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All Currencies will Continue to fall vs. Gold. Market Review

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The rally in the dollar and the problems for other currencies prove what we have been saying and that is all currencies will continue to fall vs. gold. The impetus for the dollar rally originates as usual with the government and is added to by the disarray in the economies worldwide, particularly in Europe. One of the things central banks have never learned is that financial engineering only works for a short duration, after that the problem worsens. Even the world's strongest currencies, the Swiss, Canadian, Aussie and Norwegian, are only holding their own versus gold. The reason why is almost all central banks have done the same thing and that is create money and credit recklessly at the behest of the US government. The US and British financial systems are insolvent. The euro is under severe pressure, because of problems in Greece, Spain, Ireland, Portugal and Italy, and every other central bank is jockeying for position via competitive devaluation. The public may not notice it but the situation is really chaotic. As you can see, the US is never allowed a level playing field, but that is part of what comes with being the international reserve currency. Banks in Britain, Europe and the US continue to take losses, sometimes-severe losses. There is no intermediation going on with the dollar. Its rally is founded on manipulation. We suspect in the future we will have an interesting phenomenon and that is a fall in the dollar, pound and the euro, as gold moves higher as the only viable alternative. The world is going to be shocked when the euro collapses. It won't happen overnight. It will take a year or two, but it has a good chance of happening. The US dollar cannot and will not for some time to come be a safe haven for wealth. That is because the dollar and the US economy have been deliberately destroyed.

The flight into gold that we have seen has not been sparked by anticipation of inflation, but by a flight caused by a lack of confidence and trust in central banks. If other major governments have monetary problems they cannot be buyers of US Treasuries. They will have to be sellers of dollars. That will drive the dollar lower, further reduce the demand for US funding, force the Fed to further monetize and create more inflation. That in turn drive the dollar lower, but more importantly it will give gold a life of its own. We have found that this is something the public ad professionals refuse to accept. There is going to be a devaluation of the dollar no matter what people think, or want to think in their world of denial and fantasy. Other letter writers who disagree have recently attacked us. They can disagree and that is fine, but we might remind them that we are the ones who have been correct in our predictions 98% of the time, not them.

We believe the current dollar rally is unsustainable. If you remember we recommended a short on the dollar at 89.5 on the USDX. It fell to 74. We have just seen a two-week rally from 74 to 78 on very low volume. We had said the rally when it began at 74 could go to 78 to 80. Several more days of trading over the holidays could take it deep within that zone.

This is just another rally conjured up by our government led by Goldman Sachs and JP Morgan Chase, which will be doomed to failure. The rally is aided by unsettled conditions in Dubai, Greece, Spain, etc., and the continued viability of the eurozone. In addition, the same groups of criminals have viciously attacked gold and silver in an attempt to take gold below $1,033 and silver below $17.00. That completes the circle of attack. The SEC and the CFTC simply look the other way aiding and abetting the criminals that run our government and markets from behind the scenes.

It is not surprising that 320 members of the House passed legislation to audit the Fed to find out where trillions of dollars have gone and what the Fed and the Treasury have done to manipulate markets. Just how much monetization is really going on? Has the Fed been buying more than half the Treasuries issued via stealth activity and how long will this continue? Will the Treasury default and officially devalue? Of course they will, it is only a question of time. What will the Fed do with bonds issued by agencies and toxic waste CDOs, and what did they pay for all this garbage? Have they been paying the banks, Wall Street and insurance companies 80% instead of 20% on the dollar, so that taxpayers can pay the bill and these entities, which are insolvent, can be kept functioning? Why is it we could forecast all these events and very few others could? It is because if they did they would be ostracized and they would lose their jobs. That is how systems like this always work. You cannot lay a normal yardstick to what we have seen and what will be an unprecedented future. When the dollar officially devalues in a year to a year and a half, the shock will shake America and the world to its very foundations.

An audit and investigation of the Fed is on the way and the American public is not going to like what they find. All the failures and criminal activity of the past 96 years will become reality. This coming year will see the Fed forced to monetize massive amounts of government paper, all of which will lead to massive inflation. Inflation will move up very quickly. The groundwork began last May and over the past two months we saw official inflation rise to 1.2% and then 2.4% as real inflation moved up over 8% again. Will we see something similar to what happened in Argentina, Zimbabwe or in the Weimer Republic We do not know. What we do know is it is not going to be good. All the telltale signs are being ignored and for such duplicity a high price will be paid. That is why we predict official devaluation and default. History is explicit; monetization cannot go on forever. Over the last two years the Fed has purchased trillions in what is essentially worthless paper from banks, Wall Street and insurance companies.

The rally in the dollar is transitory, because at the moment Europe’s problems seem greater than ours.

Americans are truly furious that Democrats are ramroding through legislation that is conjured up in secret, and that those who voted for it have never read. Health care legislation is far reaching, committing us to a socialized medical system and will prove to be massively expensive. Congress has a 22% approval rating because everyone knows they are on the take. What sanctimonious thieves. The Treasury and the Fed have injected $12.7 trillion into our financial system that we know about, and the taxpayer is on the hook for potential losses of $23.7 trillion. As you can see from Treasury yields, foreigners are starting to vote with their feet and are not buying our debt. As unemployment continues to rise with inflation, America will be ready for revolution. A default and devaluation would lay further groundwork. Taxes will increase along with debt exacerbating the situation. America is on an uncontrollable train headed for a wreck. Is it any wonder the US dollar is being abandoned and gold is being purchased worldwide in a flight to quality.

