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Investors Buy Gold…

Review of financial markets

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Investors buy gold when there is inflation and when there is a flight to quality. They buy gold when they no longer trust currencies, due to government or central bank profligacy. Due to those and other reasons gold has broken out to new highs. It could well be that gold may never see $1,000 again. Long ago the world's central banks set the course for a planned collapse of the world economy to implement world government and there is now no turning back. We have proof stretching back to 1965 that intervention by the Treasury and the Fed was taking place in the gold market. The illegal sale of gold on 10/19/87 was a good example of that. Then came the FOMC memos of the 1980s and 1990s to kill the perception that gold be allowed to reflect a policy of a weak dollar unbacked by gold. It is all there and probably more proof which our government and the Fed hides from us. We have to laugh at the smug who say why would the Treasury bother to rig the gold price? The point is they have and they are still doing it.

The perception now is that the massive stimulus put into international markets, especially US markets, will be withdrawn as interest rates are allowed to float upward. This stimulus was responsible for the stock market climbing from Dow 6600 to 10,500, a 60% leap built on monetization. If the punch bowl is removed the market will return to test 6600. In addition, the deflationary undertow kept at bay by the stimulus, will overcome monetary policy and the nation and the world will slip into monetary, deflationary depression.

The Fed is now forced to allow gold to trade higher and the dollar to fall lower. What else would one expect under current monetary circumstances? This policy will allow both gold and the dollar to play out to their full extent. The Fed's job has been very difficult considering a fiscal budget deficit of $1.5 trillion not counting off budget items that take it over $2 trillion – a condition we are told that will persist for the next ten years. The solution has been the creation of ever more money and credit. There has been no cooperation. Nothing has worked together. All the problems have gone spinning off into a number of directions. There is no control on fiscal or monetary policy. What the players refuse to understand is that until the system is purged the situation is only going to get worse. There is no recovery. It is only an interlude in an ongoing depression.

The result will be gold at $2,500 by the end of 2010, and perhaps much sooner. The buyers know what we know. Real inflation since 1980 dictates $6,700 to $7,200 gold. Even official inflation demands a $2,400 price. In both instances how much inflation will 2010 bring? We are projecting 14% real inflation and government and the Fed keep telling us inflation is 1.2%. Our figures show 6-1/8%. In addition the fundamentals show us that gold production has been in shortfall to usage by 150 or more tons for years and that situation will worsen over the next ten years. Yes, we have hit peak gold. Interest rates rises won't come for at least a year, if ever, and 5% growth in aggregates is in the realm of wishful thinking. Less gold is currently produced annually than in 1980 and there are trillions more dollars sloshing about the world financial system, a good part of it for speculative purposes. Without changes in monetary and fiscal policies, gold and silver prices will just keep rising. The further our government, via Goldman Sacks, JPMorgan Chase, HSBC and Citigroup, short gold and silver and the shares, the greater price appreciation will be in the future as they ultimately will have to cover their shorts. We are at the confluence of big things happening. The fiscal debt overhand is so onerous that a ¾% rise in interest rates would mean the Fed would have to monetize another $150 billion and a 5% increase in interest rates would increase debt service interest by $600 billion additional dollars. Yes, gold could reach $3,000 in 2010 and 2011 could bring another doubling as a result of the Fed and government just continuing what they are doing. Will inflation reach 25% or 30% in 2011? We don't know, but as we reflect on what the Fed has been doing we say that possibility certainly exists. Could that mean $11,000 gold? Perhaps it does, we won't know until we get there.

Even if inflation abated in 2011 or 2012 and a deflationary depression took command, gold would still be the go to investment. That is because for 6,000 years it has been the only currency that has owed no one anything. Would you really be ready to trade it for a fiat currency? We don't think so. All bond markets as well as stock markets would have collapsed with the exception of gold and silver shares. Just look at the 1930s and see the gains Homestake had, if you don't think gold stocks can make fortunes during a depression. Gold and silver are the investments for all seasons as long as you have patience. The banking system may collapse. What better to use than gold and silver coins for barter. This past year we have seen lending by banks fall 16.2% y-o-y or by $600 billion. Just double that figure and you are in depression. Can you imagine what it will be like with little or no lending? Unemployment is 22.2%. Under such conditions the unemployed could be 35% or more. What do we do, let the Illuminati create another world war to cover up their machinations? The dollar is already falling and probably will eventually collapse. Could it be 1-1/2 to 2-1/2 years from now that there will be an official 2/3's devaluation? The exchange of three old dollars for one new dollar and a 2/3's default on all debt by all nations with one another and the revaluation and devaluation of all currencies followed by a new international trading unit made up of the top G-20 currencies weighted in an index. That is certainly plausible as the dollar ceases to be the international reserve currency.

These events could push residential and commercial values down 75% or more from their highs. All investments except gold and silver could fall 60% to 95% as they did during the 1930s. The Fed won't be able to cut interest rates, which will already be at zero. Demand for capital will force real rates higher and bonds lower. All issuers of consumer debt will most likely go broke, as 50% of debtors won't be able to service their debt.

Real nasty times are just around the corner and nothing can be done to prevent them. The system must be purged. More major layoffs are on the way, real wages will fall and taxes will rise. The Dow will settle somewhere between 1,500 and 4,200. We won't know where until we get a lot closer. Companies have maintained the bottom line by firing people, offshoring and outsourcing and using illegal aliens. That method of cutting costs is approaching a threshold of diminishing returns. The next big wave of layoffs will be municipal in towns, cities, counties and states that no longer have the reserve to pay employees. Some states, such as Florida has no funds to pay for unemployment benefits and were it not for the stimulus plan they would have stopped issuing checks a year ago. At this rate in many states municipalities will cease to function and schools, fire and police will be disbanded. That is where this is all headed. Americans have to be told the truth about what is really going on and who and what caused it and how we can fix it.

