Bank Failures in the United States

Market Review

By Bob Chapman
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We had a bank go on Thursday and now we have a continuation of the Friday Night FDIC Financial Follies.

Federal and state regulators closed two small Arizona banks Friday evening, but depositors won't feel any pain.

Phoenix-based Community Bank of Arizona and Union Bank in Gilbert were shuttered, with deposits of both institutions purchased by Oklahoma-based MidFirst Bank.

Regulators also closed three other banks elsewhere around the country on Friday, raising the year-to-date total to 77.

Much to their dismay, Americans learned last year that they 'owned' Fannie Mae and Freddie Mac. Well, meet their cousin, Ginnie Mae or the Government National Mortgage Association, which will soon join them as a trillion-dollar packager of subprime mortgages. Taxpayers own Ginnie too. Only last week, Ginnie announced that it issued a monthly record of $43 billion in mortgage-backed securities in June. Ginnie Mae President Joseph Murin sounded almost giddy as he cheered this 'phenomenal growth.' Ginnie Mae's mortgage exposure is expected to top $1 trillion by the end of next year—or far more than double the dollar amount of 2007. Ginnie's mission is to bundle, guarantee and then sell mortgages insured by the Federal Housing Administration, which is Uncle Sam's home mortgage shop. Ginnie's growth is a by-product of the FHA's spectacular growth. The FHA now insures $560 billion of mortgages—quadruple the amount in 2006. Among the FHA, Ginnie, Fannie and Freddie, nearly nine of every 10 new mortgages in America now carry a federal taxpayer guarantee.

This past week the Dow fell 0.5%, S&P 0.6%, the Russell 200 fell 1.5% and the Nasdaq 100 fell 0.4%. Banks rose 0.8%, as broker/dealers fell 2%. Cyclicals fell 1.6%; transports 1.2%; consumers 0.2%, as utilities gained 0.2%. High tech fell 0.4%; semis 1.3%; Internet 0.6% and biotechs 0.2%. Gold bullion lost $6.50 and the HUI gold index fell 2.4%.

Two year T-bill yields fell 24 bps to 0.96% and the 10's fell 29 bps to 3.57%, as German bunds fell 19 bps to 3.31%.

Fed credit expanded $11.4 billion. Fed foreign holdings of Treasury and Agency debt rose $5.5 billion to a record $2.816 trillion. Custody holdings for central banks rose at a 19.3% rate ytd and yoy up 17.6%.

M2 narrow money supply fell $42 billion to $8.324 trillion, having expanded at a 2.6% rate ytd and 17.6% yoy.

Total money fund assets declined $12.8 billion to $3.594 trillion. The dollar fell 0.2% last week to 78.79.

Many things affect markets. Other markets, superfluous liquidity, fiscal and monetary policy, and public perception. Professionals are the first to react to changing conditions. We must not, of course, leave out the negatives, such as staggering climbing unemployment, foreclosures, bankruptcies and a general malaise, which temporarily is being offset by greatly loosened monetary conditions.

We are in a five month bear market rally that has carried the Dow from 6600 to 8500, where we believed it would end, and on to almost 9400. This constitutes a 50% move in the Dow from mid-March and a 6.2% move for the year, while the economy experiences the worst economic and financial debacle since the "Great Depression." This rally is quite similar to the rallies of 1930 and 1932 – so do not get fooled as investors did. This is the time to be selling if you are still in the market or have cash value life policies or annuities.

Recent data shows us there is if anything only a slight flattening to the downside. Retail sales continue to fall in spite of cash for clunkers as thousands of used car dealers go out of business because the clunkers are being destroyed rather than being resold. In fact, July sales fell the most since March. That is certainly not a green shoots event. Even consumer confidence fell to the lowest level since March.

July foreclosure figures were at a record 360,149, up 7% on June and up 32% yoy. In addition bankruptcies were up 34% yoy.

There was positive news out of Asia and Europe, as a flattening out seemed to be occurring there as well. Needless to say, a wide array of governmental and stock market pundits tell us the recession is over. This is the same group that told us that eight months after the fall, one year after the highs and 1-1/2 years after the credit crisis began that the recession was over. A crisis caused by banks and Wall Street, the result of which was they're being bailed out by the Federal Reserve and our government.