You have to ask yourself how does a stock market trade within 500 points for three months, when trading volume has fallen? There have been material withdrawals from mutual funds and 73% of trades are of the black box front running variety. The answer is the trading after hours, which has been dominated by your government's plunge protection team. They cannot continue that indefinitely. There is lots of bad news coming in 2010.

The November medium home price rose 3.8% to $217,400, the highest level since May reflecting the $8,000 tax credit and growing inflation. Year-on-year prices fell 1.9%. The number of new homes on the market fell 235,000, the lowest since April 1971. There are now 7.9-months' worth of homes for sale, up from 7.2% in October. What has to be added to that is discouraged sellers who have taken their homes off the market, and lenders that have been withholding inventory for sale – a bottoming market is years away.

Loan demand fell 5% last month. Mortgage applications fell 10.7%, the lowest level in two months. Refi loans fell 10.1% and mortgages fell 11.6%.

This as foreclosures topped one million. As a result home construction has fallen 83% from its peak. We projected 75% in June of 2005. The decline in building is probably bottoming, but with the inventory overhand it could be many years until we could see a recovery.

Durable goods orders rise of 0.2% were very disappointing. The experts expected a rise of 0.5%. Wrong as usual.

For the week ended 12/23 the commercial paper market rose $9.3 billion to $1.160 trillion, still a ghost of its former self.

Congress, the SEC and FINRA are investigating Goldman Sachs and others in the use of synthetic CDOs, collateralized debt obligations, that we have been hammering for since 2006. Not only were the laws of fair dealing violated, but they were shorting the deals they sold to clients, which they knew had to fall in value, because the ratings they arranged with the raters, S&P, Moody's and Fitch, were phony from the outset. Yet if you notice there hasn't been a lawsuit, civil investigation, or criminal charges. The exposure of this activity allowed the banks to profit from the housing collapse, which they deliberately created. Again, another fine and no criminals go to jail. They simply own Washington.

The 10-year T-note yield just rose from 3.20% over the past 18 business days to 3.80%. Look at a chart and it is ominous. The yield is on long-term trend lines that go back to June 2007. It looks like that line could be broken to the downside. The chart is very jagged giving it all the earmarks of manipulation. Our guess is that something happened three weeks ago that we don't yet understand, but whatever it was foreigners are running away from US sovereign debt, just as we forecast they would. This means the fed could be taking down more than 60% of the auctions of US debt, which means more monetization and more inflation. If the Fed does not continue buying, by creating money out of thin air, support will be broken and yields could quickly move up to 5%, which would further destroy the retail housing market. Such a move would send gold to $1,550 to $1,650. Incidentally, over the past 50 years we have observed that as interest rates rise so does gold and silver, up to a certain point. In this case bank discount rates could move from zero to 5% and gold would rise. After that gold becomes the only vehicle that preserves assets.

Our sources within the banking industry tell us banks are not lending to small businesses because Marxist Obama wants to crush the small business industry. If out of business they cannot create jobs. They create 75% to 90% of all jobs. That means everyone ends up on the government payroll just as they did in the Soviet Union. This is part of Barry's new Orwellian world. The end game is everyone is dependent on government.

The health care bills are unconstitutional, but that is of no concern to Congress. Just start with mandatory insurance for all. The healthy subsidize those who live a profligate lifestyle. What we have is a cross between socialism, Marxism and fascism. This is being caused by bribery, which is nothing new for our Congress. Bills are passed by meeting the demands of the highest bidder. This is how Rome fell; whoever could buy the Army was dictator. We do not have a dictator yet, but the elitists are behind the scenes pulling the strings. So many are on the take it is almost impossible to reverse such legislation, short of throwing out all the incumbents. We would like to see that, but have enough Americans awakened? We hope so. We will know next November. Democrats have blown their biggest chance for permanency in decades by serving the brotherhood of darkness. As they have shown their constituents and their desires mean nothing to these crooks. The Christmas present was another increase in short-term government debt and gift-wrapped tax burdens in health care, as their voters resoundingly screamed they do not want them.

All conferencing was done in secret to prepare a 2,000-plus-page albatross that virtually no one in Congress read. They figure you won't remember what they did nine months from now. We get socialized medicine and those who do not carry insurance because they are too poor or do not need it, will have to pay a fee to government. We will lose 25% of our physicians and as a result care will deteriorate and many will die as they wait in line for treatment. Then comes the increased prescription costs, which are already outrageous compared to Canada and Mexico, and then the chronically ill and the old will be allowed to die. If you do not stop these two bills you will eventually be one of its victims. The Illuminists want this bill so bad that they are willing to doom every Democrat that he or she will never return to office.

The forces of darkness purchased the votes to pass this bill in the Senate. Mary Landrieu, a Democrat, received $300 million for her state and Ben Nelson received millions for Democrats in Nebraska as well. There were more payoffs, like $300 million for California and even AARP got $18 million. The legislation contains massive abortion funds for murder on demand. The cost of this duplicity starts at $2.5 trillion. Needless to say, this is all unconstitutional, but these politicians and their masters simply ignore our law of the land. Just check out Article 1, Section 9, Part 6, which clearly states, "No preference shall be given to any regulation of commerce or revenue to the ports of one state over another," and Article 4, Section 2, which says, "the citizens of each state shall be entitled to all the privileges and immunities of the citizens of several states."