There is no question in our minds that the Fed will monetize and inflate until they cannot anymore. We see no end to increasing deficit spending. That first will perhaps bring about an Argentinean economy and if we do not come to terms with reality than it is Weimarization or Zimbabweization. When this happens everything will be out of control. Who knows where gold and silver will go, but everyone will want them. You had best make preparations now or you will be very sorry you didn't. Remember, he who holds the gold makes the rules.

We usually deal with these issues in our gold section, but because they are so important and pressing at this time we bring them to the forefront.

Financial fraud is nothing new. Silver coins were clipped long before Julius Caesar's Roman legions invaded Gaul in 110 BC.

This enabled Caesar to pay his troops as others had done before him. The fraud allowed him to cross the Rubicon and become dictator of Rome, albeit for a short time.

As we look back some years from now when most of us will be in the Elysian Fields, history will comment on America a nation run by common criminals. Many of you know who they are, and those who do not are about to find out. Richard Nixon rolled for the Illuminati on 8/15/71 by taking us off the gold standard. In the year 1987 we were beset upon by the master criminal Alan Greenspan. He was later joined by other Illuminists, including Robert Rubin and Ben Bernanke and many others too numerous to mention. All of these immoral, diabolical people have destroyed our financial system and they did it deliberately to enrich themselves and to bring about world government. Others throughout the world have seen this period of looting since WWII and want to bring an end to it, but heretofore have been threatened with extinction if they disagreed with these illuminated masters of the universe. That time for the end to begin is fast approaching and the elitists are well aware of that, thus, the final push for one-world government. The process of dumping dollar denominated assets has been moving forward for the past few years. They are being exchanged for many things, but gold is the most important. Foreigners are tired of receiving constantly depreciating dollars for their goods and services. They also do not want US bonds and mortgage paper. Incidentally, the current high absorption of US government debt by foreign central banks is by a handful of banks that are being fed money and credit by our Federal Reserve. The funds to buy this paper are being supplied by our privately owned Federal Reserve. The eventual redemption will be met by further depreciated dollars until such time as there is official devaluation. That is why china, Russia, Brazil, Iran, India and others are dumping dollars. The only time they hold or buy is when they need to devalue their own currencies. A good example is the Chinese Yuan, which is unchanged for the past year as the dollar dropped from 89.5 to 75.50 just since early May.

Next comes the scandals. In the forefront are the tungsten bars coated with gold discovered by the Chinese several weeks ago, which has been blacked out in the elitist owned media. The bars were held and delivered from London and believed to be from the ETF-GLD, which received them from the US government. Our question is how much gold held by the US government is a fraud? Is GLD a fraud? Is SLV a fraud? Why can't London OTC gold dealers deliver gold and have to borrow it from the Bank of England? Why does Comex not have gold to deliver and has to borrow it from Canada and the ECB? When is the CFTC going to stop the short side concentration in gold and silver? When is the SEC going to stop black box front-running and naked shorting? Once these factors assert themselves will the system break down and finally will some of these crooks go to jail? Wall Street, banking and our government continue to steal from the American people with the assistance of the Federal Reserve. Is it no wonder that 75% to 80% of Americans want the Fed audited? We must also keep in mind that the public still only knows a fraction of what has been done to them. They know little about front running, naked shorting or bogus gold bars, thanks to our media. Criminals are doing 20 to 30 years for much less than what these crooks have done and the core, the heart of the mechanism, springs from the Federal Reserve. The Fed is the center from which the fraud emanates.

When we write and present articles such as this they often appear in other media, but are quickly deleted after a day or two. It will be interesting to see if this article appears at all. We have been told by some sites that government has brought to bear pressure to stop the reprinting of material of a select few writers.

Further to the latest scandals regarding gold and silver: December is usually the largest delivery month of the year and we expect delivery problems again on both gold and silver contracts. The first line of defense by the exchanges will be intimidation and then offers of dollar premiums for not taking delivery as has been recently done in London. Over the next week and into December the drama will again be played out. The question again arises can London and Comex make delivery?

Another factor not yet considered is when will those who were involved in the tungsten gold bar caper be exposed? Who created the bars and then sold them? It is a scandal that is really an afterthought to the massive physical buying in the marketplace, particularly by the Chinese and Indians. As we announced long ago the dollar has decoupled from gold. They are both on their own, although we must concede that a weaker dollar has to help gold prices. Gold still is making gains against all currencies. We have a number of European nations who are upset about the falling dollar and rising euro, etc., especially the Germans. They want business as usual. Evidentially no one has told them the world is in a depression. Western banks are bankrupt and the Chinese and others realize that, so they will not stop buying gold. There is a put behind the price and every time gold softens the Chinese come to the rescue along with others. Goldman and Morgan’s shorts are going to get buried this time.

Due to the frightful weather in Scotland during the G-20 meeting no one got to play golf, and they almost called the meeting because of it. The course for dollar abandonment was only talked about in secret meetings, but quantitative easing was still in vogue. No one really wanted to raise interest rates nor stop the flow of massive money and credit. They may have cut back but no less aggregate creation is in sight. It is no wonder almost all currencies are falling versus gold. This has caused the end of the G-8 with all power now going to the G-20. This is why we believe the new international trading unit will be a combination of 20 currencies, weighted in an index, and backed 10% to 15% gold. That is where we believe the next move is headed.