Wholesale inventories have fallen and that is normal when consumers are buying less. Capacity utilization is still terrible even though vehicle production has increased abnormally. We do not for a second believe the doctored non-farm productivity figures, just as we cannot believe unemployment, CPI and PPI numbers. Incidentally, all countries are fudging their figures.

Household consumption will continue to fall as residential real estate inventory builds and prices recede another 20%. We are only leveling out because of massive reflation and those who believe in recovery will be sadly disappointed. Consumption is falling and any recovery will fizzle because we have shipped 75% of our manufacturing capability overseas under free trade, globalization, offshoring and outsourcing.

The Obama administration, in a major shift on housing policy, is abandoning George W. Bush's vision of creating an "ownership society'' and instead plans to pump $4.25 billion of economic stimulus money into creating tens of thousands of federally subsidized rental units in American cities.

The idea is to pay for the construction of low-rise rental apartment buildings and town houses, as well as the purchase of foreclosed homes that can be refurbished and rented to low- and moderate-income families at affordable rates.

Analysts say the approach takes a wrecking ball to Bush's heavy emphasis on encouraging homeownership as a way to create national wealth and provide upward mobility for low- and working-class families, especially minorities. Housing and Urban Development Secretary Shaun Donovan's recalibration of federal housing policy, they said, shows that the Obama White House has acknowledged that not everyone can or should own a home.

In addition to an ideological shift, the move is a practical response to skyrocketing foreclosure rates, tight credit, and the economic crisis. [More social engineering. As we have seen since WWII all efforts to create such housing have turned into slums and most had to be destroyed.]

One of the biggest banks in Florida has been shut down by regulators and its assets sold to a rival in a move that underlines the continued frailty of the American banking and property sectors.

Colonial Bank, which was based in Alabama but had flourished in the central Florida property boom, had $25 billion (£15 billion) in assets.

It is the largest American bank to fail since Washington Mutual collapsed at the height of the credit crunch last September, and the fifth-largest American bank failure ever, according to analysts.

Colonial was shut down on Friday by the Federal Deposit Insurance Corporation (FDIC), the government agency that provides a safety net for the customers when banks get into difficulties.

The FDIC said Colonial's 346 branches, which are spread across five states, and most of its assets had been transferred to one of its rivals, BB&T. The switch will make BB&T, based in North Carolina, America's eighth-biggest bank.

The FDIC revealed that it was expecting to take a hit of about $2.8 billion in making good Colonial's losses. The agency has struck a deal that will see it share part of the losses if the loan books it has sold to BB&T turn bad.

Reader's Digest Association Inc. said it will likely file for Chapter 11 bankruptcy protection under an agreement with a majority of its secured lenders to reduce debt by 75 percent to $550 million.

Senior secured lenders will exchange a "substantial portion" of $1.6 billion in debt for equity, the publisher said today in a statement. Some of them will provide a $150 million bankruptcy loan, debtor-in-possession financing, to ensure the company has enough liquidity during its reorganization.

The publisher of the pocket-sized magazine that claims the world's largest readership went private in March 2007, in an agreement with an investor group led by Ripplewood Holdings LLC that saddled it with $1.6 billion in debt just before the advertising market slumped. The magazine's ad sales slipped 7.2 percent to $121.2 million in the first half from a year earlier, according to Publishers Information Bureau data.

Manufacturing in the New York region grew in August for the first time in more than a year, reinforcing signs the worst recession since the 1930s is nearing an end.

The Federal Reserve Bank of New York's general economic index climbed to 12.1, higher than forecast and the first expansion since April 2008, the bank said today. Readings above zero for the Empire State index signal manufacturing is growing.

The Federal Reserve extended by three to six months an emergency program aimed at restarting credit markets, a move that may cushion the commercial real- estate industry from rising defaults and falling prices.

The Term Asset-Backed Securities Loan Facility, with a capacity of as much as $1 trillion, will expire June 30 for newly issued commercial mortgage-backed securities, instead of Dec. 31, the Fed and U.S. Treasury said today in a statement in Washington. For other asset-backed securities and CMBS sold before Jan. 1, the plan was extended three months to March 31.

