because the U.S. Treasury issues and sells this debt to investors around the world. Currently, the demand for U.S. Treasury debt is relatively strong.

The bid-to-cover ratio is the dollar amount of bids received in a Treasury security auction versus the amount that is sold. Typically this ratio is above 2, which is an indication of strong demand. So long as global investors put their faith into U.S. Treasuries, there is no problem, right? Not exactly, it's projected that by the year 2025 the interest alone on existing debt will exceed discretionary spending on all nonmilitary items combined. Furthermore, it is predicted that social security funds could be depleted within 13 years. The bottom line is our elected officials do not want to make the unpopular decisions because they may not get re-elected. My strategy for monitoring this coming crisis is to keep a close watch on Treasury auctions as well as Federal Reserve policy actions. Furthermore, having a futures account funded and ready to take action will be crucial for taking advantage of this looming fiscal crisis. Now let's look at the current technical picture of thirty year Treasury bond futures.

Thirty Year Treasury Bond Futures - Monthly

Chart provided by QST

My many years of trading futures markets does make a difference. Feel free to call or email me if you have any questions at 312.242.7990 and blake.robben@archerfinancials.com or would like to open an account, go to our interactive New Account application at Open An Account. It is fast and it's green.