In the end each currency will fall versus gold, some more than others. Few countries have an exit strategy and to a great extent follow the western nations. That is because they all believe recovery is on the way. This is all part of a propaganda game to make the world believe that deliverance is upon them. Nothing could be further from the truth. If the financial and economic conditions were going to improve why would most countries need such low interest rates and why would they need such money and credit creation? They all know there is only one way out and that is to inflate and that is what most all of them are doing and why all their currencies will continue to fall versus gold.

Carl Levin, chairman of the Senate Armed Services Committee, said higher-income Americans should be taxed to pay for additional troops sent to Afghanistan and that NATO should provide half of the new soldiers. An "additional income tax to the upper brackets, folks earning more than $200,000 or $250,000" could fund more troops

Legislators, at all levels of government, still don't get it. It's over – the socialism and crony capitalism has busted the system. The debt is unserviceable; the economy is in tatters on the back of too much debt, taxes and regulations. Yet the remedy is to tax, spend and borrow even more!

A Quinnipiac University poll of a national cross section of voters reported its latest results…and one question was particularly interesting to me. It read: "President Obama has pledged that health insurance reform will not add to our federal budget deficit over the next decade. Do you think that President Obama will be able to keep his promise or do you think that any health care plan that Congress passes and President Obama signs will add to the federal budget deficit?"

The answer: Less than one-fifth of the voters — 19 percent of the sample — think he will keep his word. Nine of 10 Republicans and eight of 10 independents said that whatever passes will add to the torrent of red ink. By a margin of four to three, even Democrats agreed this is likely.

That fear contributed directly to the fact that, by a 16-point margin, the majority in this poll said they oppose the legislation moving through Congress.

The real star of the health care debate this weekend has been the 2,074-page bill.

…"It's a massive increase in government, as shown by this bill," Mr. Ensign told a reporter off the floor later, spreading his arms wide as if to encompass the stack of papers that comes in at more than a foot tall and, according to Sen. Lisa Murkowski, weighs in at more than 20 pounds.

The bill contains the word "tax" 511 times and includes 18 tax hikes, according to Americans for Tax Reform, a conservative lobby group. It uses the word "require" more than 1,000 times, the word "shall" more than 3,500 times, and talks about studies required by the bill 150 times.

Can the Postal Service be Saved? With Losses Mounting, Postal Service Seeks Autonomy, Pushes to Cut Saturday Service; Rep. Danny Davis Calls for a Bailout   The agency cut $6 billion in expenses over the past year, eliminating 40,000 of its roughly 750,000 jobs and slashing overtime hours. But it says that isn't enough.

The comments, from mayors of Philadelphia, San Jose, Calif; Mesa, Ariz., and Bowling Green, Ky., at a panel discussion sponsored by the Brookings Institution and the National League of Cities, underscore how the recession for local government is far from over.

Mesa's mayor, Scott Smith, said the steep drops in sales-tax revenue, the city's primary source of money, are "changing our reality."

"We treat this financial crisis as something we're not going to get out of," said Mr. Smith, whose city has about 500,000 citizens and is in the Phoenix metropolitan area.

Even as economists declare the recession over, local revenues continue to fall. That's because the lion's share of their receipts — sales, income and property taxes — are connected to the job market and real-estate prices. Jobs and real-estate prices are expected to lag the broader economic recovery, reducing city revenues for months or years after the technical end of the recession.

We have argued that those that bombast about 'saving capitalism for the US' are duplicitous or ignorant. Capitalism died decades ago. If there had been capitalism, Goldman would've disappeared in 1987 as would have Citi in 1991-1992. Solons are trying to save the socialist state that keeps them in power.

Investment funds are buying billions of dollars' worth of home loans, discounted from the loans' original value. Then, in what might seem an act of charity, the funds are helping homeowners by reducing the size of the loans.

But as part of these deals, the mortgages are being refinanced through lenders that work with government agencies like the Federal Housing Administration. This enables the funds to pocket sizable profits by reselling new, government-insured loans to other federal agencies, which then bundle the mortgages into securities for sale to investors.

While homeowners save money, the arrangement shifts nearly all the risk for the loans to the federal government — and, ultimately, taxpayers — at a time when Americans are falling behind on their mortgage payments in record numbers.

On August 12, excess reserves at the Fed stood at $708.501B. For November 18, the figure has soared to $1.046180 trillion. Now that the Fed pays interest on reserves, banks are receiving free money from the Fed, indirectly on US taxpayers. Why lend when you can mint money for free on the arb?

The United States government is financing its more than trillion-dollar-a-year borrowing with i.o.u.'s on terms that seem too good to be true. But that happy situation, aided by ultra-low interest rates, may not last much longer.

Treasury officials now face a trifecta of headaches: a mountain of new debt, a balloon of short-term borrowings that come due in the months ahead, and interest rates that are sure to climb back to normal as soon as the Federal Reserve decides that the emergency has passed.

Reports reach us that China intends to purchase an additional 10,000 tons of gold to fund the renmimbi, so that China can invest more widely and develop new technologies. There is also talk of the Hong Kong dollar replacing the US dollar. All this is positive for China; it is just that they are mired in Keynes philosophy of stimulating the economy. They have used $1.8 trillion since February and created new bubbles in the stock market and real estate.

The subjective October sales figures by the national Association of Realtors said sales surged a record 10.1%, the highest since February 2007. Year-on-year sales rose 23.5%. We will have further comments later after we see the internals.