You will be forced to pay $2.3 billion in excise taxes passed on to you annually by the pharmaceutical industry and higher prices for medical devices from $2 billion in additional taxes. Then there is the $11 billion excise tax on the health care industry you will be forced to pay. There are 19 tax increases in all, including a $750 annual tax penalty for those who cannot pay for or do not want health insurance and that will grow in cost year after year. Then there is the reduction of the amount that can be deducted for health care expense on your tax return, plus a 3.6% tax on couples making over $250,000 a year. This is sheer meanness.

PEW says 58% of Americans oppose both bills and other polls show up to 68%. Only 32% favor the bills.

Labor will receive $10 billion in a phony reinsurance program and non-union employees would be excluded in program-funded contracts. The language means forced unionization. All health care workers will be forced to join unions, including doctors and nurses. These bills are main cogs in the Soviet-ation of America. This is a change no one believes in and no one wants. The young will pay for this by subsidizing the graft and the elderly by seeing premiums jump 200%. The 40-something year olds will see a 100% jump. Of course, there is the $500 billion being pulled out of Medicare to fund health care for illegal aliens, who soon will be made legal. Quality healthcare is history except for the rich, the politicians and the Illuminists. All health care corporations will essentially become subsidiaries of government. Doctor-owned hospitals will fade into the past. Their existence is doomed. In 2010, Medicare payments to doctors will fall 21.5% and more in following years. Both bills, particularly the Senate version are a new welfare and tax system. The AMA sold out the doctors. Government will control 55% of medical spending.

Will the final bill be legally challenged? We hope so. The problem is by the time it gets through the Supreme Court, even if the bill is unconstitutional, the damage it will cause to the system will be terrible. The only reason this bill was a must pass for Congress was that the people in control had to pass it before the public understood what the consequences were. The bills are structured to tax Americans into oblivion and then give them a totalitarian Socialist, Marxist, Fascist dictatorship.

Where in the Constitution does it say we have to buy health insurance or that if we do not we will get fined?

Where does it say in the Constitution that Congress can prohibit changing a law unless it is by a 2/3's vote?

Where does it say in the Constitution that an Independent Medicare Advisory Board cannot be repealed by future Congresses? In the Senate it takes a 2/3's vote to change the rules, whereas the Democrats plan to pass this legislation with only a majority. If passed, this legislation has to be challenged and you are the way to do it. E-mail, fax, call and write every Senator and representative, and let him or her know how you feel about the health care legislation. If that doesn't work let them know they will never be returning to Congress again. We asked the public to do this a year ago, and few listened. They had best listen now. If you do not get these people out of office you could well end up in an internment camp.

America and England are facing a credit crisis again, as interest rates rise and the Fed feebly attempts to remove quantitative easing, and beginning by withdrawing funds from its various programs. Rating services tell us that if the Fed does not do so the US and UK credit ratings will be lowered. These funds put into the system by the Fed and the Treasury aggregate about $12.7 trillion. We might add the US and the UK are not the only countries enveloped in this situation. We have seen the US ten-year Treasury note yield move from 3.20% to 3.80%. This is the markets way of telling the Fed and the Treasury, that if you continue to do what you have been doing then you will have to pay more interest to do so. Those 10s could easily move to yield 5% in this coming year, putting the 30-year fixed rate mortgage over 6%. That in finality puts the last nail in the coffin of the residential housing market. At the same time since last May inflation has been building and now is at an official 2.4% and unofficially 8-1/4%. The Fed and other major nations are now attempting to hold up the dollar, it having rallied just recently from 74 to 78 on the USDX. Aligned against these nations are a group of commercial currency market makers, who are shorting the dollar in response to its phony rally. The pros will win and the governments will lose. That is a $4.3

trillion a day market of which $2.5 trillion trades in dollars. Not even Superman can control that massive amount of money. Due to the Treasury's profligacy the Fed we suspect has already bought more than $600 billion in Treasuries; $300 billion that they admit too and $300 billion or more they refuse to tell you about. That is why we need an audit of the Fed.

The Fed, the Bank of England, and others will not be able to ease funds out of the system without allowing deflationary forces to take over. The result will be a downgrade, a run on the dollar and official devaluation and default within the next 1-1/2 years. There is no other way out, as other nations are forced to do the same thing, leaving the only safe haven of wealth preservation in gold and silver related assets. Nothing will compare. All world currencies will fall versus gold. In the meantime, the wages of easing and the inability to withdraw these funds, will lead to a period of inflation if not hyperinflation beginning with a real 14% plus in 2010. After that it is anyone's guess where inflation will be headed.

The present administration is headed in the wrong direction on everything, particularly on spending. Their actions have resulted in short-term bills yielding from zero to .65%, hardly an incentive to own such debt, as the Fed must issue and or roll this debt daily. A bogus temporarily strong dollar supplies a lift and respite for treasury debt for which the only solution is higher rates that are already being anticipated. Some have seen our ideas on this issue as faulty, all we can say is we are the ones with the 98% track record.

