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Depressed America: No Longer the Safe Harbor It Was For Investors

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Excuses from Wall Street and Washington DC, we have not hit the bottom with job losses, Currency crisis coming in the fall, IMF a creditors cartel, we find ourselves faced with major growing unemployment, falling wages and via inflation and ever lower purchasing power, Most major banks and brokerage houses are insolvent, Finances at the state and local levels are a mess.

The excuses coming out of Wall Street and Washington are truly mind-boggling. We wonder how the public swallows them. One of the latest is that for one-week applications for jobless benefits had fallen. That is good, but we'd need a number of weeks of reduction for the fall to be meaningful. Anything to keep the market from falling. This has been followed by a long line of liars telling us we had bottomed out in the economy. The same litany we've been hearing for 22 months. Unemployment is a lagging indicator thus; the increases have yet to end. The latest bogus unemployment figures are 8.9% short term, including the birth/death ratio. That is phantom jobs created by the government supposedly by small and medium sized companies. That 8.9% supposedly matched up with the worst of the 1974 recession. That is not true, because the formula in 1974 was far different than today's monstrous lies. The 1974 figures did not include the birth/death ratio, those working reduced hours and those in part-time employment seeking full-time jobs, which now makes up 2.6% of the workforce. Then there is the 1% plus that is discouraged and have left the workforce and probably won't return.

Once unemployment has bottomed it could take a year or more before employers begin to rehire. They have to be sure increased demand exists and that the economy is recovering.

Today job losses are not only blue-collar, but white-collar as well. Due to free trade, globalization, offshorting and outsourcing those jobs won't come back. They could return if Congress passed legislation implementing tariffs on goods and services. All those manufacturing jobs will never return unless Congress acts. If they do not act the economy is permanently doomed. Presently as many white-collar jobs as blue-collar are being lost. Mechanics cannot easily work in healthcare and the wages are a little more than one-third of what they were earning.

In 16 months the government admits that 5.7 million jobs have been lost. In the previous 8 years we lost over 5 million. Just to show you how serious this is, in 8/1981 to 12/1982, we lost 2.8 million jobs. In 3/2000 to 5/2002 we lost 2.2 million. Over 9 years we have lost 10.7 million jobs "officially." We'll never know what the real figure was. Can you imagine all the lost wages that left America to pay people in China, India and Mexico, etc.?

In addition, we haven't even addressed the new people entering the workforce. Students with degrees who owe $60,000 or more for their education and cannot get jobs, because elitist transnational corporations have shipped their jobs to low wage countries. You are witnessing mass suicide of an entire country – up until now the leading country in the world.

We are looking at layoffs as far as the eye can see and that means no recovery and at the very best a flat no growth economy.

Americans, professionals and investors have to eventually come to grips with officially sanctioned bogus accounting. That includes FASB rule changes to accommodate Washington, bank and Wall Street. Then there are the Credit Value Adjustments used to elevate corporate earnings statements. This is when banks write down credit losses, then claim they can now be bought back and booked as gains, as the SEC looks the other way. These are losses claimed as gains. This is fraud, yet, nothing is done about it. This has been rife at the SEC since its inception. The big illuminist firms are left alone. The SEC pursues small and medium securities firms and brokers and newsletter writers. The SEC is an integral part of the elitist Wall Street cabal, part of a major criminal enterprise.

Is it any wonder investors and retirees are disturbed? Home equity is down 30% to 40%, savings accounts are big losers due to inflation and pension funds are off 35% to 50%. Where does one go to protect their assets? They go to gold and silver coins, bars and shares. You do not buy certificates, nor do you buy the ETFs, SLD and GLD. In all cases you may never get your metal. Who knows whether these entities have the metal they are supposed to have. If they do they may be lending it to other parties, so that they can suppress the gold and silver prices. Eventually it will be found that they do not have what they say they have. This could be another giant fraud. A good question to ask is; why has Dubai asked for their gold to be delivered from London and Germany from the US? The answer is they do not trust them anymore. In addition the gold and silver inventories at the Comex continue to shrink, yet they show no change in inventory. How can that be? If you play Comex take delivery. The only safe place to be is in coins, bullion and shares. Let the exposure of the frauds begin.

