Attempts to defuse a Financial Scandal involving Goldman Sachs and the Mega Banks

More Bank Failures in the US

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As the world faces an ongoing sovereign debt debacle we see an attempt to defuse an oncoming scandal involving Goldman Sachs, Paulson and perhaps others.

The collapse of the fiat money system is underway and each day picks up momentum. The only question is how long it can survive? In the interim we are faced with inflation and perhaps hyperinflation as the privately owned Federal Reserve and other central banks add stimulus and money and credit into their financial systems.

As we have mentioned over and over again no nation or combination of nations has ever been successful in spending their way out of economic and financial depression. Historically they create another war to extricate themselves. America's system of finance and economy has been deliberately destroyed via regulation, illegal immigration and free trade, globalization, offshoring and outsourcing. We wrote about these issues and tactics as long ago as 1967. Taxes on both individuals and corporations are still onerous, the exception being the rich who pay far less than their fair share. By the way taxes will increase in the future and government may in the future attempt to take away your retirement plans and replace them with guaranteed annuities. We ask how can a bankrupt government guarantee anything? America and the rest of the world are realizing that you cannot live beyond your means indefinitely. The resultant poverty that eventually results is accompanied by the theft of wealth by inflation, subtly and secretly.

We have witnessed over the past few years a long line of frauds that usually accompany the collapse of a system. They are accompanied by government malfeasance and the arrogance of those who defraud the system with impunity. How can any nation survive if their currency and their bonds are worthless?

Someone's loss is someone else's gain and in this turmoil you can do two things. One is to protect your assets and the other is to capitalize on your knowledge. Do not allow the elitists to take your hard earned savings. It is our belief that 60% of sovereign debt will never be repaid.

The government is injecting a minimum of $1.5 trillion into the economy each year, as the Fed is adding at least $1 trillion. We are facing an end to stimulus and further Fed injections. If that happens it will thrust the US economy into a great dark pit a year from now. Then the insolvency of banking, Wall Street and government will become very apparent. What government has done is lie about everything, especially the amount of money they have thrust into the economy, via bailouts of the entire financial sphere and the manipulation of markets. If they had not done what they did the system would have collapsed long ago. What they have done has only delayed the inevitable. As we look back 50 years all we have seen is one crisis after another. There has never really been a meaningful recovery. The result is that Keynesian economics has had American economy on a roller coaster going nowhere. We have wasted opportunities and have destroyed our financial and economic structure to provide for the enrichment of the elitists who from behind the scenes control our economy and the world economy. G-20 debt is staggering, never mind US debt and worse yet, it is unpayable. The so-called recovery we are having is a sad joke. We have just had an interlude in an inflationary depression. The next phase is higher taxation and even more government control. Need we remind you that fascism is government by regulation and this is what we have in America today. Its evolution is a subtle, secret, strangling process. If only people would read the history of Europe during the late 1920s and throughout the 1930s and 40s, you would truly understand what is in process. You must remember Hitler was created at Versailles. Illuminists in the US, UK and across Europe financed both Hitler and Mussolini. Both did not have a clue they were being set up. This is the same thing that is happening in America today and in other countries as well.

We face one round after another of creative destruction. That is why we have real unemployment of 22-1/8%, almost as bad as during the 1930s. Banks are only selectively lending, so as a result the economy cannot grow. Inflation is 8%; wages are static, so buying power has been crippled. This predicament should be called corporatist fascism or socialism for the elitists and as a result 92% of small business polled said they see no recovery for 14 to 18 months. How can those who hire 80% of workers create new jobs – they cannot and won’t. That means there can be no sustained recovery.