The St. Louis Fed President Bullard says the Fed should extend its authority to purchase more MBS, mortgage-backed securities and agency, Fannie, Freddie, Ginnie and FHA bonds. The Fed will buy $1.25 trillion of MBS by March and $175 to $200 billion in agencies. They refuse to tell us what they are paying for this toxic garbage.

The Chicago Fed national Activity Index fell to minus 1.08 from minus 1.01 in September. The 3-month moving average fell to minus 0.91 from minus 0.67. Growth is below historical trends. That move below minus 0.70 in the 3-month average index. Of 85 indicators 53 were negative in October.

Schools all over the nation are going to force furloughs on teachers to save money. Now that the stimulus loans for schools and unemployment have been spent, massive cuts are coming. We warned our daughter, a teacher, months ago of what was coming. Banking, Wall Street, insurance and Washington are living fat and high on the hog. They even tell us Obama saved the system from collapse and that economic conditions are improving. Then again, Wall Street in their arrogance tells us they are doing God's work. That is why they get giant bonuses as the public starves. The modern version of "Daddy Warbucks." In case you hadn't noticed there has been little change. What change is trying to be stuffed down our throats is Medical Reform, Cap & trade, more war and a tax on us for creating global warming that doesn't exist.

Iran says it has saved $5 billion due to shifting away from the US dollar.

As you know 3-month Treasuries are yielding 0.01%; the one-year 0.26%; the 2-year 0.77% and the 10-year 3.35%. As a result $260 billion has gone into bond funds this year and $2.6 billion into stock funds. We find that revealing inasmuch as the Dow has gone from 6600 to 10,500. You can now clearly see the dynamics created by leveraged TARP funds – $400 billion left money market funds due to miniscule yields and the end of federal guarantees on 9/18/09. A good part of the funds ended up in US Treasuries. A move calculated to drive funds into Treasuries.

The relatively new dollar carry trade has fueled the market as well. That is when you borrow dollars at near zero interest rates and purchase a different currency paying a higher interest rate. The dollars are used to speculate as well usually using leverage. As long as the dollar falls the trade remains very profitable.

The market is discounting a 5% rise in GDP in 2010 and earnings increases of 40% as 22.2% or more than 25 million people remain out of work. The P/E ratios are as a result at 23. In addition the Fed has indicated it won't raise interest rates for 1 year to 1-1/2 years and perhaps longer. That is what Japan has done for 18 years and has wallowed in depression as a result. Evidentially that is the intention of the Fed as well, only the US will have much higher inflation than the current real inflation of 7-1/8%, not the official 1.2%. The creation of money, credit and monetization of dollars is causing China, Brazil and perhaps Russia to put a tax on short term hot dollar capital from coming into their countries, which builds up inflationary pressure in the US.

Mark Hanson explains: NAR's Voodoo made for another headline that paints an inaccurate picture of reality. Yes, Oct sales counts did not fall as they typically do because of the a) last minute rush to close by the original Oct 31st tax credit sunset b) sudden plunge in mortgage rates to historic lows in September, c) and continued price depreciation that carried the market into the shoulder season.

But taken in context of as small of a time frame as even year-to-date and examined in real terms, the picture is much different. In fact, the total dollar amount spent on Existing Houses YTD 2009 in nearly 10% less than Oct YTD 2008. We have heard nobody mention this fact — measured in this context, housing is still falling sharply.

October Existing Home Sales (NSA) came in at 499k...the exact same amount is in August. This compares to September's downwardly adjusted 468k and last October's 413k. "Flip-Adjusted", total sales were closer to 425k. Prices at the median and average continued to fall — five months straight since June. MoM prices fell 1.6% and 1.7% on average, both larger than the average monthly declines for 2009.

So, a) the Fed spends a trillion + to push rates to historic lows b) the gov't gives out a tax credit; prices continue to fall c) overall financial market sentiment improves considerably over a year ago d) rates plunge again in Sept e) and during the first half of 2009 foreclosure inventory was huge — and only 61k more houses were sold though Oct 2009 than during the same period last year with the total amount spent 10% lower. Compared to Oct YTD 2007, sales are DOWN 635k. And remember, in 2007 prices were at or near all time highs. Only 61k additional sales in 2009 YTD vs. 2008 may be an 'improvement' but in the grand scheme of the housing market and trillion + spent to support it, these results are anemic at best and not self-sustaining.

Single-family home sales rose 9.7 percent to a seasonally adjusted annual rate of 5.33 million in October from a pace of 4.86 million in September, and are 21.4 percent above the 4.39 million-unit pace in October 2008. The median existing single-family home price was $173,100 in October, down 6.8 percent from a year ago.

Existing condominium and co-op sales surged 13.2 percent to a seasonally adjusted annual rate of 770,000 units in October from 680,000 in September, and are 40.8 percent above the 547,000-unit level a year ago. The median existing condo price4 was $172,900 in October, which is 10.4 percent below October 2008.

Preliminary tax collection data for the July-September quarter of 2009 show continued widespread and sharp declines for most states for all three major sources of tax revenue, as well as for overall taxes.

The Rockefeller Institute's compilation of data from individual states shows collections from major tax sources were $119.7 billion in the third quarter of 2009, compared to $134.0 billion for the same states during the comparable quarter of 2008. Overall, tax revenue declined by 10.7 percent in nominal terms. After adjusting for inflation, tax revenues declined by 11.3 percent in the third quarter compared to the same quarter of 2008. Personal income tax declines represented a $6.7 billion loss and the sales tax a $3.8 billion loss for the period. Corporate income tax saw the sharpest rate of decline at 19.4 percent, followed by the personal income tax and sales tax at 11.4 and 8.2 percent, respectively.