The present administration has set a new and unfamiliar course for America. The demands of labor unions now supercede these of debt holders. This move will haunt the American capital markets far into the future. Centuries of legal precedent have been overturned by executive fiat. Bond buyers will be very careful what they buy in the future and how long they hold the bonds. The sanctity of contract no longer exists. There no longer is a rule of law. The law is what the President says it is. We can imagine the negative affect this is going to have on investment by foreigners in the US as well as foreigners further holding of dollars. Capital will now feel unsafe in America and you can expect capital to flee such a capricious government. America is no longer the safest harbor for capital. This capital will now begin to move elsewhere and into gold.

For Americans this trend set over the last eight years is ominous. It will spill over into everyday life. Boy Scouts being trained to pursue terrorists with weapons as Hitler did with the Hitler Youth. The tearing up of legal contracts. Removing children from their parents because they won't use failed medical treatments. Removing people from their homes so banks can steal them. Forced inoculation of all in government initiated flu epidemics. The federalization of police. The refusal to rid our nation of 30 million illegal aliens. Limits on safety and travel. The control of assets of Americans worldwide with eventual currency controls. The continued nationalization in banking, brokerage, insurance and manufacturing and the concentration into monopolies similar to the experience of fascist Germany and Italy in the 1930s and 40s. Do not think it can't happen here – it can and is already happening.

By this fall America will be headed for a currency crisis, perhaps much sooner. The dollar's rally ended months ago at 89.50 on the USDX. It closed recently at 82.51. The latest upward blip was on short covering. Get set for another downward move. This is what happens when you have bogus rallies created by de-leveraging. It is only a matter of time before the Treasury and the Feb become completely isolated from foreign investment and then they will only have the printing presses left. That means your money and your assets will have fallen in value 60% to 95%, except for the only true money, gold and silver.

Last week the Senate voted to give illegal aliens access to Social Security benefits.

The Treasury is going to try to get $108 billion for the IMF by sneaking it through as a supplement to funding for Afghanistan, Iraq and Pakistan. This way it can avoid any congressional debate over the policies of the IMF. It is neither a wise and just use of tax dollars, and whether congress should insist on meaningful, observable reforms of IMF policy as the price of new US funding.

For the past 28 years the IMF and the World Bank have become a creditors cartel. They dictated all terms and if recipients wavered they had their credit cut off. They imposed agendas of privatization, cuts in social spending, and demanded removal of policies deemed obstacles to profit by foreign banks and corporations. In recent years Venezuela, Brazil and Argentina have opted out, but the poorest countries such as in Africa are entrapped in there clutches. The IMF doesn't deserve to be funded via more US tax dollars. It like the World Bank and the Fed should be disbanded.

This week the Senate is considering the supplemental and if the money for the IMF is not stripped out it goes to a House-Senate conference committee.

At worst the IMF should have its feet held to the fire. At best we cannot afford another $100 billion debt. This money should be spent on poor and hungry Americans who have lost their jobs.

The last year of life contains 30% of individual life health costs. We believe the administration is going to recommend premature death for those with terminal problems, all in the hope of cutting costs, so they can spend their funds for more wars. Both will help with population control. The termination of useless eaters.

As mentioned previously Ontario, Canada, a city of 500,000 has barred US contractors from doing business with the City, in retaliation for job losses due to US protectionism in the stimulus plan. That movement is spreading and it is good news for America.

Last week the Dow lost 3.6%, S&P fell 5%, the Russell 2000 4.7% and the Nasdaq 100 2.8%. cyclicals fell 10.7%; transports 8.9%; consumers 3.3%; utilities 5.1%; high tech 2.5%; semis 3.09% and Internets 3.6%. Biotechs fell 3%; banks 16.2% and broker/dealers 9.1%. Gold bullion gained $15.00 and the HUI Index slipped 0.4%.