This leads us to the frauds on Wall Street and banking. We have pointed out for some time that Wall Street and banking had turned into a criminal enterprise. They always skated down the edge, but nothing like what we have seen over the past 20 years. Having been in the brokerage industry for 28 years and around it for 50 years we have been in a position to observe it closely. Today it’s massively rife with criminality. The exposure of Lehman’s crimes in hearings has been unprecedented. We wonder how many other firms did the same thing and their actions were covered up by the Fed and the SEC, as well as the CFTC? They are still underestimating debt levels by 40 to 50 percent, which means their focus reports are useless. The spirit of honesty and integrity still doesn’t exist. They are essentially keeping two sets of books and that makes their financial statements useless and fraudulent. That doesn’t bother the SEC, the BIS, the FASB, the Treasury or the Fed; they supervise the lawbreaking. Debt levels are massively understated by keeping two sets of books and by marking-to-model, fantasy, not to market. All of this is a result of the termination of the Glass Steagal Act. It is all fraud, even if the government sanctions it. They are all acting in concert to screw the investor and the public. These people are all criminals. The excuse is that they are too big to fail. It is all fraud no matter which way you cut it. This is a criminal syndicate that should legally be out of business – bankrupt. They are all being bailed out, but we do not see the public being bailed out. The bailout of banking, Wall Street and insurance is still in process and there is no end in sight. There are two sets of laws. One for the Illuminists/elitist and another for us. Congress won’t do anything about it because most of them have been paid off. That is what campaign contributions and lobbying are all about. We espoused these views in university almost 60 years ago, and the only reason our views were tolerated was that we had two uncles who were professors at the university.

The only chance Americans have legally is to kick all incumbents out of office in November.

If they do not do that they are doomed. Our elected representatives and senators are crooks and fraudsters. They do not believe in the Constitution, nor do they care about representing their constituents. Governmental employees have looted the public sector by their salaries and benefits, which are preposterous and unpayable. Everyone has their hand in the till, as the debt piles higher and higher. There is going to come a time shortly when salaries and benefits will have to be cut and when that happens the uproar could shut down the country.

As a political payoff the president has decreed that federal construction work will only go to union shops, which leaves out 85% of the rest of the contractors. This should add 25% to costs. Incidentally, unemployment benefits are being scheduled to last forever. Karl Marx and Adolph Hitler must really be amused.

We now live in a country of legalized corruption run by fascists and even though people are waking up we could be too late.

Taxes will rise substantially this year and next year because your representatives and senators know the government is broke. Among other things the medical reform bill is a tax bill as well.

Government is the problem but they are really useful idiots. The real power lies with the Illuminist behind the scenes. The financial sector is broke and it is unfixable. They know that and they are trying to stretch out the problem as far as possible to pick the right date to pull the deflationary plug.

If all this weren't bad enough the Dodd bill in the Senate would create a permanent bailout mechanism that would create more risky behavior that would lead to perpetual bailouts for the financial industries. This is not financial reform, it is more corporatist fascism. To show you how bought and paid for Senate Banking Committee members are, the bill was voted out in 22 minutes with no amendments and no debate allowed. That is not democracy in action. The bill will now be rushed to the floor and passed.

The bill would also create a $50 billion bailout slush fund controlled by the FDIC and a new FDIC tax would be implemented on banks, which, of course, would be passed onto the public in higher banking costs.

The bill would also bail out creditors of companies. The slush fund would cover that as well. They call this riskless investment for corporate America and any bills would be picked up by the banks and passed on to Americans. We will then have hundreds or thousands of AIGs and GM's. You ask yourself where does this all end? Read the history of the late1920s and into the 1930s of Italy and Germany and you will find out.

As the Senate and the House do the work of the bankers the bond market is in the process of sinking as yields rise. Higher rates, which we predicted last November, will become reality by the end of the year. A move by the US 10-year note from 3.20% to 4.5% or 5% will be the kiss of death for the mortgage industry. The 10-year yields 3.79% and the 30-year fixed rate mortgage is 5.07%. If 10's go to 4.5%, mortgages will rise to 5.80% and a 5% ten-year note would work out to a 6.3% 30-year.

An increase in rates from 5.07% to 6.07% would add 19% to the total cost of a home, which means that any long-term recovery in housing is out of the question and that residential values would have to fall further as fewer and fewer people could qualify for loans. In fact, all loans would become more expensive, such as for business, credit cards, auto loans, etc. That 1% will increase debt service for the government by about $150 billion a year. This frankly presents the best of all worlds. If foreigners, such as the Chinese, Japanese or Russians became aggressive US bond sellers rates would climb considerably higher, inflicting even more damage to the economy and to US debt.

Most of you do not remember but mortgage rates hit about 18% in 1981, as official inflation hit 14-1/2%. Gold peaked out at $850, some six months earlier. On today’s mortgages that would triple payments on new mortgages and resets. As happened in 1981 the real estate market came to a standstill. Such an event would come when existing household debt is considerably higher. Debt today is already near 90% of GDP. Government debt is colossal, growing every minute and it is unpayable.