New Englanders are projected to spend on average about $445 on gifts this season, down 17 percent from last year. The national picture is only slightly better: Shoppers are expected to spend $452 on gifts, a 15 percent drop compared with last year, according to a Deloitte LLP survey of nearly 11,000 consumers across the country.

But if panic reigned last holiday season, resignation is this year's king. Merchants are keeping expectations low and running leaner with aggressive, early promotions and scaled back inventory. Eager to grab consumers' dollars before they spend them elsewhere, some retailers are offering preview sales to the doorbuster deals that will be available on Black Friday, the day after Thanksgiving and typically the busiest shopping day of the year.

The Catholic Diocese of Wilmington is obligated to pay retirement benefits to six priests who are confirmed pedophiles, church officials argued in a bankruptcy court filing seeking permission to keep making the payments.

After filing for Chapter 11 protection last month, the diocese agreed not to make payments to priests accused of sexual abuse without court approval. That agreement was made after objections were raised by attorneys for alleged abuse victims who now sit on a creditors committee.

In a filing submitted late Thursday, attorneys for the diocese now seek authorization to provide pensions, housing costs, and medical coverage to six confirmed child abusers. They cited an obligation to care for retired clergy, including priests dismissed from public ministry and facing laicization, or defrocking.

“Only the Vatican has the power to laicize clergy,’’ the diocese said. “Thus, while several priests have been dismissed from the public ministry and have laicization proceedings pending against them, for the time being they remain clergy whom the debtor supports, and must continue to support.’’

James Stang, an attorney for the creditors committee, described the filing as “outrageous.’’

Officials with the Survivors Network of Those Abused by Priests, or SNAP, could not recall a similar motion in the six other bankruptcies involving Catholic dioceses in the United States. The group also noted that the Wilmington diocese is paying a public relations firm a minimum of $100,000 for bankruptcy-related work.

Defending himself against critics, Representative Ron Paul of Texas played down continuing concerns on Friday that his amendment to give Congress sweeping new oversight powers over the Federal Reserve would compromise the central bank’s political independence. He asserted that the Fed was not truly as independent as it would like the public to believe.

“There is already a tremendous amount of political pressure on the Fed,” Mr. Paul, a libertarian Republican, told DealBook. “The Federal Reserve Board chairmen have notoriously been sympathetic to the presidents who might be reappointing them and there has been evidence to show that.”

Mr. Paul also asserted that the Fed was beholden to pressures beyond the government from special interests, including Wall Street.

“It’s not like the banks and **Goldman Sachs** doesn’t have influence over the Fed,” Mr. Paul said. “Every time the Fed says it wants its independence, what they are really saying is we want to keep our secrets.”

The renewed attacks on Mr. Paul’s controversial amendment to provide audits of the Fed comes after the House Financial Services Committee voted Thursday night to insert the amendment into its version of the financial overhaul bill.

The amendment would allow the Government Accountability Office, the investigative arm of Congress, to have access to a vast array of information on the nation’s monetary policy currently out of their reach, including information on the Fed’s emergency lending programs, information on the financial bailouts, the Fed’s dealings with foreign central banks and the Fed’s decisions to drive down interest rates by intervening in bond markets.

Representative Barney Frank, the Massachusetts Democrat who is chairman of the House Financial Services Committee, told DealBook that he voted against the amendment because he said he felt “it went a little bit too far.” But he noted that he could support it going forward if it did not dispel the “perception” that the Fed is independent.

“The problems with monetary policy is that perception plays a real role and I did worry that that could lead people inside America and also outside to be worried about the integrity of the monetary policy function,” Mr. Frank said. “If it turns out that the amendment does not cause these kind of concerns, then I would be fine with that.”

Meanwhile, other critics of Mr. Paul’s amendment contend that Congress is “pandering to public anger” and fear that the Fed would lose its ability to set interest rates, putting Congress in charge of this very important subset of monetary policy.

“

Yesterday’s passage of the Paul amendment by the House Financial Services Committee is a dangerous move by this Congress to pander to the populist anger currently directed against our central bank, the Federal Reserve,” Senator Judd Gregg, Republican of New Hampshire, said in a statement. “Congress has demonstrated time and again its inability to manage the nation’s fiscal policy, illustrated by our staggering national debt in excess of $12 trillion, so how can anyone think that its involvement in monetary policy would be good for the country?”

Mr. Paul shot back at Mr. Gregg. “It’s not pandering, it’s listening,” Mr. Paul said. “The people are angry because they are finding out what the Fed is doing.”

One of the more controversial things the Fed has done during the crisis was to buy up billions of dollars’ worth of mortgage-backed securities from banks and government-sponsored entities. Since the Fed is shielded from oversight, Congress has little idea what the Fed bought or exactly how much it paid for the potentially toxic securities. Mr. Paul said he feared that the government could be paying full price for the securities, which could end up being worthless.

Mr. Paul also said the amendment specifically barred Congress from intervening in any aspect of monetary policy and that any audits of the Federal Reserve’s decisions to raise or lower interests rates would be made available to Congress on a six-month time lag.

The bill will be voted on by the committee at the end of the month and it will then go to the House floor for debate and a vote. The Senate, meanwhile, is considering its own financial overhaul bill. If those bills are approved, they would then have to be reconciled by both houses of Congress before going to the president.

Unemployment in the District soared to a record high of 11.9 percent in October, according to government data released Friday, ranking it among California, Nevada, Michigan and other states with the highest jobless rates.

