Gold is a Viable Alternative to Currencies, in Spite of all the Manipulation

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One thing the Greek crisis has shown us is that gold is a viable alternative to currencies. In spite of all the manipulation by the US government and the consistent blatant attempts to suppress both gold and silver they come back time after time. Gold finished last week strongly, as did silver and this week they will have to hold off the onslaught of our elitists, as both gold and silver options expire simultaneously.

Gold was soundly bid in London as it was on the continent. Prices were assisted in London by a slowdown in growth on the fears that monetary loosening and stimulus would be needed to keep the economy from plunging again.

The European Commission, ECB, and eurozone members were shocked when the Greek finance minister asked for activation of the financial support mechanism. The EC as usual lied about the request, but eventually admitted that it had been made for $90 billion. Greek bonds have risen to 11% yields and that is affecting bonds of other eurozone partners, such as Germany. Over the last five months gold expressed in euros has increased in value by 6%, as the public finally gets the message. It is called asset preservation. It is a service gold has performed for the past 6,000 years.

The sludge in Washington and NYC intend to form a Financial Institutions Regulatory Administration that will allow the Fed to takeover every agency such as the CFTC and the SEC, the Comptroller of the Currency, Thrift Management and the FDIC. The Fed would be able to regulate just about everything financial. This consolidation would give the Fed enormous power to act like the SA operated in Germany from 1932 to 1945. They would cast a net out giving themselves unlimited power all under the guise of protecting Americans and others financially. Agencies won't be eliminated; they will be absorbed silently resulting in financial dictatorial power. As an example it is obvious that the SEC has become a rubber stamp for government and Wall Street. Now we find a supposedly understaffed, under funded agency is loaded with perverts who spend a good deal of their time watching pornography. This revelation has been created to convince Congress that this agency needs to be in stronger hands and who better to do that than the FED. This discovery was no coincidence.

That means the privately owned Fed, which is controlled via the FOMC, which is the instrument of private shareholders, will control everyone's financial lives. Needless to say they will decide which institutions and corporations will fail and which will survive. Of course, all Illuminist connected firms will survive and corporate power will be solidified by the elitists. This monstrosity will make the FBI, CIA, IRS and Justice Department look like child's play. The next step would be to bring this regime to the entire world. Eventually it will probably have its SA-type of financial Gestapo. They will eliminate your financial freedom.

They will control the infamous credit rating agencies that were used to create the credit crisis. They will set leverage guidelines, mandatory capital requirements and allow their members to continue to run roughshod over Americans. All private and public entities will report to them, including municipalities and states. It will set rules to control all credit and lending institutions. They supposedly will control all derivatives and hedge funds run by their friends. We need real regulation but not anything like this. These people are criminals. These are the people who deliberately created the credit crisis to obtain more control over the American people.

A couple of additional beauties to be added would be a Consumer Protection Agency to regulate sales and business practices. The Fed will control their credit issuance and their prices.

This past week the Dow gained 1.7%; the S&P 2.1%; the Russell 2000 3.8% and the Nasdaq 100 2.1%. Banks rose 5.8%; broker/dealers 3.4%; cyclicals rose 3.4%; transports 2.3%; consumers 1.9%; utilities 2.3%; high tech 0.9%; semis 1.7%; Internets 0.8% and biotechs fell 2.5%. Gold rallied $19.00; the HUI gold index gained 3.3% and the dollar gained 0.7% to 81.42.

The two-year Treasury yields jumped 11 bps to 1.025% and the 10-year notes rose 5 bps to 3.82%. The 10-year German bund yield fell 2 bps to 3.06%.

The Freddie Mac 30-year fixed rate mortgage was unchanged at 5.07%; the 15's fell 1 bps to 4.39%; one-year ARMs rose 9 bps to 4.22%, as the 30-year fixed rate jumbos saw rates fall 3 bps to 5.83%.

Fed credit rose $20.5 billion to $2.318 trillion, up 14.4% year-to-date and 6.9% year-on-year. Fed foreign holdings of Treasury, Agency debt surged again up $21.8 billion to another record of $3.056 trillion. Custody holdings have increased $100.9 billion y-t-d or 11.1% annualized, and y-o-y 15.4%.

M2 narrow money supply fell $36.2 billion to $8.467 trillion; year-on-year it grew 1.6%.

Total money market fund assets fell $35 billion to $2.878 trillion. The funds are down $416 billion y-t-d and y-o-y $928 billion, or 24.4%.

Total commercial paper rose $1.5 billion to $1.076 trillion. CP is off $94 billion, or 26.2% y-t-d and 27% y-o-y.

Then they'll be an Office of National Insurance. A $150 billion industry funded vehicle, which will in reality bail out those too big to fail. It will guarantee obligations of solvent insured depository institutions, holding companies and affiliates. Contrary to what you have been told the Illuminist connected entities will be bailed out.