The bond market is going down and yields are going up and that is not good. The rise in interest rates has historically brought about higher gold and silver prices, because higher rates bring higher inflation. As we have said over and over again the only safe and profitable place to be is in gold and silver related assets. The storm is now just getting underway.

The MBA Mortgage Purchase Applications Index is 10.1%. The refi index was up to 15.8% versus 9.0% the prior week. The 30-year fixed rate mortgage was 5.04% and the 15’s were 4.34%.

The Treasury will sell $128 billion in notes next week, which is unprecedented. Talk about crowding out.

Governments worldwide will probably issue $4.5 trillion in debt this year, which is triple the 5-year average for industrial nations. Forty-five percent of that debt will be issued by the US.

We are told Russia and China are selling Treasuries and buying gold.

The US commercial paper market rose $1.5 billion to about $1.076 trillion this week.

Our sources within the banking industry tell us that 3-5 bank, First Source, Horizon and several others are in trouble. These are banks that refused TARP money. They have been told to expect an audit and that no further support can ever be expected from the Fed again. Auditors have already hit some of these banks and threatened them. One bank was told they were under capitalized and they were not. They arranged an additional line of credit with another bank and the Fed backed off. This criminal extortion is part of the move to eventual bank nationalization. The industry is hanging by a thread, as huge interest rate increases loom. The system lives on virtual money and that can only end up in real trouble. Again, do not hold CDs, annuities or cash value life policies, especially large balances. Not only banks will go under, but also so will insurance companies.

McClatchy: While Goldman Sachs’ lawyers negotiated with the Securities and Exchange Commission over potentially explosive civil fraud charges, Goldman’s chief executive visited the White House at least four times.

White House logs show that Chief Executive Lloyd Blankfein traveled to Washington for at least two events with President Barack Obama, whose 2008 presidential campaign received $994,795 in donations from Goldman’s political action committee, its employees and their relatives. He also met twice with Obama's top economic adviser, Larry Summers.

Lawrence Jacobs, a University of Minnesota political scientist, said that "almost everything that the White House has done has been haunted by the personnel and the money of Goldman. as well as the suspicion that the White House, particularly early on, was pulling its punches out of deference to Goldman and its war chest.

"There's now kind of a magnifying glass on the administration for any sign of interference or conversations with the regulators and the judiciary," Jacobs said.

http://www.mcclatchydc.com/2010/04/21/92637/goldmans-connections-to-white.html

Goldman Sachs was both an underwriter and an investor in

Lloyds Banking Group's vast refinancing deal late last year, the FT has learned, highlighting the potential conflicts of interest at the heart of the investment bank's business model.

According to four people involved in the capital raising, Goldman – a dealer manager on the debt portion of the £23.5bn transaction – demanded last-minute changes to the structure of a deal it was underwriting. This had the effect of benefiting its position as a bond investor.

A Goldman director tipped off Galleon's Raj Rajaratnam about a $5 billion investment in Goldman by Berkshire Hathaway before a public announcement.

The revelation marks a significant turn in the government's case against Rajaratnam, the hedge-fund titan at the center of the largest insider-trading case in a generation.

After the SEC tagged Goldman, we opined that Bubblevision, or for that many virtually all pundits and media types, did not mention Buffett's association with Goldman or how Buffett demanded and got heads after the Salomon-Treasury Auction rigging scandal. Maybe now someone will ask Warren about Goldie.

Buffett spokesman, Thomas Murphy surfaced last night, to say Buffett has 'great confidence' in Goldie.

Current economic policies are not sustainable and the world faces doom because "the governments are taking over", said Marc Faber, editor & publisher of The Gloom, Boom & Doom Report.

"They will all bankrupt us and expropriate us, but it may not happen tomorrow. They'll give us something to play with, until the whole system breaks down…they'll just print money and print more money," he said on CNBC Thursday.

The Fed balance sheet declined $1.722B. There was insignificant MBS activity. Last week (expiration), the Fed monetized $33B of MBS even though the Fed said that scheme had ended. Fed apologists said the Fed had to settle $70B of MBS. We asked why the Fed didn't settle any MBS the week prior to expiration. Why didn't they settle the purported $37B that still remains? They will at the next expiry.

Consumer Metrics pontificates about one of our pet themes: The average manufacturing workweek has been a noisy contributor to the LEI over the past year — in fact, it made the most negative contribution to the LEI as recently as last month. Again, in theory, rising workweeks are a good sign for the economy.