We must have done 100 radio programs on the global warming hoax prior to the exposure of the East Anglia E-mails and the fiasco that became the Copenhagen Conference. We hope we were able to offer a small window of light on this scam. The weather during and since that conference in the temperate climes has been snow filled and bitterly cold. Even temperatures in tropical zones have fallen into the 50s and some cases into the 40s during December. We shared one program with Senator Inhofe who blasted this scam for what it is. His bottom line is such an agreement signed at Copenhagen and Cap & Trade legislation cannot be passed. After such statements our President said he would bypass Congress and implement it via his administration under one of his czars. This goes to show you what our President thinks of our Constitution. He believes he is a dictator. Mr. Obama, via Secretary of State Hillary Clinton, informs all that the US was committed to giving $10 billion a year in 2010 of $100 billion a year as a subsidy to the third world. This is exactly what the Soviet Union would have done. The bottom line is there is no global warming. It was to present a system of redistribution of wealth which we first wrote about in 1967. An effort to raise world taxes due to global warming by 20%, create a worldwide market in the trade of carbon credits and base a new world currency on climate change. This is all a scam and insane, but do not expect these Illuminists to give up, they won't. As an example, at Copenhagen they simply ignored the criminal academic scandal caused by the e-mails exposing this fraud. Do not forget they control the mainline world media and much of the public doesn't know what we have writing here. It is up to you to let them know that global warming and climate change is a fraud. If you don't we will all suffer the consequences of a One-World government.

An index of home prices in 20 U.S. cities rose in October for a fifth consecutive month, putting the housing market and economy farther down the path to recovery.

The S&P/Case-Shiller home-price index increased 0.4 percent from the prior month on a seasonally adjusted basis, after a 0.2 percent rise in September, the group said today in New York. The gauge was down 7.3 percent from October 2008, the smallest year-over-year decline since October 2007. The median forecast of economists surveyed by

Bloomberg News anticipated a 7.2 percent drop.

If Morgan Stanley is right, the best sale of U.S. Treasuries for 2010 may be the short sale.

Yields on benchmark 10-year notes will climb about 40 percent to 5.5 percent, the biggest annual increase since 1999, according to David Greenlaw, chief fixed-income economist at Morgan Stanley in New York. The surge will push interest rates on 30-year fixed mortgages to 7.5 percent to 8 percent, almost the highest in a decade, Greenlaw said.

Investors are demanding higher returns on government debt, boosting rates this month by the most since January, on concern President Barack Obama's attempt to revive economic growth with record spending will keep the deficit at $1 trillion. Rising borrowing costs risk jeopardizing a recovery from a plunge in the residential mortgage market that led to the worst global recession in six decades.

"When you take these kinds of aggressive policy actions to prevent a depression, you have to clean up after yourself," Greenlaw said in a telephone interview. "Market signals will ultimately spur some policy action but I'm not naive enough to think it will be a very pleasant environment."

Yields on the 3.375 percent notes maturing in November 2019 climbed 4 basis points to 3.84 percent at 11 a.m. in London today, according to BGCantor Market Data. The price fell 10/32 to 96 5/32. They have risen 65 basis points this month, the most since April 2004, as government efforts to unfreeze global credit markets lessened the appeal of the securities as a haven.

A senior Republican senator is urging the Obama administration and European allies to consider rearming Georgia, an action that would inevitably upset Russia.

The recommendation comes from Senator Richard Lugar of Indiana, a lawmaker who has long cultivated cooperation with Russia. Lugar has been a key ally for President Obama on his pursuit of an arms control deal with Russia that has been the centerpiece of the administration's efforts to improve relations with the Kremlin. He also is leading efforts to win Republican votes to ratify the treaty, once it has been completed.

During the brief August 2008 war, Russia destroyed much of Georgia's military infrastructure and occupied two breakaway territories. Russia has since recognized both Abkhazia and South Ossetia as independent countries and established military bases close to their borders with Georgia.

A report by Lugar's staff warns that Georgia's military vulnerability could lead to further instability in the Caucasus amid tensions between Georgia and Russia. It urges the administration to coordinate a strategy within NATO that strikes a balance between Georgia's security needs and NATO's relationship with Russia.

Following the war, the United States allocated $1 billion in aid to Georgia for rebuilding, but both the Bush and Obama administrations, as well as European countries, have withheld lethal military aid fearing that it would antagonize Moscow.

Personal incomes rose in November at the fastest pace in six months while spending posted a second straight increase, raising hopes that that the recovery from the nation's deep recession might be gaining momentum. [It also should be noted that inflation rose 2.4% on an annualized basis as well, and these are official figures.]

The Commerce Department says personal incomes were up 0.4 percent in November, helped by a $16.1 billion increase in wages and salaries, reflecting the drop in unemployment that occurred last month.

The gain in incomes helped bolster spending, which rose 0.5 percent in November. Both the income and spending gains were slightly less than economists had expected.

Want to keep IRS auditors away? Keep your earnings under $200,000 and they won't bother you 99 percent of the time.

IRS enforcement numbers, released Tuesday, show that returns under that amount have a 1 percent chance of getting audited.

Returns showing income of $200,000 and above have a nearly 3 percent audit chance. The percentage jumps to more than 6 percent for returns showing earnings of $1 million or more.

New-home sales plunged to their lowest in seven months during November, a bigger-than-expected drop that might have been caused by uncertainty over a government tax incentive.

Sales of single-family homes decreased 11.3% to a seasonally adjusted annual rate of 355,000, the Commerce Department said Wednesday.

The level was the lowest since 345,000 in April. The plunge wiped out much of the gain made in the new-home market since the January bottom.