The game being played at Goldman Sachs is a smoke screen created by those who control the SEC to make sure the Dodd financial reform package is passed. The hedge funds; derivatives, naked shorts, and market manipulators with black boxes will remain relatively untouched. The public needs someone to blame and it will be lower level players at Goldman. The Republican opposition will collapse and the worthless bill will pass – worthless to the public, but full of new riches for the elitists. Bailouts like those you have just seen over the past 2-1/2 years will continue. They'll be National Insurance, another name, and version of TARP and lots more GE's, GM's and AIG's. Nothing will be done about Geithner's AIG bailout and his money laundering activities. Nor will there be any investigation of the gold and silver suppression and manipulation. The latter will eventually fall of its ownweight as more and more investors worldwide take possession of these metals. Needless to say the charade makes the president and the Democrats look good. It was Goldman that donated just under $1 million to the president's campaign. As you can see the mosaic all fits together. Goldman makes $13 billion after paying out $16 billion in bonuses to its employees, while receiving taxpayer subsidies. You should get it by now. You are being screwed.

The dire situation with the dollar will worsen due to these antics and the elitists are well aware of that. As we write the dollar is 82.35. It is making a second attempt to break out over 82.50 We believe that will not take place. Recently William Dudley, president of the NY FED said as much. There is simply no escape. He also said interest rates would stay low indefinitely. This is what Japan has done for 18 years and it has been a disaster. People have to be induced to add to their credit card debt and to stop saving. That supposedly will be accomplished by convincing the populace that a recovery is underway. There needs to be business investment and hiring. If you remember in the last issue we pointed out that 92% of small business owners believe there won't be a recovery for at least 14 to 18 months. Thus, we see little help from spending or hiring.

The public is furious with the Fed and Wall Street. Evidence of fraud lies under every rock along with some CEO of a bank or brokerage house.

In actually the real estate and the ensuing fraudulent bond fraud was the last straw in the elitist house of cards. The collapse known as the credit crisis will hobble America for years to come unless the system is purged. The Fed over the last year transferred off of bank balance sheets some $1.7 trillion in bonds, CDO's, known as toxic waste. The Fed won't tell us who they were purchased from or what was paid for them. It is another secret. The US taxpayer will pay all the losses, as less Fed profits flow to the Treasury. Don't forget as well that the 3-card Monte game of the Fed lending money to banks at ½% and then receiving those funds back to earn 2% is also a paid for by the public to enrich the bankers. In the meantime no attempt has been made to fix the broken system. All the money is still flowing to Wall Street. A Wall Street that flourishes on information from the Fed secretly. This is the main reason the Fed has to be disbanded in its current form. In addition we need Glass Steagal bank to separate banking from brokerage, insurance and private equity. The end of the Act in 1999 ushered in the enabling of Wall Street to create the monster that we face today. The same thing happened in the 1920s and helped bring about the depression.

The system cannot tolerate interest rates of more than 1% to 1-1/4% higher than they are now, which means the dollar will have to fall in value. Those moderate rate increases will inhibit speculation, create falling bond and stock markets and Treasury debt service will grow by about $150 billion a year. They will also push up commodity prices and the prices of gold and silver. Foreigners holding US dollar denominated assets will be penalized, as will be the purchasing power of Americans domestically as inflation rises.

This brings us full circle back to gold and silver. The revelations of a few weeks ago at the CFTC hearings of LBMA leverage of 100 to one exposes a vast Ponzi scheme in that market as well as in Comex. Eventually participants will demand delivery realizing such an act will push prices higher. Then in time the exchanges won't be able to deliver and gold and silver trading on the LBMA and Comex will cease and the result will be only a cash market. Those who have sold certificates and had not purchased the underlying metal will also collapse. That leaves commerce only in gold and silver coins, bullion and shares. That is where you should be presently. These events will bring an end to this criminal enterprise and gold and silver will reach their rightful levels. We expect that a middled cash settlement will bring about the collapse and bankruptcy of many gold and silver traders and many contract holders will never be paid.

These events will spell the end of the gold and silver ETFs, GLD and SLV, unless they are holding only physical silver and gold. We doubt very much that they are and how much have they leased out that will never be returned. The LBMA and the Comex are criminal enterprises and should be prosecuted as such. That applies as well to GLD and SLV if they do not have the physical bullion. If so this is a clear-cut case of criminal fraud. The Illuminists running this scam could spend the rest of their lives in jail or perhaps be hung for treason.

These events would also make the Treasury insolvent if they do not have the gold they say they have and the Fed would as well be insolvent holding near worthless assets. He who has the gold will be making the rules. Eventually no foreigners will buy dollar denominated debt and dump all their dollars. Some will buy gold and silver. At that point gold will trade at $7,050 to $7,500 an ounce, if there is no inflation between now and when these events happen.