But this indicator can suffer from the same kinds of survivor bias found in many other questionnaire-based data: questionnaires are only returned by surviving firms and only reflect employees still on the payroll. People still on manufacturing payrolls may have their hours boosted purely as a consequence of needing to cover for other recently laid off former coworkers. A positive number is welcome, but the key question is whether the increased hours are because of new orders or fewer bodies.

U.S. mortgage applications bounced from three-month lows last week as potential buyers locked in lower borrowing costs before the federal tax credit expires, the Mortgage Bankers Association said on Wednesday.

Thirty-year mortgage rates dropped to hover around 5 percent, stoking home loan demand after applications slid for two straight weeks.

Refinancing picked up by 15.8 percent to represent 60 percent of all applications last week. Demand for loans to buy a home increased 10.1 percent to send the industry group's total applications index up 13.6 percent on a seasonally adjusted basis.

"Purchase applications continued to increase coming out of the Easter holiday, as we approach the end of the homebuyer tax credit, and are up modestly over last month," said Michael Fratantoni, MBA's vice president of research and economics.

Falling Treasury yields, used as a peg for mortgage rates, helped reduce the average 30-year loan rate by 0.13 percentage point to 5.04 percent.

The rate was up to 5.31 percent two weeks earlier, the highest since August 2009, and remains above the record low of 4.61 percent set in March of last year.

Harsh winter weather sapped housing demand in the first months of the year. The initial wave of the homebuyer tax credit, extended and broadened late last year, were seen having robbed some of this year's demand.

But some signs have emerged that buyers are surfacing to lock in the credit while they can. If they qualify for the incentives of up to $8,000, they need to have home contracts signed by the end of April and close loans by June 30.

Permits to build houses, for example, in April shot up to the highest level since October 2008. To read more, see [ID:nN16220782].

At best, though, housing is widely seen hovering around current weak levels at least through the year. The market still needs to work through a record stockpile of foreclosed properties, which RealtyTrac forecasts could drag into 2013. Read more at [ID:nNYS007912].

Jack Pritchard, Charlotte, North Carolina-based co-founder of Refinance.com, sees rising mortgage rates later this year and the expiration of the tax credits cutting into home sales and refinancing.

"The spring housing season, even with the tax credit, would be considered stable — but stable at the bottom," he said.

“You’ve got a consumer trying to time the ultimate bottom in real estate prices and you still have extremely tight credit standards for consumers to qualify,” Pritchard added.

FOX Business Network has expanded its quest for documents from the Federal Reserve in order to shed light on which financial firms borrowed funds during the financial crisis.

The network filed its new suit this afternoon in New York requesting documents from the Federal Reserve Board of Governors that will name each financial institution that borrowed from the various emergency lending facilities from November 1, 2008 through March 1, 2010. FOX Business originally sued the Fed for those documents but for a time period that ended on November 1, 2008.

The network scored a major victory in the original suit when the second circuit court of appeals ruled that the Fed had to turn over the requested documents. The Federal Reserve is expected to ask the court to reconsider the case and has said it is willing to take the case to the Supreme Court if necessary to protect the identity of the firms which received billions in taxpayer-backed guarantees.

The new suit expands the date through 2010 to learn which firms continued to seek emergency lending after the initial crisis had passed. FOX Business is also attempting to learn how much each individual institution received.

The U.S. Federal Reserve said on Wednesday it transferred a record $47.4 billion to the U.S. Treasury in 2009 as a result of its programs to help the economy and financial firms during the financial crisis.

The increase in income was primarily due to interest earnings on mortgage-backed securities issued by government supported mortgage finance agencies, the Fed said.

Some of the data in the Fed’s 2009 annual financial statement revises estimates released in January.

The 12 Fed regional banks are required to transfer their profits to the Treasury after paying dividends to member banks and retaining some of their surplus.

Fed officials said the U.S. central bank’s payment to the Treasury in 2009 was a $15.7 billion, or 50 percent, increase over 2008. The previous record was $34.6 billion in 2007, and the pre-crisis level was around $20 billion, Fed officials told reporters.

The Fed took unprecedented actions to prop up the economy during the storm but has been under fire from lawmakers on Capitol Hill over financial firm bailouts and regulatory lapses.

The credit risk on the Fed’s balance sheet is down sharply as its loans have decreased and Treasury and government-sponsored mortgage finance agency securities make up a larger share of the central bank’s assets, a Fed official said.