Two-year T-bills yields fell 13 bps to 0.79%; the 10's fell 16 bps to 13.13% and the 10-year German Bund 8 bps to 3.36%. Junk bond funds saw the strongest inflow in six years.

The Freddie Mac 30-year fixed rate mortgage rose 2 bps to 4.86%; the 15's fell 1 bps to 4.52% and the one-year ARMs fell 7 bps to 4.71%. The 30-year fixed jumbo rates rose 3 bps to 6.37%.

Federal Reserve credit jumped $75.1 billion to $2.116 trillion. Fed foreign holdings of Treasury, Agency debt rose $23.5 billion to a record $2.684 trillion. Custody holdings for central banks have been expanding at an 18.2% rate ytd, and yoy are up $405 billion, or 17.8%.

Bank credit increased $14.3 billion, up 4% yoy. It is down $117 billion ytd, or 3.4%. Securities credit rose $1.9 billion; loans & leases rose $12.5 billion; C&I loans fell $3.6 billion, growing 1.6% yoy. Real estate loans rose $4 billion, as consumer loans fell $0.9 billion. Securities loans rose $1.5 billion and other loans gained $11.3 billion.

M2 rose $18.9 billion, up 3.8% ytd, and 9.1% yoy.

Total Money Market Fund assets increased $3.2 billion to $3.790 trillion, they are down $40.7 billion ytd or 2.9% annualized.

Total commercial paper outstanding sank an additional $81.0 billion to $1.298 trillion. CP has declined 62% annualized and 26% yoy.

The dollar index gained this week, up 0.6% to 82.95. It will be short lived.

Today we find ourselves faced with major growing unemployment; falling wages and via inflation and ever lower purchasing power. Most major banks and brokerage houses are insolvent. Finances at the state and local levels are a mess. 20% of banks showed losses in the first quarter. If the 19 big banks passed the stress test why do they need taxpayers loans. 20% of homeowners owe more on their homes than they are worth and this number could easily double. Many pension plans will be insolvent when we again test Dow 6,600. It will be much worse when we hit 3,800 to 4,200. Are you ready to give the FDIC $500 billion to bail out the banks? Where will the funds come from for business expansion and recovery if banks are reluctant to lend? Foreclosures are more than 40% of home sales. There are $100 billion in commercial mortgages that cannot or won't be refinanced. Banks do not want more illiquid assets.

There is a new effort underway to further undermine your freedom. The border states want Congress to recognize gift cards as 'monetary instruments," which could require people to declare their value when they cross international borders: The subject will be featured at the June Southwest Border Anti-Money Laundering Conference.

Arizona's Attorney General says a large amount of money is being sent to Mexico via these cards and it is legal. Your freedom is being stolen item by item.

Anyone who believes the market rally of the past ten weeks is going to extend further upward we believe is mistaken. We are 35% off the bottom and there is no good news. In fact, it is worsening in spite of the fact that consumer confidence has risen because Wall Street, Fed, Treasury and selected elitists tell us the bottom is in and things will soon improve. V-shaped rallies always have to retest their lows. The next visit to 6,600 Dow will see panic selling and any further rally would be sold into by those sufficiently troubled by still being down 35% to 50%. Don't forget as well that more and more prime mortgages are going into foreclosure due to the worsening economy and loss of good paying jobs. Then there is the enormous overhang of ALT-A and Option-ARM resets, which will accelerate as the year moves on. These residential and commercial loan problems, as we have said before, won't end until 2012. Any hope of a recovery during the next 8 years is wishful thinking. The fundamentals of the previous two stock market bubbles and the real estate bubble have been broken and it will take years for the markets and the economy to adjust. Just because things are not as bad as expected doesn't mean they are good.