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Economic Outlook: Juggling on Quicksand

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NEW YORK, March 10 (UPI) -- The world's largest economy hit 12-year stock lows last week and was quickly outdone by Japan, where the Nikkei 225 index fell to a 26-year low Monday.

While global markets find only quicksand under their feet, the U.S. Treasury is operating with what The New York Times Monday called a "skeletal crew." With the maelstrom stirring -- or up and running -- the Treasury has postponed its announcement on details for what it plans to do to rescue banks from what some estimates claim are $2 trillion in depreciating assets on their books. Heading into the G20 summit meeting in London in April, officials say the administration has yet to map out regulatory changes for banks -- proposals that European leaders are eager to see.

While the power nations plan a London meeting, "virtually all of the low-income countries are in very serious trouble," said Eswar Prasad, a former official at the International Monetary Fund.

The World Bank recently called for donations for a "vulnerability fund," amounting to 0.7 percent of any stimulus spending the stronger nations pass. It remains to be seen where that will go.

Two things have gone the government's way of late -- three if you count the United Auto Workers agreement with Ford Motor Co. to allow the carmaker to pay half a $13.2 billion healthcare bill for retired workers with stocks, instead of cash, ratified Monday.

Primarily, the dollar's 13 percent rise against other major currencies in the past 12 months has put some padding in federal numbers, helping fund bailouts and stimulus bills. Secondly, the price of oil has dropped from above $147 per barrel in July to an average price of around $35 per barrel in February.

But are dynamics shifting?

The price of oil, after three weeks of gains, rose to $47.15 a barrel Monday and the Organization of Petroleum Exporting Countries meets March 15 to discuss possibly lowering production quotas, which would push prices up further. Auto industry observers have said February and March would mark the low point in the industry's slump. And consumer credit spending flipped from three months of declines with an unexpected $1.8 billion gain in January.

Investors will look at wholesale trade numbers Tuesday to see if layoffs and production cutbacks are flattening out or if manufacturers are still making adjustments. Purchase application numbers Wednesday, a weekly report, will hint at whether the housing market -- propped up by a federal foreclosure prevention plan announced last week -- has finally found solid ground or still has further to go before it hits bottom.