Economists surveyed by Dow Jones Newswires estimated a 1.2% drop to a 425,000 annual rate for November.

New-home sales, unlike sales of existing homes, are recorded with the signing of a sales contract and not the closing. A big tax credit for first time buyers was due to expire at the end of November and caused concern in the housing sector. It was extended in November by Congress to next spring.

Another reason for the big drop in new-home sales could be strong demand for used homes. Data this week showed existing-home sales are up more than 40% since the end of last year, with many purchases made for foreclosed property carrying a discounted price tag.

Wednesday's report said new-home sales in October rose 1.8% to 400,000, revised from an originally reported 6.2% increase to 430,000.

Year over year, sales were down 9% since November 2008.

The median price for a new home dropped in November – but not by much. It was down 1.9% to $217,400 from $221,600 in November 2008.

Inventories shrank. There were an estimated 235,000 homes for sale at the end of November. That represented a 7.9 months' supply at the current sales rate. An estimated 240,000 homes were for sale at the end of November, a 7.2 months' inventory.

Commerce's report Wednesday showed November new-home sales fell in three of four regions in the U.S.

US consumers are increasingly confident about the economy, according to the most recent Reuters/University of Michigan Consumer Sentiment Index, which gave a score of 72.5 for the month of December, up from 67.4 in November. The preliminary mid-month index had registered a slightly higher score of 73.4, but the end-of-the-month result shows a continuing upward swing in consumer confidence since October.

US MBA Mortgage Applications declined by 10.7% on December 18 week.

U.S. overall consumer confidence improved last week to match its best level of the year, according to an ABC News poll released Tuesday.

The consumer comfort index rose three points to -42 in the week ended Dec. 20.

Still, according to the survey, just 7% of respondents expressed confidence in the economy, the same as last week. But 50% of those polled said their own finances were in good standing, up from 47% the prior week. In assessing the buying climate, 30% of respondents said it was good, up from 29% the week before.

U.S. legislators have obtained a court order unsealing documents in a case involving a multi-million-dollar cap-and-trade fraud.

Republican legislators say the records–due to be opened to the public in early January–could shed light on the potential challenges of policing a new, trillion-dollar commodities market that would be created under climate legislation that Congress is considering.

In a rare filing by House lawyers, Reps. Joe Barton (R., Texas) and Greg Walden (R., Ore.), the ranking members respectively of the Energy Committee and the Oversight Subcommittee, asked a federal district court in California to unseal all the closed records regarding the successful prosecution for fraud of Anne Masters Sholtz, a former California Institute of Technology economist.

Lawmakers say Sholtz's case could expose the weaknesses of a federal cap-and-trade system because it involved the same market mechanism meant to cut emissions.

In particular, said one Republican aide, the case may shed light on the challenges of prosecuting fraud in such a system.

Sholtz, who helped design a small California cap-and-trade program, allegedly hustled New York Investment firm AG Clean Air out of more than $12 million between 1999 and 2001 by selling fake emission credits.

Despite an estimated $50 million to $80 million in claims against her in bankruptcy filings and nine complaints, she pleaded guilty to one of six counts of wire fraud in 2005. Sholtz received what the lawmakers say was a veritable slap on the wrist for the felony–a sentence of five years probation with one year of home detention.

“Did they not have enough proof? Did they have good leads, but faced practical difficulties? Were there witness, evidence, strategic problems? These are the questions that we hope to answer with the unsealed documents,” the Republican aide said.

U.S. employers are beginning to show faith in the nascent economic recovery, and they have the payroll plans to prove it.

The Treasury Department confirmed that Wells Fargo amp; Co. repaid $25 billion and Citigroup Inc. returned $20 billion yesterday to the Troubled Asset Relief Program, the $700 billion effort to stabilize the nation’s financial system.

Citi said it funded the previously announced repayment with a stock offering that raised $20.5 billion. The offering included $17 billion in common shares and $3.5 billion in tangible equity units, which can be converted into common stock later.

Citi said it also ended its $7.1 billion loss-sharing agreement with the government, which protected the company against defaults on some risky investments. To end the program, the government canceled $1.8 billion of what are called trust preferred securities, but it still holds $5.3 billion in those securities, which are a type of debt instrument.

Wells Fargo said earlier yesterday that it had repaid the $25 billion it received in bailout funds. The bank said a stock offering that raised $12.25 billion helped fund the repayment.

New York-based Citi and San-Francisco-based Wells Fargo were among the hundreds of banks bailed out through the Troubled Asset Relief Program. The Treasury Department extended a total of about $453 billion to banks, insurers, automakers and other companies under the program. The government has said total bank repayments could reach $175 billion by the end of next year.

Bank of America, based in Charlotte, N.C., completed its repayment of the $45 billion it owed US taxpayers earlier this month.

Repayment of the money frees banks from US restrictions on concerns such as executive pay.

The Treasury Department continues to hold warrants to buy Citi stock issued as part of the TARP investment. The government plans to sell its nearly 34 percent stake in the bank over the next year. [the Treasury has requested 30% of this $700 billion, or $200 billion, and the President wants the other 70%, or $500 billion, for another stimulus program.]

In late October 2007, as the financial markets were starting to come unglued, a Goldman Sachs trader, Jonathan M. Egol, received very good news. At 37, he was named a managing director at the firm.