Property values have fallen 35 percent since peaking in October 2007, according to Moody's Investors Service. That's making it tough for owners to refinance almost $165 billion of mortgages for skyscrapers, shopping malls and hotels this year. The Fed is "paying very close attention," Chairman Ben S. Bernanke said in congressional testimony last month.

The U.S. recession is ending "right now," said Abby Joseph Cohen, a senior investment strategist at Goldman Sachs Group Inc.v [From her lips to God's ears. Last time she made such a prediction she was wrong for 5 years. What a loser.]

Six months after President Obama launched a $787 billion plan to right the nation's economy, a majority of Americans think the avalanche of new federal aid has cost too much and done too little to end the recession.

A USA TODAY/Gallup Poll found 57% of adults say the stimulus package is having no impact on the economy or making it worse. Even more —60% — doubt that the stimulus plan will help the economy in the years ahead, and only 18% say it has done anything to help improve their personal situation.

That skepticism underscores the challenge Obama faces in trying to convince the public that the stimulus has helped turn the economy around. It also could complicate the administration's plans to overhaul the nation's health care system.

"This is a wake-up call for the administration." says House Minority Whip Eric Cantor, R-Va. "People see the stimulus hasn't worked, and now you want to lay on over $1 trillion in a health care plan."

The administration declined to comment on the poll results.

China's $200 billion sovereign wealth fund, which lost big on its ill-timed 2007 Morgan Stanley and Blackstone bets, plans to invest up to $2 billion in U.S. mortgages as it eyes a property market rebound, two people with direct knowledge of the matter said Monday.

China Investment Corp plans to soon invest in U.S. taxpayer-subsidized investment funds that will acquire "toxic" mortgage-backed securities from the nation's banks. CIC believes these assets are a safer bet than buying into the U.S. Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF), the people with direct knowledge said.

CIC is in talks with nine U.S. Treasury-designated Public-Private Investment Plan managers, the sources said.

They include: AllianceBernstein Holding, with sub-advisers Greenfield Partners LLC and Rialto Capital Management LLC; Angelo, Gordon & Co LP with GE Capital Real Estate, a unit of General Electric Co; BlackRock Inc; Invesco Ltd; Marathon Asset Management LP; Oaktree Capital Management LP; Trust Company of the West, a unit of Legg Mason; RLJ Western Asset Management LP, a venture formed by Legg's Western Asset Management unit; and Wellington Management Co LLP.

CIC is expected to decide this month which of the nine PPIP managers will handle its investments in mortgage-backed securities under the PPIP plan, the sources said.

A massive rally in U.S. stocks since March has reawakened bullish spirits, but insiders are jumping out of the market in a sign the run up is getting stretched.

Company executives are selling stock at a rate not seen in two years after a near 50 percent rise in the S&P 500 from a March 9 low. That suggests directors and managers may think stock prices are nearing the top end of their range in the current economic climate.

There has been a decline in short interest — borrowed shares sold but not yet repurchased — which some analysts see as a warning. Some investors sell short to profit from price declines, and some say the recent rally has been supported by the reversing of short positions.

For brokerage Jefferies & Co., a significant increase in insider selling transactions as well as a decrease in short interest across most sectors of the S&P 500 demonstrates the weathering of the bear market rally.

Short interest fell in mid-July and firms with insider selling activity outnumber those with buying activity two to one, according to research firm InsiderScore.com.

"Both of those (factors) lends to our general thesis" that the equity market rally is running on borrowed time, said Patrick Neal, head of U.S. equity strategy at Jefferies & Co.

CIT Group Inc., the commercial lender seeking to avert collapse, reported a wider-than-expected loss as more customers defaulted on loans.

The ninth consecutive quarterly net loss was $1.62 billion, or $4.30 a share, New York-based CIT said in a regulatory filing. Nine analysts had estimated a per-share loss of $1.53.

CIT Chief Executive Officer Jeffrey Peek is negotiating with bondholders and considering asset sales to stave off bankruptcy.