Financial reforms are a top priority for President Barack Obama, and news that the U.S. central bank has been profitable for taxpayers may strengthen the Fed’s hand as lawmakers decide whether to enhance its powers over banks.

A Senate committee on Wednesday approved a bill aimed at reforming the derivatives market, moving the Senate one step closer to passing sweeping regulation over the $450 trillion derivatives market.

The Senate Agriculture Committee approved the legislation by a vote of 13 to 8, with one Republican, Charles Grassley, breaking ranks to vote with Democrats.

The measure, part of the Democrats push to crack down on Wall Street, is expected to be merged into a broader bill from the Senate Banking Committee. A full Senate debate is expected by next week.

Its passage through the committee was a first test of how strongly Democrats are willing to push reform and how easily Republicans may be prepared to play ball.

Regulators charged a Miami Beach, Florida, philanthropist with fraud for allegedly running a $900 million Ponzi scheme, the Securities and Exchange Commission said on Wednesday.

Nevin K. Shapiro, a major donor to the University of Miami’s sports program, sold investors securities that he claimed would fund his Capitol Investments firm’s grocery business and touted returns as high as 26 percent annually, the SEC said.

Instead, Shapiro repurposed funds, making extravagant donations to charities and running a Ponzi scheme where he used funds from new investors to pay the principal and interest to earlier investors, the SEC said.

The 41-year-old Shapiro surrendered to authorities Wednesday morning in New Jersey, his lawyer said.

According to the SEC, Shapiro used at least $38 million of investor funds to finance other business activities and a lavish lifestyle, including a $5 million home in Miami Beach, expensive clothes and season tickets to sporting events.

To raise funds, Shapiro attracted investors through word of mouth from friends and business associates, and reassured investors by boasting of his wealth, the SEC said.

When investors questioned Shapiro, he showed them fabricated invoices and purchase orders for nonexistent sales, the SEC said.

The University of Miami named a student athlete lounge after Nevin K. Shapiro, according to the website of the university’s football team. The website referred to the “tremendous philanthropic support he provides.”

The University of Miami sports department did not return a telephone call seeking comment.

The website of the Miami Hurricanes, the University of Miami football team, lists Shapiro as “an ardent, devoted, intense supporter of the University of Miami Athletics.”

Washington State National Guard recruiters repeatedly forged re-enlistment papers in a desperate attempt to hold on to soldiers in the run-up to the Iraq war surge, a local news channel’s investigation has found.

In one case, a soldier found himself fighting against deployment to Iraq after re-enlistment papers with his signature on it appeared even though he never signed any such papers, reports Chris Ingalls at KING channel 5 news in Seattle.

And in another case, a sergeant who had signed up for a one-year tour of duty was shocked to discover his enlistment papers stated he had signed up for two years.

Former soldier Michael Patrick sounded the alarm when he discovered forged re-enlistment papers with his name on them.

“Sounds crazy,” Michael Patrick told KING 5. “Sounds like something from a movie.”

Existing home sales increased by 6.8%, good for a total of 5.35 million units, in March, thereby reversing three months of declining sales. This growth beats market forecasts of a more modest 5.6% increase. In related data, the US housing price index fell 0.2% in February. This marks the third consecutive month of falling home prices.

The Producer Price Index for the US grew 0.7% in March, beating forecasts of a 0.5% rise over February’s 0.6% decline. Year-over-year, the PPI increased 6.0% in March compared to February’s annual 4.4% boost. This growth is in line with expectations. The PPI excluding food and energy prices rose an expected 0.1% in March, thereby matching February’s rate. Year-over-year, the PPI excluding food and energy increased as forecast by 0.9% in March, slightly down from February’s 1.0% growth.

February Housing Price Index declines 0.2% MoM in March vs a 0.6% decline in February

The number of Americans filing claims for unemployment benefits fell last week as the rebounding economy prompted companies to make fewer job cuts.

Initial jobless applications dropped by 24,000 to 456,000 in the week ended April 17, the Labor Department said today in Washington. The number of people receiving unemployment insurance and those getting extended benefits also fell.

Employers enjoying improved sales and profits may be gaining confidence in the economy and retaining staff. A transition from less firing to consistent job growth will ensure the recovery from the deepest recession since the 1930s is sustained.