Egol, a Princeton graduate, had risen to prominence inside the bank by creating mortgage-related securities, named Abacus, that were at first intended to protect Goldman from investment losses if the housing market collapsed. As the market soured, Goldman created even more of these securities, enabling it to pocket huge profits.

Goldman's own clients who bought them, however, were less fortunate.

Pension funds and insurance companies lost billions of dollars on securities they believed were solid investments, according to former Goldman employees with direct knowledge of the deals who asked not to be identified because they have confidentiality agreements with the firm.

Goldman was not the only firm that peddled these complex securities – known as synthetic collateralized debt obligations, or CDOs – and then made financial bets against them, called selling short in Wall Street parlance. Others that created similar securities and then bet they would fail, according to Wall Street traders, include Deutsche Bank and Morgan Stanley, and smaller firms like Tricadia Inc., an investment company whose parent firm was overseen by Lewis A. Sachs, who this year became a special counselor to Treasury Secretary Timothy F. Geithner.

How these disastrously performing securities were devised is now the subject of scrutiny by investigators in Congress, at the Securities and Exchange Commission, and at the Financial Industry Regulatory Authority, Wall Street's self-regulatory organization, according to people briefed on the investigations. Those involved with the inquiries declined to comment.

While the investigations are in the early phases, authorities appear to be looking at whether securities laws or rules of fair dealing were violated by firms that created and sold these mortgage-linked debt instruments and then bet against the clients who purchased them, people briefed on the matter say.

One focus of the inquiry is whether the firms creating the securities purposely helped to select especially risky mortgage-linked assets that would be most likely to fail, setting their clients up to lose billions of dollars if the housing market imploded.

Some securities packaged by Goldman and Tricadia ended up being so vulnerable that they soured within months of being created.

Goldman and other Wall Street firms maintain there is nothing improper about synthetic CDOs, saying they typically employ many trading techniques to hedge investments and protect against losses.

They add that many prudent investors often do the same. Goldman used these securities initially to offset any potential losses stemming from its positive bets on mortgage securities.

But Goldman and other firms eventually used the CDOs to place unusually large negative bets that were not mainly for hedging purposes, and investors and industry specialists say that put the firms at odds with their own clients' interests.

"The simultaneous selling of securities to customers and shorting them because they believed they were going to default is the most cynical use of credit information that I have ever seen,'' said Sylvain R. Raynes, an expert in structured finance at R&R Consulting in New York. "When you buy protection against an event that you have a hand in causing, you are buying fire insurance on someone else's house and then committing arson.''

The Senate approved legislation that would make the broadest changes to the U.S.

health-care system in decades, advancing President Barack Obama's top domestic priority after months of partisan wrangling.

The Senate voted 60-39, with all Democrats and two independents backing an $871 billion measure that would extend coverage to tens of millions of uninsured Americans. Republicans opposed the legislation, saying it would raise taxes, widen the federal deficit and hurt private companies such as Hartford, Connecticut-based Aetna Inc.

"Progress and opportunity are what this historic bill represents," Senate Majority Leader Harry Reid, a Nevada Democrat, said on the Senate floor before the vote.

Republican Leader Mitch McConnell, of Kentucky, pledged to continue fighting a measure he said doesn't solve the problem of skyrocketing health-care costs.

"This fight isn't over," McConnell said. "My colleagues and I will work to stop this bill from becoming law."

The Senate and House must now work together on a compromise between their two versions, a process that Democrats want to finish before the president's State of the Union address in late January or early February. Negotiations will center on the different tax proposals in each measure, provisions on abortion and a new government-run insurance program that's included in the House bill and not the Senate's.

Treasury yields will increase in 2010 as the Federal Reserve ends purchases of mortgage and agency securities, according to said Michael Pond, an interest- rate strategist in New York at Barclays Plc.

The yield on the benchmark 10-year Treasury note may climb to 4.5 percent from 3.74 percent today, Pond said in an interview on Bloomberg Television.

Demand at next week's auctions of $118 billion in 2-, 5- and 7-year notes may be bolstered by the increase in yields the past three days, Pond said. There should be plenty of demand for the two-year notes with the Fed forecast to keep borrowing rates unchanged into next year, while the seven-year sale may be more difficult since the Fed is no longer buying Treasuries, Pond said.

California Governor Arnold Schwarzenegger, anticipating a $21 billion budget deficit, plans to ask President Barack Obama to ease mandates and minimums on social programs to save as much as $8 billion.

The Republican governor plans to seek the relief, according to a California official who asked not to be identified because details haven't been resolved. Instead of seeking one-time stimulus money or a bailout, the most-populous state wants the U.S. to reduce mandates and waive rules stipulating expenditures on programs such as indigent health care, the official said.

California is among states most affected by the economic recession. It has the lowest credit rating and recorded the nation's second-highest rate of home foreclosures, trailing only Nevada. Unemployment peaked at 12.5 percent in October amid the loss of 687,700 jobs from the year before, when the jobless figure was 8 percent. Wealth declined as the stock market lost 40 percent of its value in 2008.

The number of newly laid-off workers filing claims for unemployment benefits has fallen more than expected as the labor market makes a fitful recovery.

The Labor Department says the number of new jobless claims fell to a 452,000 last week, down 28,000 from the previous week, on a seasonally adjusted basis. That's a better performance than the decline to 470,000 that economists had expected.

The four-week average for claims, which smoothes out fluctuations, fell to 465,250 – the 16th straight weekly decline. That's viewed as an encouraging sign that the labor market is improving gradually.

