A strage stock exchange rally

Why are the stock markets rising, exceeding historic highs and the economy, as well as sentiment, are lagging? Investors are very cautious and observe the market rally with incredulous skepticism as shown by the financial flows in the United States. Since October 2018 the cash portion of American investors has increased by 592 billion dollars, the part in bonds of 259 billion dollars, while from the stock market came out 173 billion dollars. Despite this we have been living, for over ten years, the second most prosperous stock market cycle in history. The S&P has grown by 350% since 2009, while between 1987 and 2000, before the bursting of the bubble of internet companies (dotcom), it had increased by 580%. Thanks to an easing of trade tensions between China and the United States and quarterly data less worse than expected beyond the Atlantic, the stock markets, if the pace is held until the end of the year, will mark the best performance since the start of the 2008 financial crisis. The most important bullish phase, the one that ended with the Millennium after thirteen years, succeeded in creating optimism and participation, certainly between various ups and downs, to finally culminate in a true exaltation before the collapse of NASDAQ in 2001. The fall of the Berlin Wall had opened the new global dynamic of globalization. The European Union was a driving force: in the perspective of the common currency, interest rates fell and telephony, the internet carrier, galvanized the futurologists. After Maastricht the Old Continent thought of becoming the first technological power in the world by 2010, the United States was the absolute winner of the Cold War and for this reason generous, and the emerging countries, the BRIC, Brazil, Russia, India and China concrete promises of growth. It was easy in that context to fall in love with the future and manifest it with investments: the stock exchanges grew in parallel with the real economy. The bull phase that began in 2009, after the most important financial crisis since the end of World War II, is different. There is a real distortion of the economic system. The potential of the internet, glimpsed at the end of the millennium, is now immediately implemented in the real economy and is intrinsically deflationary. China has become a global power and the United States is no longer generous: they take advantage of their relative strength (no longer absolute) to win global competition undermining the foundations of the multilateral system. The European Union is unable to rediscover the ambitions of the past to the point that the British (with uncertain conviction) think they can do better outside the EU. The middle class in industrialized countries (as they used to be called) is impoverished and does not dare to ask for more, manifesting anger through populist movements. But stock markets go up! Real inflation exists only at the level of financial assets, it is not projected into the real economy or, in any case, not enough. The question is: are central banks funding "creative destruction", dear to Schumpeter, then the new digitized economy, or are they simply holding a financial system inadequate for the times? Waiting to answer this question, let us be content to note that the world's leading central banks are simultaneously injecting liquidity into the system, bringing rates even below free and telling us that they do not want alternatives to equities. Even those who don't like this rally will soon be forced to return to stock exchange.