The District’s jobless rate climbed a half a percentage point in October to reach its highest level in 34 years of record keeping. In Virginia, the unemployment rate remained steady at 6.6 percent, while in Maryland, it rose slightly, to 7.3 percent from 7.2 percent.

The data offered a mixed picture of the region, with Maryland and Virginia remaining below the national unemployment rate of 10.2 percent for October and the District continuing to climb above it.

“We see that Maryland and Virginia are benefiting from federal spending — defense spending accounts for 20 percent of jobs in Virginia,” said Stephen S. Fuller, director of the Center for Regional Analysis at George Mason University. “The District is too small to be diversified across the sectors like you’d see at the state levels.”

Only five states had higher unemployment rates than the District, including South Carolina at 12.1 percent, California at 12.5 percent and Nevada at 13 percent. Michigan, which has been suffering from the decline of the auto industry and manufacturing, had the highest jobless rate in the nation — 15.1 percent. Alaska was the only state where the monthly jobless rate grew more than in the District, up 0.6 percentage points.

Joseph P. Walsh Jr., director of D.C.’s Department of Employment Services, said the District’s unemployment rate, while high compared to Maryland and Virginia, is more in line with other big cities. For instance, government data from September, the latest month for which city numbers are available, show New York at 10.2 percent unemployment, Chicago at 11.3 percent, Los Angeles at 14 percent and Detroit at 27.9 percent.

The District lost 500 jobs in professional and business services, information technology and construction. At the same time, it added 10,200 jobs in such sectors as education, health services, and leisure and hospitality. Experts attributed the apparent disconnect between the dramatic job growth and the dramatic rise in the unemployment rate to the sources of the data: The jobless rate is based on a household survey of unemployed people, while the jobs data are based on a survey of employers.

If you’ve ever wondered about those ATMs you see in bars and neighborhood stores that aren’t affiliated with a bank, what Robert Siciliano demonstrated probably won’t inspire much confidence. Siciliano, a Boston-based security expert for Intelius, an identity theft protection company, decided earlier this fall to buy one of those ATMs.

“I quickly found an ad from a bar north of Boston. They were selling pool tables, Budweiser neon signs, and an ATM,’’ he said.

Siciliano then used an associate, a hacker, to see what they could find in the machine. “The next day after we bought it, my hacker comes over to my garage, manual in hand, all giggly, like hackers sometimes do and says, ‘Watch this.’ He punches the master codes to access the machine’s data . . . and hundreds of credit and debit card numbers just start falling all over the floor.’’

There were more than 1,000 numbers recorded in the machine that Siciliano and his colleague printed out. ATMs like that are resold all the time, Siciliano said. They are particularly easy to find in big cities and can be found from time to time in the Boston area.

“The issue with these types is the portability of them and anyone can get one and put it anywhere,’’ he said. They are easily hacked and the innards can be reconfigured to store your card data and PIN. A criminal can also affix skimming devices that capture your data from the card’s magnetic strip and they install wireless cameras that record your PIN codes.’’

Siciliano said people also need to be wary of so-called rogue ATMs that are set up to do little else but steal your personal information. For most people there is little to distinguish one of those machines from a well-meaning nonbank machine. And even legit nonbank machines, Siciliano points out, don’t have security cameras built into them like those at banks.

Before you use a nonbank ATM, be sure you want to take that chance.

The Senate narrowly overcame the first of two critical hurdles to passing sweeping health care legislation last night, mustering the minimum of 60 votes required to begin debate on the bill and opening a volatile floor fight likely to last weeks.

Although the vote added to the sense of momentum for the most significant attempt to expand health coverage in decades, the struggle by Democratic leaders in the Senate to secure enough support yesterday demonstrated that final passage remains far from certain.

In the coming weeks, Democrats must resolve an intraparty dispute over whether to establish even a limited government-run insurance option, a disagreement that threatens to unravel the effort. Senate majority leader Harry Reid of Nevada said last night that lawmakers are working on a new compromise version, but some Democrats said they believe wavering senators would not sacrifice the entire health care bill over that one issue.

Gulf states, including Saudi Arabia and the United Arab Emirates, may revalue their currencies while maintaining their pegs to the U.S. dollar, a person familiar with Saudi monetary policy said.

The states may revalue by an unspecified amount in as soon as a month’s time, the person, who declined to be identified because the matter is confidential, said yesterday. No decision has been made on whether to revalue, he said. The comments came as heads of state of the Organization of Petroleum Exporting Countries began a summit meeting in Riyadh.

Gulf states are facing record inflation, caused partly by the weakening dollar, which has made imports from Europe more expensive. Consumer prices rose a record 4.9 percent in Saudi Arabia in August while inflation in the U.A.E. increased to a record 9.3 percent last year. Qatar has the highest inflation in the region, reaching 14.8 percent in the first quarter.

“It makes sense for them to do it,” said Jens Nordvig, senior global markets economist at Goldman Sachs Group Inc. in New York, in a phone interview. “Given the emerging inflation pressures, there are very good reasons for them to allow currency appreciation.”

The decline in the value of the dollar is a “concern” to OPEC members, Qatar’s Energy Minister Abdullah Al-Attiyah said after a meeting of OPEC oil, finance and energy ministers in Riyadh Nov. 16.

Home resales leaped up in October, rising far more than expected as a fat tax credit offset fears about joblessness.

Sales of existing homes increased by 10.1% to a 6.10 million annual rate from 5.54 million in September, the National Association of Realtors said Monday.

Inventories kept shrinking. Prices fell, but the NAR said the decline was the smallest in more than a year.

The 6.10-million rate was the highest since February 2007. Economists surveyed by Dow Jones Newswires expected a 2.3% increase in sales during October, to a rate of 5.70 million.