The fact that five senior executives of Goldman Sachs, including the firms corporate counsel, in possession of inside information; sold $65.4 million worth of stock after the firm received notice of possible fraud charges, which drove the company's stock down 13%, should be prosecuted. They were co-general counsel Esta Stecher, VP Michael Evans, Michael Sherwood, principal accounting officer Sarah Smith and board member John Bryan. Now lets wait for the criminal charges.

Warren Buffett, who's firm just paid a $100 million fine for a $200 million fraud is not the humble fellow you thought he was. It is well known he has at least one mistress and who not only has a humble home, but he has expensive real estate in many locations, including Sun Valley and Santa Fe. He is a major Goldman Sachs shareholder and owns Senator Ben Nelson. In fact, Ben put a big pro-Berkshire loophole in the bill for derivative reform. The catch is to exempt existing derivatives contracts. Berkshire's derivatives portfolio is worth $63 billion. This is the same Warren Buffett who said derivative were instruments of mass destruction.

Over in America government puts on its best face as Europe stumbles along dealing with Greece and other eurozone problems. It won't be long again before the dollar, which is about to form a double top between 82 and 82.50 on the USDX, will start to descend again to test 74. Globally, financially the world is out of balance especially the US dollar, which should be trading lower to accommodate the balance of payments deficit. Devaluation is the best option for the elitists, especially if it's done among all countries. Such an event lurking in the wings certainly gives much impetus for higher gold prices. Internationally investors are very mindful of America's coming devaluation and default, thus any dollar rally should be sold into and any low gold prices are to be bought. The reflection of a lower dollar versus gold is now only 20%, as gold long ago decoupled from the dollar. US fiscal deficits are huge and they will worsen over time as efforts are made to hold up a failing economy. Then, of course, we have zero interest rates indefinitely. That is a 2-edged sword. Corporations and government can borrow cheaply, but savings probably won't exceed 7%. Those savings, seed money, are disappearing and those funds when absent cannot add to growth in the economy. It also is a terrible cost to the elderly.

As we look back over the past 2-1/2 years we view the credit crisis, caused by bond fraud, as the beginning of the collapse of the US financial collapse. Wall Street may still be looting the public, but the downward trend is irreversible. There has not been and there won't be a recovery.

The 5-year TIPS auction bid to cover was 3.15% versus a prior 3.10%. Indirect bidders fell to 23% from 47.8%.

Senate Democrats agreed Monday to kill a provision from their derivatives bill pushed by Warren Buffett's Berkshire Hathaway Inc. a change one analyst predicted could force the Nebraska company to set aside up to $8 billion.

The Senate Agriculture Committee inserted language into its derivatives bill last week at the request of Sen. Ben Nelson (D., Neb.) that would have exempted any existing derivatives contracts from new collateral requirements—the money set aside to cover potential losses.

Berkshire has $63 billion in derivatives contracts, and Mr. Buffett has boasted he holds very little collateral against these products. Mr. Buffett's push was notable because he has warned odangers of derivatives, famously branding them "financial weapons of mass destruction."

Zero Hedge: The "Buffet Amendment" would have exempted all of the existing OTC derivatives contracts from the new collateral requirements in the financial reform legislation. The fact that such a ruse was even necessary illustrates why we need to drive a wooden stake through the heart of OTC securities and derivatives, namely that some of the biggest corporates in the world are allowed to play at the roulette table without buying chips. The "AAA" rated BRK, Caterpillar (CAT) and the other big corporates can trade OTC without posting any collateral or initial margin.

When you trade on a derivatives exchange, all of the customers must post margin. But apparently Warren Buffet, the man who once called OTC derivatives "weapons of mass destruction," now needs to supplement BRK earnings by trading OTC derivatives without any collateral backing up the trades.

Now we know why BRK, CAT and the other big corporate came oozing out of the woodwork last year to defend the OTC derivatives market. JPMorgan (JPM), Goldman Sachs (GS) and the other OTC dealers let Warren Buffet and the other "AAA" corporates play at the roulette table w/o any chips. Wouldn't you like to be able to sit at the big table and play poker alongside Mr. Buffet w/o actually putting up any cash to back your bets?

The man who inveighed against derivatives for years and called derivatives 'financial weapons of mass destruction' holds a massive amount of derivatives. Buff also regularly cries that he should pay more taxes. Now he's lobbying Congress to ease proposed restrictions on derivatives in order to avoid taking a 'big hit'. Some might call Warren a 'hypocrite'? We prefer 'charlatan'.

Thomas Montag, the former head of sales and trading in the Americas at Goldman Sachs

Group Inc. called a set of mortgage-linked investments sold by his firm “one shi**y deal,” according to an excerpt from internal e- mails released today by Senate lawmakers.