The lender, which provides financing to almost a million small- and mid-sized businesses, has lost more than $5 billion in the past nine quarters as bad debts soared and the company was cut off from the commercial-paper market, its traditional source of funding.

"I don't think there's any good news to come in terms of credit quality," said Sameer Gokhale, an analyst with KBW Inc.

Former Goldman Sachs computer programmer Sergey Aleynikov, who was charged last month with stealing sophisticated trading software, wants his criminal case dismissed.

At a hearing in Manhattan federal court on last week, defense attorney Sabrina Shroff said she will seek to persuade prosecutors to enter into a rare "deferred prosecution" agreement.

Such deals are a form of probation in which prosecutors agree to dismiss criminal charges, provided a defendant doesn't break the law for as much as 18 months.

Laura Blankfein and her friend Susan Friedman, wife of another Goldman honcho, Richard Friedman, caused a huge scene at Super Saturday in the Hamptons last weekend when they arrived at the event before the noon start time and balked at waiting in line with the other ticket-holders.

"Their behavior was obnoxious. They were screaming," said one witness. Blankfein said she wouldn't wait with "people who spend less money than me."

GOLDMAN SACHS WIVES LAURA BLANKFEIN AND SUSAN FRIEDMAN MAKE SCENE ON LINE IN HAMPTONS- New York Post

I can't believe I didn't see this before. Laura Blankfein going mental over having to wait on line at a charity dinner… this is like the most awesome thing ever.I can just imagine her the next morning, complaining to Lloyd while shining his head with Turtle Wax before he goes off to work.

Meanwhile this is more recent news, apparently:

Police in East Hampton, N.Y., arrested the wife of longtime Goldman Sachs hedge fund guru Ray Iwanowski for drunk driving, according to The New York Post.

Jane Iwanowski, 48, crashed her BMW into a tree in July. A police report stated an intoxicated Iwanowski "was unable to walk or stand," when questioned while at a hospital.

Fun times in the fast lane!

Manhattan office sales came to a near standstill in the first half, with less than one-tenth the average number of transactions seen during the same period in the previous five years, CB Richard Ellis Group Inc. said.

Three office buildings valued at more than $30 million sold from January to June, down from an average of 32 in the first six months of the prior five years, said the Los Angeles-based firm, the largest publicly traded commercial real estate broker.

Buyers and sellers remain far apart on bids while low interest rates on existing loans mean many sellers can afford to wait, CB Richard Ellis said. The Federal Reserve yesterday extended by three to six months an emergency program aimed at restarting credit markets, a move that may cushion the real- estate industry from rising defaults and falling prices.

Housing starts in the U.S. unexpectedly fell in July, pulled down by multifamily dwellings, while single-family starts which make up most of the industry rose to the highest level since October.

The 1 percent decline in starts to an annual rate of 581,000 was the first drop in three months and followed a 587,000 rate in June, the Commerce Department said today in Washington. Construction of single-family houses, which account for 75 percent of the industry, rose 1.7 percent to a 490,000 rate, today's report showed.

Single-family home construction has been rising since March, a sign that falling home values and stimulus efforts such as a tax credit for first-time buyers are starting to reverse the housing meltdown that triggered the financial crisis. While the economy is forecast to grow this quarter, foreclosures, tight credit and job losses will temper the recovery.

"We've formed a bottom but probably only have limited upside, with unemployment too high to boost demand" much higher than current levels, said Mark Vitner, a senior economist at Wells Fargo Securities LLC in Charlotte, North Carolina. "Single-family construction is probably getting some help from the $8,000 tax credits. We expect construction to make a positive contribution to GDP growth in the second half."

Wholesale prices in the U.S. fell more than forecast in July as energy costs receded, capping the biggest 12-month drop on record and showing inflation will not be an immediate concern for Federal Reserve policy makers.

The 0.9 percent decrease in prices paid to factories, farmers and other producers followed a 1.8 percent gain in June, the Labor Department said today in Washington. Excluding food and fuel, so-called core prices unexpectedly fell 0.1 percent.