“Many buyers have been rushing to beat the deadline for the first-time buyer tax credit,” NAR economist Lawrence Yun said.

September sales rose 8.8% to 5.54 million; the NAR originally reported sales for that month jumped 9.4%, to 5.57 million. Existing-home sales, year over year, were 23.5% higher last month than the level in October 2008. The October surge in sales follows a very disappointing housing sector report last week showing U.S. construction tumbled in October to the lowest point in six months. A reason for the sharp, unexpected drop might have involved uncertainty over a government tax incentive for home buyers that had been due to lapse in November.

Congress extended the tax credit earlier this month through April, a move seen fueling sales and construction into the new year.

“There is still a large pent-up demand that can be tapped before the tax credit expires,” Yun said.

Aside from the tax credit, low prices and mortgage rates have drawn in buyers, concerned as the U.S. unemployment rate climbed in October to 10.2%. The average 30-year mortgage rate was 4.95% in October, down from 5.06% in September, Freddie Mac data showed. The NAR reported the median price for an existing home last month was $173,100, down 7.1% from $186,400 in October 2008.

Inventories of previously owned homes decreased by 3.7% at the end of October to 3.57 million available for sale. That represented a 7.0-month supply at the current sales pace, compared to 8.0 in September.

Regionally, sales in October compared to September rose 11.6% in the Northeast, 14.4% in the Midwest, 12.7% in the South, and 1.6% in the West.

Of the 6.10 million in overall U.S. sales, 30% were distressed, which includes foreclosures. That compares to a range of 45% to 50% in months during late 2008 and early 2009.

For the first time in a decade, more people paid their credit card bills on time in the third quarter this year than in the second quarter.

The delinquency rate on bank-issued cards like those bearing MasterCard and Visa logos fell to 1.1 percent for the June-to-September period, from a rate of 1.17 percent in the prior three months, according to credit reporting agency TransUnion.

The 6 percent drop is significant not just for its size but also for its timing, since delinquency rates usually rise in the third quarter from the prior period, said Ezra Becker of TransUnion's financial services group.

Taken together with the more than 11 percent decline seen between the first and second quarters, the results indicate that consumers are getting better at handling their debt.

It's too early to tell how the recession has affected consumer behavior long-term, Becker said, but the holiday shopping season will provide some clues. The National Retail Federation, a retail trade group, expects total holiday sales will drop 1 percent from last year.

The United States is borrowing trillions of dollars under terms that seem "too good to be true" just as a "spending explosion" on benefits programs like Medicare and Social Security is set to begin, according to the *New York Times*.

In a series titled "Payback Time: *Debt Bomb*," the *Times* details the magnitude of our nation's borrowing and warns of an impending and monumental reality check:

The government faces a payment shock similar to those that sent legions of overstretched homeowners into default on their mortgages.

With the national debt now topping $12 trillion, the White House estimates that the government's tab for servicing the debt will exceed $700 billion a year in 2019, up from $202 billion this year, even if annual budget deficits shrink drastically."

Freddie Mac, the government-backed mortgage finance giant, said Monday it's trying to minimize losses on more than $1 billion in assets at risk because of the summer collapse of mortgage lender Taylor, Bean & Whitaker and a regional bank with which it did business.

McLean-based Freddie Mac said it filed a petition to claim about $595 million that Taylor Bean had collected on its behalf and placed on deposit at Colonial Bank, an Alabama-based bank that was shut by regulators in early August, a few weeks before Taylor Bean filed for Chapter 11 bankruptcy protection.

Colonial Bank is now in the hands of the Federal Deposit Insurance Corp. For a fee, Taylor Bean collected the monthly payments on home loans that were owned by Freddie Mac.

Freddie Mac also reiterated on Monday that it is due $500 million for home loans that Taylor Bean had sold the company with the promise that it would buy them back if they didn't meet Freddie Mac's standards. Freddie Mac says the loans did not pass muster and wants to sell them back, but Taylor Bean's bankruptcy prevents the sale.

It is not clear what the price tag associated with the collapse of Taylor Bean and Colonial Bank will ultimately be for Freddie Mac.

"Freddie Mac is currently assessing its other potential exposures to [Taylor Bean] and is working with the debtor in possession, the FDIC and other creditors to quantify these exposures," the company said in a statement. "At this time, Freddie Mac is unable to estimate its total potential exposure related to [Taylor Bean's] bankruptcy; however, the amount of additional losses related to such exposures could be significant."

Freddie Mac earlier this month posted a $5 billion loss for the third quarter, but said for the second time in a row that it didn't need any more federal aid. Freddie Mac and its rival, Fannie Mae of the District, have received $111 billion in aid since the government seized the firms in 2008.

Fannie Mae also did business with Taylor Bean but the company said it has reported the extent of its exposure.

Home prices rose slightly in September, the fourth straight monthly increases and a clear sign that the housing market’s recovery is continuing.

The Standard & Poor’s/Case-Shiller home price index of 20 major cities released Tuesday rose 0.3 percent to a seasonally adjusted reading of 144.96 in September. Prices rose month-over-month in 11 metro areas.

Industry experts, however, still worry that rising unemployment and foreclosures could stifle the rebound in prices.

The U.S. economy expanded at a 2.8 percent annual rate in the third quarter, less than the government reported last month, reflecting a smaller gain in consumer spending and a bigger trade deficit.

The increase in gross domestic product from July through September reported today by the Commerce Department in Washington compares with a 3.5 percent gain previously estimated.

Corporate profits climbed by the most in five years.