“The state of the job market is firming,” said John Herrmann, a senior fixed-income strategist at State Street Global Markets LLC in Boston, who forecast claims would fall to 458,000. Companies are “actually retaining headcount and growing.”

Economists anticipated claims would fall to 450,000 from a previously reported 484,000 the prior week, according to the median of 47 projections in a Bloomberg News survey. Estimates ranged from 430,000 to 480,000.

Sales of U.S. previously owned homes rose in March for the first time in four months as buyers took advantage of a government tax credit and the weather improved. Purchases climbed 6.8 percent to a 5.35 million annual rate, exceeding the median forecast of economists surveyed by Bloomberg News, data from the National Association of Realtors showed today in Washington. New applications for jobless benefits declined and producer prices rose, Labor Department reports showed.

A homebuyer incentive worth as much as $8,000 for contracts closed by the end of June may provide a short-term boost to the industry that helped trigger the worst recession since the 1930s. Housing’s outlook for the second half of the year will be linked to a rebound in hiring, indicating a recovery will probably take years to develop as foreclosures climb.

Sales of new homes surged 27 percent last month, bouncing off the previous month's record low and blowing past expectations as better weather and government incentives boosted sales.

The Commerce Department said Friday that new home sales rose in March to a seasonally adjusted annual sales pace of 411,000. It was the strongest month since last July and the biggest monthly increase in 47 years.

Economists surveyed by Thomson Reuters had expected a sales pace of 330,000. February's results were revised upward to 324,000, but remained an all-time low. Sales had been especially weak over the winter, partly due to bad weather in much of the country.

The median sales price was $214,000, up more than 4 percent from a year earlier but down more than 3 percent from February.

The new home sales report reflects signed contracts to purchase homes rather than completed sales and thus gives economists a feel for how many buyers were out shopping for new homes in a given month.

It is likely capturing consumers who are trying to qualify for federal tax credits that will expire at the end of this month. The government is offering an $8,000 credit for first-time buyers and $6,500 for current homeowners who buy and move into another property.

For large regional banks, the bread-and-butter business of lending remains challenging.

The loan books at a string of regional banks reporting first-quarter results continued to shrink. The banks' earnings from the lending business hardly fared any better.

Bankers continue to bemoan the lack of what they consider credit-worthy borrowers taking out loans that would lift lending income and brighten the revenue outlook for future quarters. Borrowers aren't even doing much to tap their existing lines of credit.

The enervated condition of regional banks, and their resulting lackluster earnings, stand in contrast to the buoyant profits earned by big banks

Legislation to regulate the $605 trillion derivatives market is reaching beyond issues that threatened the financial system two years ago and may impede the market, according to industry leaders.

U.S. Senate legislation that would require traders to instantly report prices and execute contracts on exchanges or facilities resembling exchanges won't lessen risk to the financial system, said Robert Pickel, executive vice chairman of the International Swaps & Derivatives Association. The Federal Reserve demanded dealers curb such risks since the bankruptcy of Lehman Brothers Holdings Inc. and near-failure of Bear Stearns Cos. in 2008.

"Our focus has always been on reform that dealt with the issues at hand — systemic risk and interconnectedness," Pickel said in an interview before the start today of the group's annual conference in San Francisco. "Exchange trading or real time price reporting doesn't further any of those goals."

The industry and lobbying organization will defend the market this week as President Barack Obama and Congress push to complete legislation that would bring trading under government oversight for the first time in 30 years. Under Senate legislation, the most actively traded swaps would be moved through clearinghouses designed as a safety net for the financial system.

House prices fell 0.2% on a seasonally adjusted basis from January to February, the Federal Housing Finance Agency's monthly House Price Index shows today (22 April).

The previously reported 0.6% decline in January was unchanged.

For the 12 months ending in February, US prices fell 3.4%.

The US index is 13.3% below its April 2007 peak.

The FHFA monthly index is calculated using purchase prices of houses backing mortgages that have been sold to or guaranteed by Fannie Mae or Freddie Mac. For the nine Census Divisions, seasonally adjusted monthly price changes from January to February ranged from –1.7% in the South Atlantic Division to +1.9% in the Middle Atlantic Division.