On Monday, the Fed monetized $7.016B of 4s thru 7s. http://www.newyorkfed.org/markets/pomo/display/index.cfm

Treasury International Capital flow data shows foreign investors bought $90.7B of US financial assets in June, more than triple May's $19.4B. Net buying of US govies totaled $101.5B, the biggest buying binge since the data series commenced in 1977. Foreigners sold $22.6B of govies in May.

China bought $26.3B of US govies in June; Japan bought $34.6B and the UK bought $50.2B. We wonder what favors were called or pledged?

National chain store sales fell 0.7% in the first two weeks of August versus the previous month, according to Redbook Research's latest indicator of national retail sales released Tuesday.

The latest numbers are starkly different from recent weeks because they don't include Wal-Mart Stores Inc. (WMT), which said last month it would no longer provide monthly sales figures.

The fall in the index was compared to a targeted 0.6% drop.

The Johnson Redbook Index also showed seasonally adjusted sales in the period were down 4.4% from August 2008, compared to a targeted 4.3% fall.

Redbook said that on an unadjusted basis, sales in the week ended Saturday were down 4.5% from the same week in 2008 after a 4.2% decline the prior week.

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index was down 0.9% in the week ended Saturday from its level a week before on a seasonally adjusted, comparable-store basis.

On a year-on-year basis, retailers saw sales decrease 0.6% in the latest week.

Home construction unexpectedly fell in July along with building permits, according to data that provides a weaker picture of the housing sector than in the past couple of months.

Housing starts fell 1.0% to a seasonally adjusted 581,000 annual rate compared to the prior month, the Commerce Department said Tuesday.

The report is more dismal than previous reports that had suggested some stability in the housing market. June housing starts, for instance, climbed 6.5% to 587,000, revised from an originally reported 3.6% increase to 532,000.

The 1.0% dip in July housing starts was a surprise. Economists surveyed by Dow Jones Newswires expected a 2.7% increase.

Housing starts were 37.7% lower than the pace of construction in July 2008.

Monsanto Co., the world's largest seed maker, plans to charge as much as 42 percent more for new genetically modified seeds next year than older offerings because they increase farmers' output.

Roundup Ready 2 Yield soybeans will cost farmers an average of $74 an acre in 2010, and original Roundup Ready soybeans will cost $52 an acre, St. Louis-based Monsanto said today in presentations on its Web site. SmartStax corn seeds, developed with Dow Chemical Co., will cost $130 an acre, 17 percent more than the YieldGard triple-stack seeds they will replace.

The majority of companies that improperly backdated stock options never were caught by regulators or confessed to the practice, according to a new academic study.

Researchers at the University of Houston’s C.T. Bauer College of Business used a sophisticated statistical test to sift through more than 4,000 publicly traded companies for those with patterns of granting options at abnormally favorable times, often at low points for their share prices.

The study identified 141 companies with such advantageous options-granting practices that the researchers concluded they were highly likely to have been involved in backdating. Ninety-two of those companies never were publicly

Ex-Brocade Communications Systems CEO Gregory Reyes’ conviction for backdating stock-option grants was reversed by an appeals court that cited prosecutorial misconduct and ordered a new trial.

A three-judge federal panel said yesterday a prosecutor knowingly made false statements to the jury in closing arguments. The government lawyer said Brocade’s finance department was ignorant of the backdating, after executives told investigators they knew of the practice, the court said.   [Some 600 executives were guilty of doing the same thing. A handful were fined and had to pay their profits back, the rest were not prosecuted. Reyes was picked out to be the goat, so that the public could be satisfied that something was being done bout the fraud and theft by senior management in hundreds of companies. It just shows you again the corruption of the SEC and our court system.]

Swiss Bank UBS to Divulge at Least 4,450 Account Names

A deal finalized Wednesday between the United States and Switzerland paves the way for a potentially historic disclosure of Swiss bank secrets: the names of thousands of Americans suspected of using secret accounts to hide money from the IRS

Swiss Bank UBS to Divulge at Least 4,450 Account Names

Under the agreement, UBS — Switzerland’s largest bank — is expected to turn over the names of Americans who controlled 4,450 accounts that are currently open or have been closed.

The secret accounts at one point held as much as $18 billion, the IRS said.