The transaction was Timberwolf Ltd., a $1 billion collateralized debt obligation holding pieces of other CDOs, according to a statement today from the Permanent Subcommittee on Investigations. The CDO also included optimistic side-bets on the performance of CDOs, or derivatives, in which the firm took the opposite pessimistic side in “many” cases, the panel said.

“Boy that timberwo[l]f was one shi**y deal,” Montag, who is now Bank of America Corp.’s president of global banking and markets, said in a June 22, 2007, e-mail to Daniel Sparks, who ran Goldman Sachs’s mortgage business at the time, according to the panel’s statement. Within five months of Timberwolf’s debut, the CDO had lost 80 percent of its value, and it was liquidated in 2008, according to the panel.

“The way I look at it, the easiest manager to work with should be used for our own axes,” the author wrote in December 2006, using industry jargon that can refer the firm’s financial interest in a deal. The writer also expressed concern that two firms being considered weren’t likely to sign off on Paulson’s suggested assets. “They will never agree to the type of names Paulson want to use In one e-mail, Tourre emphasized the firm should focus on serving Paulson to reap greater profits.

“We need to be sensitive of the profitability of these trades vs. profitability of abacus,” Tourre wrote in one e- mail, according to businesses with Paulson.”

A top Senate Republican on Thursday accused the administration of misleading taxpayers about General Motors’ loan repayment, saying the struggling auto giant was only able to repay its bailout money by dipping into a separate pot of bailout money.

GM CEO Ed Whitacre announced in a Wall Street Journal column Wednesday that his company has paid back its government bailout loan “in full, with interest, years ahead of schedule.” He is even running TV ads on all major networks to that effect–a needless expense given that a credulous media is only too happy to parrot his claims for free.

So when Mr. Whitacre publishes a column with the headline, “The GM Bailout: Paid Back in Full,” most ordinary mortals unfamiliar with bailout minutia would assume that he is alluding to the entire $49.5 billion. That, however, is far from the case. Because a loan of such a huge amount would have been politically controversial, the Obama administration handed GM only $6.7 billion as a pure loan.

But when Mr. Whitacre says GM has paid back the bailout money in full, he means not the entire $49.5 billion–the loan and the equity. In fact, he avoids all mention of that figure in his column. He means only the $6.7 billion loan amount.

But wait! Even that’s not the full story given that GM, which has not yet broken even, much less turned a profit, can’t pay even this puny amount from its own earnings. So how is it paying it?

As it turns out, the Obama administration put $13.4 billion of the aid money as “working capital” in an escrow account when the company was in bankruptcy. The company is using this escrow money government money to pay back the government loan.

Consumer confidence in the United States improved to 57.9 in April from 52.3 in March. This beats market forecasts of a more moderate increase to reach just 54.2.US consumer confidence is now at its highest level since September 2008.

The Richmond Fed Manufacturing Index smashed projections by jumping to a score of 30 in April, its highest level since the beginning of the recession, from March's score of 6. The market had only expected a moderate increase to reach a score of just 7.

The S&P/Case-Shiller Home Price Index rose 0.6% in February, up from January's 0.7% fall. The market, however, had expected a greater increase of 1.4%.

Home prices in 20 U.S. cities rose less than forecast in February from a year earlier, a sign a housing recovery will take time to develop.

The S&P/Case-Shiller home-price index of property values in 20 cities increased 0.6 percent from February 2009, the first gain since December 2006, the group said today in New York. The median forecast of economists surveyed by Bloomberg News projected a 1.3 percent advance.

Senate Republicans, united in opposition to the Democrats' legislation to tighten regulation of the financial system, voted on Monday to block the bill from reaching the floor for debate. As both sides dug in, the battle has huge ramifications for the economy and for their political prospects in this year's midterm elections.

Republicans said they were intent on winning substantive changes to the bill and accused the Democrats of rushing the most far-reaching overhaul of the **financial regulatory system** since **the Great Depression**. Both sides say they expect the overhaul eventually will be approved.

Democrats charged that Republicans were leaving the country at risk of another financial calamity and siding with wealthy corporate interests. The chief executive of one such firm, **Goldman Sachs**, the Wall Street powerhouse accused of fraud by federal regulators, is to testify Tuesday before a Senate committee.

Sensing political momentum at a time of deep public anger at Wall Street, Democratic leaders said they would keep the regulatory bill on the floor — and delay the rest of their busy legislative agenda — to ratchet up the pressure on the Republicans.

As U.S. cities and towns wrestle with financial problems, investors are finding a new way to profit on their misery: by buying derivatives that essentially bet municipalities will default.

These so-called credit default swaps are basically insurance contracts that have long been available to protect holders of corporate bonds against default. They became available a few years ago for municipal debt, allowing investors to short sell—or bet against—countless cities, towns and bridges, and more than a dozen states, including California, Michigan and New York.

The derivatives are still thinly traded, but their existence has the potential to make investors skittish.

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