Caring for soldiers suffering from post-traumatic stress disorder (PTSD) and other mental illnesses is costing the federal government billions of dollars a year, and will continue to do so for years to come. According to an analysis of Department of Veterans Affairs' records by the Chicago Tribune, the VA spent $5.6 billion last year to treat mental disabilities. While these costs included treating veterans from previous wars, such as Vietnam and the Persian Gulf, the ballooning expenses have been driven largely by soldiers serving in Afghanistan and Iraq.

The Chicago Tribune found mental illness-related disability costs have soared 76% since 2003, "burdening an already overwhelmed system and underscoring the reality that the biggest costs of war are not often immediate or visible."

One military survey of about 100,000 veterans of the Afghanistan and Iraq wars showed that 31% had been diagnosed with mental health or psychosocial problems.

The Bureau of Labor Statistics (BLS) today released their Producer Price Index (PPI) report for March 2010 and the latest numbers are shocking. Food prices for the month rose by 2.4%, its sixth consecutive monthly increase and the largest jump in over 26 years. NIA believes that a major breakout in food inflation could be imminent, similar to what is currently being experienced in India.

Some of the startling food price increases on a year-over-year basis include, fresh and dry vegetables up 56.1%, fresh fruits and melons up 28.8%, eggs for fresh use up 33.6%, pork up 19.1%, beef and veal up 10.7% and dairy products up 9.7%. On October 30th, 2009, NIA predicted that inflation would appear next in food and agriculture, but we never anticipated that it would spiral so far out of control this quickly.

The PPI foreshadows price increases that will later occur in the retail sector. With U-6 unemployment rising last month to 16.9%, many retailers are currently reluctant to pass along rising prices to consumers, but they will soon be forced to do so if they want to avoid reporting huge losses to shareholders.

Food stamp usage in the U.S. has now increased for 14 consecutive months. There are now 39.4 million Americans on food stamps, up 22.4% from one year ago. The U.S. government is now paying out more to Americans in benefits than it collects in taxes. As food inflation continues to surge, our country will soon have no choice but to cut back on food stamps and other entitlement programs.

Most financial experts in the mainstream media are proclaiming that the recession is over and inflation is not a problem in the U.S. Unfortunately, they fail to realize that rising food and gasoline prices accounted for 58% of February's year-over-year 3.85% rise in retail sales. NIA believes price inflation is beginning to accelerate in many areas of the economy besides food and energy, and all increases in U.S. retail sales this year will be entirely due to inflation.

Durable goods orders fell by 1.3% in March, down from February's 1.1% increase, which itself was revised upwards from 0.5%. March's decline disappoints market expectations of 0.1% growth. Excluding transportation products, orders rose 2.8% in March. This far exceeds both February's 1.7% increase as well as forecasts of a much more modest 0.6% increase.

Orders for durable goods excluding transportation surged in March by the most since the recession began in December 2007, adding to evidence the U.S. recovery is broadening and strengthening.

The 2.8 percent increase in bookings for goods meant to last at least three years, excluding cars and aircraft, was four times larger than the median forecast of economists surveyed by Bloomberg News, figures from the Commerce Department showed today in Washington. Total orders unexpectedly dropped 1.3 percent, depressed by a 67 percent plunge in demand for commercial aircraft that is often volatile.

The number of foreclosures in Massachusetts increased dramatically last month as more homeowners fell behind on mortgage payments or lost homes to lenders — a sign the housing market's recovery remains tenuous, real estate specialists say.

Petitions, the first phase of a foreclosure process, rose in number to 2,581 in March, a 21.6 percent increase from February, according to data released yesterday by Warren Group, a Boston company that tracks local real estate.

Foreclosure deeds, filed when a homeowner officially loses title to a property, surged to 1,389 in March — 51.4 percent more than in February and the highest number for any month in more than a year.

The rise in foreclosures compounds existing problems for neighborhoods plagued by abandoned and neglected properties. But how the swelling numbers affect the housing market, which has been boosted recently by growth in sales and prices, is unclear.

The FDIC Friday Night Follies:

Seven U.S. banks were closed by regulators Friday, bringing the total number of bank failures for the year to 57. The seven banks are all based in Illinois, and include Wheatland Bank, Peotone Bank and Trust Company, Lincoln Park Savings Bank, New Century Bank, Citizens Bank & Trust Company of Chicago, Amcore Bank and Broadway Bank. Broadway Bank is run by the family of U.S. Senate candidate Alexi Giannoulias. The seven bank failures combined will cost the federal deposit insurance fund $973.9 million, according to the Federal Deposit Insurance Corp.

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