“We will be receiving an unprecedented amount of information,” IRS Commissioner Doug Shulman told reporters Wednesday morning.

The settlement follows a long-running effort by the U.S. government to penetrate Swiss bank secrecy and catch tax evaders.

The U.S. government had been seeking a federal court order demanding that UBS identify the holders of 52,000 accounts. The Swiss government vowed to prevent such a disclosure, leading to weeks of negotiations.

Switzerland was fighting to preserve the reputation for privacy that has made its banking industry a global powerhouse and a pillar of the Swiss economy.

The deal includes concessions that might make it easier for Switzerland to argue that its tradition of secrecy survived the battle.

The United States agreed to narrow its request.

More importantly, the United States agreed to drop its federal lawsuit against UBS and pursue the information through a Swiss legal channel under a tax treaty between the two countries.

The U.S. government tried to use that channel last year but got nowhere. Switzerland has agreed to handle the request differently this time.

Switzerland has not explicitly promised to identify the holders of the 4,450 accounts, but the two sides said that is the expected result, suggesting that the new U.S. request is mainly a formality and the outcome is preordained.

Under Swiss law, the affected depositors would have the opportunity to contest the release of their names and account information. But that, too, could be a hollow exercise. Under an interpretation of U.S. law, they might be required to disclose such appeals to the Justice Department, rendering moot any attempt to remain anonymous.

In February, to avoid criminal prosecution, UBS agreed to pay the U.S. government $780 million and admitted that it schemed to defraud the United States by helping Americans hide money from the IRS. At that time, the Swiss provided the names of 200 to 300 American depositors, which shows how much farther Switzerland is moving on the issue.

Some details of the settlement were not disclosed. The criteria the U.S. government used to narrow its request remain under wraps. That leaves UBS depositors guessing as to their personal risk of exposure and keeps them under pressure to seek leniency by turning themselves in to the IRS.

It could also obscure any shift in Switzerland's bank secrecy standards.

In the end fundamentals will win out. What we are seeing now is the end of the short covering rally – an unwinding of bearish positions. Be as it may, the stock market certainly doesn't reflect the fundamentals of future economic performance. In addition, the Fed does not seem at all interested in ending quantitative easing or stopping the overall increase in money and credit. The predominance of government market manipulation complicates things further. As we can see anything can and will happen. The central bank has described the economy as stagnant, so we ask how can the stock market attract enthusiasm? Then again almost two years ago the market hit 14,168 on the Dow just in front of the worst economic downturn since the "Great Depression.

The bottom line is that markets do not represent economic reality.

We believe as we said in the China section, watch the Chinese and Asian markets. If they break downward you can expect western markets to do the same. Do not get sucked in by the short-term technicals, because the government is manipulating all markets short term. The world markets remain tenuous at best. How can there be euphoria when 12-1/2% of all mortgages are in foreclosure and 25% are under water in their mortgages? We have 20.8% U6 unemployment and 1/7th of all housing units are without tenants. The rally is absurd at best. Almost all corporate operating earnings are lies, particularly those of financial firms.

The European and US markets last week found the real GDP figures attractive as real GDP fell only 0.1% in the second quarter. The first quarter was minus 2.5%. Those figures were assisted by subsidizing the purchase of vehicles, showing the unreality of it all. This in time will lead to massive distortions in their economies, just as cash for clunkers will in the US.

As we predicted in January the stimulus package wouldn't be enough and $2 trillion more would be needed in 2009, an election year, and that now is seriously being discussed behind the scenes. We are looking at a $2 trillion budget deficit more than triple $388.62 billion just a year ago. This is not 1982 when price earnings were in single digits. Today trailing earnings are 24 times. Top revenues are plunging, interest rates can only rise, and in our new fascist economy government manipulates our markets. Could it be any worse?

The "experts" are again heralding a recovery as retail sales fell 0.8% in July and sporting goods sales fell 1.9%. That is as unemployment climbs. We see no recovery in sight.

