Is World Sliding Into Another Recession? This Guy Thinks So.

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Covering Brazil, Russia, India & China.

And yet *another* shoe is about to drop. This one likely to land smack dab on top of the collective heads of the governing leaders of France.

Is the world sliding into another recession as a result? A research fellow at the conservative Cato Institute and consulting editor at The Economic Times of India, Swaminathan Anklesaria Aiyar, (I know, it's a mouthful) said in a two page op-ed running in the paper on Sunday that the world is heading for negative growth.

It's not 2012 afterall, people. It's 2008.

"The world is slipping into a new recession," Aiyar **writes**. "No global authority has dared say so, but the writing is on the wall."

He says one of the signposts of a failing economy is falling commodity prices. Brent crude oil prices have fallen from $125 per barrel in January to barely $90 barrel today. Major global commodity indices have slumped over 20 percent. India natural resource giants like ArcelorMittal (MT) and Tata are closing some global steel plants because of falling demand. Prices of non-ferrous metals, cotton, coal and iron ore have falling from their highs of last year.

Of course, there is also a momentum shift. Brazil's official GDP forecast has gone from four percent to 2.5 percent.

China purchasing manager indices are at levels not seen since 2009.

The U.S. job market remains in the doldrums, same with housing.

Europe is still a trainwreck and most economies are in recession already. Not even free money can get these economies going.

On Friday, I chatted about the global economy and some sign posts to look for sentiment shifts with Allan Conway, a fund manager at Schroders. He likes to call the advanced economies the "submerging markets." And while he has a bias for emerging markets — he is an emerging markets portfolio manager, afterall — he thinks that things will only get worse in Europe.

“We used to think it was Greece. Then Spain. Maybe Italy. But it is neither of those countries that are putting the pressure on the E.U. to decide if they really want to continue with the euro. France is the country to watch out for. It’s a big economy and it is a mess. Once those guys get in trouble, then you will really see Europe with their feet to the fire. That’s a signpost we’re waiting for before we start getting positive again,” he told me.

Meanwhile, Aiyar writes that free money has failed.

Governments cut interest rates, provide easy money, and run large fiscal deficits to revive demand. Alas, these strategies have very limited scope today because the world is already replete with loose monetary and fiscal policies thanks to attempts to regain momentum after the 2008-09 Great Recession. Recent elections have brought to power parties in France and **Greece** saying there is too much austerity, so the region must aim for growth too. The IMF and several economists across the world echo this sentiment. Yet the claim of excessive austerity has been debunked by Josef Joffe in the Financial Times. The European Central Bank has injected trillions of euros into the region, including ultra-cheap money to banks, massive contributions to rescue funds, and large scale purchases of government bonds.”

General consensus is that a eurozone break-up would cause massive chaos and market volatility, not to mention misery for the locals for another two to five years. Trying to save submerging Europe will mitigate immediate misery, but ensure that it continues for years till it becomes politically intolerable. If Conway is right, France is probably the last gunfight at the Not-OK Corral.