Both the average and new claims numbers are at their lowest levels since September 2008, when the financial crisis hit with full force.

According to Mercer's 2009/2010 *U.S. Compensation Planning Survey Update* of 350 mid-size and large employers, 14% of organizations are planning further salary freezes in 2010, down from 30% in 2009. Of those employers granting base pay increases, the average increase is expected to be 2.7% in 2010, down from an actual 3.2% in 2009.

THIS HAS GOT TO BE THE MOST OUTRAGEOUS STATEMENT EVER MADE BY A PUBLIC OFFICIAL LET ALONE BY THE PRESIDENT OF THE UNITED STATES. AND THIS GUY IS OUR "COMMANDER IN CHIEF". HE IS A DISGRACE.
UNBELIEVABLE PRESIDENT???

HERE IS HIS RESPONSE WHEN HE BACKED OFF FROM HIS DECISION TO REQUIRE THE MILITARY PAY FOR THEIR WAR INJURIES.
WHAT AN EMPTY HEADED PERSON HE MUST BE....

Bad press, including major mockery of the plan by comedian Jon
Stewart, led to President Obama abandoning his proposal to require veterans carry private health insurance to cover the estimated $540 million annual cost to the federal government of treatment for injuries to military personnel received during their tours on active duty. The President admitted that he was puzzled by the magnitude of the
opposition to his proposal.

"Look, it's an all volunteer force," Obama complained. "Nobody made these guys go to war. They had to have known and accepted the risks. Now they whine about bearing the costs of their choice? It doesn't compute..." "I thought these were people who were proud to sacrifice for their country, "Obama continued "I wasn't asking for blood, just money. With the country facing the worst financial crisis in its history, I'd have thought that the patriotic thing to do would be to try to help reduce the nation's deficit. I guess I underestimated the selfishness of some of my fellow Americans."

Please pass this on to every one including every vet and their
families whom you know. How in the world did a person with this mindset become our leader? I didn't vote for him!!! REMEMBER THIS STATEMENT... "Nobody made these guys go to war. They had to have known and accepted the risks. Now they whine about bearing the costs of their choice?" If he thinks he will ever get another vote from an Active Duty,

Reserve, National Guard service member or veteran of a military service he ought to think it over.. If you or a family member is or has served their country please pass this to them. Please pass this to everyone.

I’m guessing that other than the 20-25 percent hardcore liberals in the US will agree that this is just another example why this is the worst president in American history. Remind everyone over and over how this man thinks, while he bows to the Saudi Arabian king.

The rate of homeownership in the United States may fall in coming years as households rebuild equity wiped out by the worst slump since the Great Depression, according to a study by economists at the Federal Reserve Bank of New York.

Andrew Haughwout, Richard Peach and Joseph Tracy wrote in a paper posted on the bank’s Web site that owners whose mortgages are larger than the properties are worth “very likely will convert officially to renters,” assuming prices don’t climb in the next several years, they said.

U.S. homes have lost about $5.9 trillion in value since the market’s peak in March 2006 as mounting foreclosures and the recession weighed on prices, according to Zillow.com.

The homeownership rate peaked at 69 percent in 2006 and has since dropped to 67.3 percent, a level not seen since 2000, according to the study.

A drop in homeownership would have broader implications for the economy, boosting the national savings rate, the economists wrote.

Monarch Financial Holdings of Chesapeake, Va., said Wednesday that it has repaid the $14.7 million it owed the U.S. government under the Troubled Assets Relief Program. Monarch Financial, the holding company for Monarch Bank, said that it remains well capitalized after the repayment, in part due to a recently completed $20 million public stock offering.

Warren Buffett’s Berkshire Hathaway reported 21,000 fewer employees than it had at the end of 2008 amid a slump at the firm’s manufacturing and retail units.

Berkshire and its subsidiaries have about 225,000 workers, the Omaha company said this week in a regulatory filing. That’s 8.6 percent lower than the 246,083 disclosed in its 2008 annual report.

Buffett is a director of The Washington Post Co. and the largest non-family shareholder.

U.S. retail sales rose an estimated 3.6 percent this holiday season from a year earlier, signaling a higher-than-forecast outcome helped by an extra shopping day.

A jump in purchases the week before Christmas helped year- over-year electronics sales increase 6 percent from Nov. 27 to Dec. 24, and 5.9 percent from the period starting Nov. 1, MasterCard Advisors’ SpendingPulse said in a statement yesterday. Jewelry and luxury sales also gained, it said.

Christmas fell on a Friday this year, compared with a Thursday last year, giving retailers an additional day of sales. Excluding the extra day would temper the increase “anywhere from 2 percent to 4 percent,” SpendingPulse said. Improving consumer sentiment aided holiday sales of discretionary items, said David Schick, an analyst with

Stifel Nicolaus & Co. in Baltimore.

A one-page proposal gaining traction in Congress could turn back the clock on Wall Street 10 years, forcing the breakup of banks, including Citigroup Inc.

Lawmakers in both parties, seeking to prevent future financial crises while soothing public anger over bailouts and bonuses, are turning to an approach that's both simple and transformative: re-imposing sections of the 1933 Glass-Steagall Act that separated commercial and investment banking.