Keep in mind inflation can only be caused by a central bank creating money and credit and deflation and contraction are caused by lack of aggregate creation. Two years ago we entered monetary crisis. The amount of money and credit creation has been the greatest in history. We saw 14-5/8% inflation and now we see 5%. More interesting is that what once was M3 has just dropped from 18% to 4% and if that persists for two more months we could enter deflationary depression. On the other hand the TMS, True Money Supply, another index shows aggregate creation at 17%. These two indexes diverged in a similar manner between 2006 and 2008. The TMS has been the better gauge. As an aside you remember that the European Central Bank lowered their M4 from 7.8% to 4.7%. Something is afoot because these falls in aggregates have to be coordinated. There is no such thing as coincidence with these criminals.

Mainstream economists do not have a clue to what is going on. They, like central banks, were caught off guard by the ferocity of deflation over the past six years. It could be that central banks have lost control. We will see in time. The reduction in M3 and M4 can only mean the US, UK and Europe are trying to cool down the massive influx of liquidity they have created. Few realize what is going on and there is a good chance the central banks could lose control totally. Whether they realize it or not, two years ago the system collapsed. Their Ponzi scheme worldwide is being exposed for what it is. That is why HR 1207, the bill to audit and investigate the Fed, is so important; it will uncover how the bankers and Wall Street have looted Americans for almost 100 years under a phony debt scheme. People will be made to understand that banks in the fractional banking system lend money they create out of thin air. That isn't only the Fed, but your local bank as well. Then bankers receive compound interest on that fiat money; that you get to pay. Do you now more clearly see how you have been ripped off? You will find few places that will tell you this simple truth, so you can understand it. Bankers deliberately leveraged themselves 50 times deposits so that the system could collapse. They arranged for you the public to bail them out so they could survive, and at the same time bring the world economy to its knees, so that they could force you to become enslaved to world government.

Private investors in the UK had bought $85.5 billion in Treasuries in March and $50.2 billion in June. That is not hedge funds out of the Channel Islands; it has to be our Federal Reserve as buyers.

The second quarter of 2009 set a new record for the number of corporate defaults, with 82 non-financial events of default, consisting of 16 names in media and entertainment. Those losses were $254 billion, far larger than the $102 billion spread among 69 defaults in all of 2008.

Due to the decline in jobs and income and "without exotic financing, buyers can't reach out of their affordability bands like they could from 2002-2007. Investors won't reach out of their rental return band in order to chase a bid. This dynamic has isolated millions of houses above the median income/rent ratios in cities across the nation and will lead to significant house price compression."

Most people cannot 'trade up' to more expensive houses. This inhibits the housing cycle. To try to contain the damage, the Federal Reserve said Monday that it will extend into 2010 a program to help investors buy commercial property loans. But

some say that will have limited impact.

Unwilling to seize devalued properties in a moribund market, lenders have foreclosed on fewer than 10% of the loans, says Real Capital Analytics. That's prolonging the crisis by keeping properties from being resold at lower prices, says New York real estate lawyer Edward Mermelstein.

A bigger problem: the nearly $1 trillion in short-term commercial mortgages slated to mature by the end of 2010. With property owners unable to refinance, even solid loans could go into default.

To ease that crunch, the Federal Reserve is extending a program to lend investors up to $200 billion to buy assets backed by commercial mortgages and consumer loans. The program, which has lent just $29.6 billion, was to expire by year's end.

John Williams provides this insight: Unusual Numbers Pending in the Poverty Survey? The annual poverty report, which includes estimates not only of poverty, but also national income distribution and national health insurance coverage, is based on a survey that is piggy-backed on the March household survey (unemployment, etc.). The report usually is released in mid-August, but the Census Bureau advised on July 31st that, "National income and poverty data from the CPS [household survey] will be released the week of Labor Day [September 10th]. This is in response to feedback that releasing the data in late August was not optimal for data users and journalists reporting on the findings."

I never have known competent data users or journalists to request data later rather than earlier. Given the current healthcare program being pushed by the Administration, one has to wonder if there are any politically uncomfortable results in the pending survey, where a delay could result in the data being excluded from the debate. Another possibility is that the delay would give the Census Bureau time to "get it right," a phrase purportedly used by President Lyndon Johnson when he sent drafts of initial GNP (now GDP) reporting he did not like back to the Commerce Department, for revision. http://www.shadowstats.com

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