Smaller increases in spending show the U.S. was dependent on government stimulus programs to help dig the world’s largest economy out of its worst recession since the 1930s. Growing profits lifted purchases of equipment and software, indicating investment by companies such as Verizon Communications Inc. will help make up for smaller gains in household purchases as unemployment mounts.

More than 57,000 unemployed Arizonans may be eligible for additional weeks of unemployment compensation.

Click on the video link to the right to hear from Pat Harrington with the Arizona Department of Economic Security. Pat explains who is eligible, how you can find out if you’re included, how much additional compensation you may be entitled to, and where to go for help.

The bottom line: Anyone currently receving benefits or who exhausted benefits this year, is entitled to 14 more weeks of unemployment compensation. These weeks of compensation can go into 2010. If you’ve exhausted benefits you should have received a letter by now from DES, if not, contact them at AZCALLCENTER@AZDES.GOV. If you are still receiving benefits, you will receive your letter at the time you exhaust them. Both groups may be eligible for 6 more weeks but that is subject to Congress passing an extension by 12/31/09.

JPMorgan Chase & Co., the second- largest U.S. bank, said the dollar will fall to a record low next year on signs the Federal Reserve will keep interest rates near zero until 2011 and investors seek higher-yielding assets.

The dollar will weaken to $1.62 per euro in the second quarter, JPMorgan foreign-exchange strategists led by London- based John Normand wrote in the bank’s Global FX Outlook 2010, published today. The bank previously predicted a trough of $1.50 in the first quarter.

U.S. rates at an all-time low make the dollar attractive to sell in so-called carry trades, in which investors use the greenback to fund purchases of higher-yielding currencies such as the Australian dollar and Norwegian krone. The greenback also weakened this year as central banks increased the percentage of foreign reserves held in euros at the expense of the dollar.

“Fed policy is a key driver because it determines the dollar’s attractiveness as a funding currency and the cost of hedging the foreign-exchange risk on long-term investments,” Normand said in an interview. “The dollar’s decline is more than a carry trade. Global investors’ preference for non-U.S. equities, rising merger and acquisition outflows from the U.S. and central-bank reserve diversification are compounding the dollar’s decline.”

Richmond Fed Manufacturing Index declines to 1 in Nov from 7.

Sept. S&P/Case-Shiller Home Price Indices fall 9.4%.

National chain store sales rose 4.8% in the first three weeks of November versus the previous month, according to Redbook Research’s latest indicator of national retail sales released Tuesday.

The rise in the index was compared to a targeted 4.8% gain.

The Johnson Redbook Index also showed seasonally adjusted sales for the period were up 2.1% from last year and compared to a targeted 2.2% increase.

Redbook said, “The week ended on a stronger note than it began. Not surprisingly, food and pre-Thanksgiving special promotions drew in customers. Department stores indicated that sales were driven by strength in apparel and seasonal merchandise.”

3Q Real Personal Consumption Expenditures increase 2.9%.

U.S. consumer confidence improved in November, recovering somewhat from a sharp drop in October to beat economists expectations, according to a report Tuesday.

However, other elements of the report showed that U.S. consumers continue to be especially anxious about a sluggish U.S. economy.

The Conference Board, a private research group, said its index of consumer confidence for November moved to 49.5 from a revised 48.7 in October. The October index had previously been reported at 47.7.

The current month's reading was above economists' expectations for a 47.0 reading, according to a survey conducted by Dow Jones Newswires.

The index continues to be held up by respondents' expectations for economic activity in the future, with that component showing an increase to 68.5 from 67.0 in October. But this was again offset by a weak present conditions index, which fell slightly to 21.0 from 21.1.

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

On a year-on-year basis, the reading climbed 3.3%, with an easy comparison allowing the figure to post its biggest increase since July 2007.

Nonetheless, ICSC trimmed its forecast for November same-store sales growth to 4% to 6% from 5% to 8%. But ICSC chief economist Michael P. Niemira noted, "So much of the monthly performance rides on Bargain Friday shopping" the day after Thanksgiving.

The group also noted that 15% of households have completed at least half of their holiday shopping, the highest level in five years.

Week Ending	Index 1977=100	Yr/Yr Change	Weekly Change
21-Nov-09	490.2	3.3%	0.0%
14-Nov-09	490.2	2.4%	-0.1%
07-Nov-09	490.9	2.9%	-0.1%
31-Oct-09	491.3	1.9%	0.1%

S&P Case-Shiller says 20 metro area home prices rose for the 5th straight month. Their home index rose 0.3% in September from August. The 20-city index yoy fell 9.4%. the national index for the 3rd quarter rose 3.1% qoq, the same as in the 2nd quarter.

The FDIC insurance fund is broke with an $8.2 billion debit balance, as the banking industry had 3rd quarter profits of $2.8 billion.

The Fed on Tuesday sold $42 billion in 5-year notes.

S&P says most global banks are still unsafe. That includes every bank in Japan, the US, Germany, Spain and Italy. The broke FDIC says the number of banks on the problem list rose to 552 from 416. These same banks recently borrowed $11.7 trillion. Where did all the money go? The savings of the average American are being squandered.

Total US government obligations are $114.7 trillion as of the end of 2009.

Lending by U.S. banks plunged by 2.8 percent in the third quarter, the largest drop since at least 1984 and the fifth consecutive quarter in which banks have reduced lending, the Federal Deposit Insurance Corp. reported Tuesday.

The decline in lending is emerging as a serious impediment to economic recovery. Banks reduced the amount of money extended to their customers by $210.4 billion between July and September, cutting back in almost every category, from mortgage lending to funding for corporations.

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