Those walls came down with passage of the Gramm-Leach- Bliley Act of 1999. A proposal to reconstruct them, made by U.S. Senators John McCain and Maria Cantwell on Dec. 16, would prevent deposit-taking banks from underwriting securities, engaging in proprietary trading, selling insurance or owning retail brokerages. The bill could also force the unwinding of deals consummated during the financial crisis, including Bank of America Corp.'s acquisition of Merrill Lynch & Co.

"The impact on Wall Street would be severe," Wayne Abernathy, an executive vice president at the American Bankers Association, said in a telephone interview.

Resurrecting Glass-Steagall goes beyond the array of new regulatory powers that President Barack Obama has proposed to fix the financial system. It has also sparked debate among academics, regulators and legislators over whether the Depression-era law could have prevented the crisis of 2008 or might help avoid future ones.

A 26-mile-long line of idled oil tankers, enough to blockade the English Channel, may signal a 25 percent slump in freight rates next year.

The ships will unload 26 percent of the crude and oil products they are storing in six months, adding to vessel supply and pushing rates for supertankers down to an average of $30,000 a day next year, compared with $40,212 now, according to the median estimate in a Bloomberg News survey of 15 analysts, traders and shipbrokers. That's below what Frontline Ltd., the biggest operator of the ships, says it needs to break even.

Traders booked a record number of ships for storage this year, seeking to profit from longer-dated energy futures trading at a premium to contracts for immediate delivery, according to SSY Consultancy & Research Ltd., a unit of the world's second- largest shipbroker. Ships taken out of that trade would return to compete for cargoes just as deliveries from shipyards' largest-ever order book swell the global fleet.

"The tanker market has been defying gravity," said Martin Stopford, a London-based director at Clarkson Plc, the world's largest shipbroker. Stopford has covered shipping since 1971.

More than half of the ships are in European waters, with the rest spread out across Asia, the U.S. and West Africa. Lined up end to end, they would stretch for about 26 miles.

A new Rasmussen Reports national telephone survey finds that 30% of voters nationwide believe the $787-billion economic stimulus plan has helped the economy.

However, 38% believe that the stimulus plan has hurt the economy. This is the first time since the legislation passed that a plurality has held a negative view of its impact.

http://www.rasmussenreports.com/public_content/business/economic_stimulus_package/december_2009/for_first_time_plurality_believes_stimulus_plan_hurt_the_economy

States that have already broadly expanded health care coverage are pushing back against the Senate overhaul bill, arguing that it unfairly penalizes them in favor of states that have done little or nothing to extend benefits to the uninsured. With tax revenues down and budgets breaking, the states — including Arizona, California, New Jersey, New York and Wisconsin — say they cannot afford to essentially subsidize other states' expansion of health care.

The bill passed by the Senate on Thursday would move toward universal health insurance coverage in large part by expanding Medicaid, a program whose costs have traditionally been shared by the states and the federal government.

The Obama administration's decision to cover an unlimited amount of losses at the mortgage- finance giants Fannie Mae and Freddie Mac over the next three years stirred controversy over the holiday. The Treasury announced Thursday it was removing the caps that limited the amount of available capital to the companies to $200 billion each.

Unlimited access to bailout funds through 2012 was "necessary for preserving the continued strength and stability of the mortgage market," the Treasury said.

"The timing of this executive order giving Fannie and Freddie a blank check is no coincidence," said Rep. Spencer Bachus of Alabama, the ranking Republican on the House Financial Services Committee. He said the Christmas Eve announcement was designed "to prevent the general public from taking note."

Amy Crews Cutts, deputy chief economist at Freddie Mac, said interest rates are bound to rise to 6 percent by the end of 2010 because private buyers will demand a higher rate of return on the securities than the Fed did.

The U.S. government's expanded capital backstops and portfolio limits for Fannie Mae and Freddie Mac increase "the prospect of large-scale" purchases by the companies of delinquent mortgages out of the securities they guarantee, according to Credit Suisse Group analysts.

The Treasury Department announced Dec. 24 that the two mortgage-finance companies, which were seized by the U.S. almost 16 months ago, could tap an unlimited amount of capital for three years, up from as much as $200 billion each. It reworked caps on Fannie Mae and Freddie Mac's mortgage-asset portfolios to require the holdings to fall to $810 billion each by Dec. 31, 2010, rather than about $690 billion.

"This announcement increases the prospect of large-scale voluntary buyouts by removing the portfolio cap hurdle and helping funding by potentially increasing debt-investor confidence," Mahesh Swaminathan and Qumber Hassan, the Credit Suisse debt analysts in New York, wrote in a report yesterday.

Analysts including those at Credit Suisse and JPMorgan Chase & Co. have been predicting a spike in the companies' buyouts of loans from their securities early next year. Aside from more purchases being required by the debt's contracts as additional loans get modified under the Home Affordable program or fall more than two years past due, accounting-rule changes will force all loans in their securities onto their balance sheets, limiting the financial impact of actually buying them.

"Debts must be collected and loans and mortgages foreclosed as soon as possible. When through a process of law, the common people have lost their homes they will be more tractable and more easily governed by the strong arm of the law, applied by the central power of wealth, under control of leading financiers. People without homes will not quarrel with their leaders. This is well known among our principal men now engaged in forming an imperialism of capital to govern the world. By dividing the people we can get them to expand their energies in fighting over questions of no importance to us except as teachers of the common herd. Thus, by discreet action we can secure for ourselves what has been generally planned and successfully accomplished." Civil Servants Year Book, The Organizer 1934