The Eurozone Crisis: Disruptions of Financial Markets Worldwide

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Saving the euro, the euro zone and the European Union obviously is far more important to Europe politician's and their masters than any national interests.

After having lost seven elections in a row the Christian Democratic Union and their partners in Germany still voted 523 to 85 for an extension of money and power to the European Financial Stability Facility, the EFSF. We would say the yes voters stand a good chance of defeat at their next elections, especially when 75% of Germans were at odds with the vote. The big loser was the CDU partner's, the Free Democratic Party that under the constitution must garner 5% of the vote to stay eligible. The power position of the CDU could well be in jeopardy.

The Bundestag committed $590 billion to the EFSF of which Germany will provide $283 billion or almost half to resurrect euro zone economies. What did come from all parties is that they will refuse to commit one more pfennig to bailing out the six wayward countries. They opposed any effort to leverage the allocated total, there would be no Eurobonds, and they voiced opposition as being implacably opposed to moving decisions on monetary and fiscal policy out of the hands of sovereign states. There should be no expansion of policy to the EFSF under any circumstances. The next question will be how long will the funds last? Probably six months to a year and then the problem starts all over again.

The German government is already in the process of protecting its banks and we are told contingency plans are in the works to return to the Deutschemark. The possibility of six sovereign defaults accompanies by bank failures looms in the distance. Considering the condition of other European banks, and the possibility that three major French banks may be purchased by China, we could see disruption in the global banking system. The advocates of world government wanted all world banks interconnected and now that control connectively will act as a lynchpin to possibly destroy the entire system. As these preparations are made the euro continues to sink in value versus other currencies, particularly what should under normal circumstances be a weak dollar. The dollar again has become the best of the worst. The very fact that Germany is building a reserve of Deutschemarks has to spell the possible end of the euro. In the meantime there will be new challenges to the legality of the recent financial rescue package passed in Germany and that could take years to resolve. Without German euro zone participation the euro will cease to exist. Although the plan is for further unification of the EU the chances of that happening is slim and none.

The importance of Greek failure and default and a 60% haircut of Greek debt are important, as Greece finally succumbs, but not priced into the markets is that Germany will return to the D-mark. Incidentally, we predicted this 12 years ago and many times since. If that becomes reality for those who choose to remain in the euro, they can expect an ever-falling currency. Overall we cannot imagine a euro without German involvement. Secretly the Germans have already made the decision. This is another situation Germany was forced into as a result of defeat in WWII. That era is soon going to end – the payback era. That means all foreign troops should be removed from Europe as well. As an aside with all this going down the Swiss had to have known what was in the works. What made them devalue the franc and set its value by coupling with the euro? That has to be the worst decision in 170 years. The Swiss may have missed the boat but the Germans are attempting to save themselves financially and economically. You are going to see a whole new Germany that will no longer be held down by what happened between 1939 and 1945. We believe Germany is on the cusp of taking care of domestic institutions and problems and protecting the German investor, not others in other countries who have abused their assistance. Their support for their own banks has already begun, and the Landbanks and some other banks may have to be taken over by the government until the mess is sorted out and that could take years. At least six countries are going under and all their debt will be worthless or near worthless. Once one goes they will all go. If Greece doesn't get its next tranche of funds it will happen quickly. If they get their bailout funds it could be six months to a year before default. Not without their problems, while this is transpiring, the US will probably nationalize Bank of America, which is beset by many lawsuits they cannot win. In addition US banks are still 25% or 35% exposed to European sovereign and bank debt, plus the $150 billion in CDS sold to European banks. Overall US banks have major exposure in Europe.

The foregoing events will be very disruptive to financial markets worldwide. That will lead to risk aversion as stock and bond markets fall and real interest rates rise. Again the only safe place will be in gold and silver related assets. We could eventually have what looks like 1929-1933 all over again. It is obvious at this point that no one will cover any debt of any of the six countries after the next tranche of funds are used up. More importantly Greece may not get funds due to failure to meet austerity guidelines. That means the ESFS has not as yet been funded. An additional demand has come from Finland for collateral. We though other banks and sovereigns might demand collateral as well, but they haven't as yet. If the Greek government cannot meet EU demands it may have to use properties and gold as collateral in order to get the loan. Other members of the EU could end up running Greece. Germany has mentioned this previously. When it comes right down to it the EU members saving Greece would wipe out their current cash commitment. If not at least $350 billion. That doesn't leave much to bail any other country out. We have to side with Lagarde and ask the solvent nations to be realistic in their assessment of the Greek and other problems. All Trichet wants to do is gain more time so he can pass the problem to someone else as he leaves as the head of the ECB. We say it is to late for propaganda and smoke and mirrors. He calls it earning their way back to health. We say the corpses have to be buried. In the meantime Germany is preparing for the worst by the Bundsbank giving orders for Deutschemarks to be printed immediately. Make no mistake about it that this is the greatest crisis to the EU since WWII and the bailing wire that holds the agreements that binds the euro and the EU are coming unraveled. The die-hard one-worlders just do not give up. As the center falls apart these idiots are calling for new agreements to replace the old ones to keep this unnatural association together. We wonder why the Germans, Greeks and others would not listen 1-1/2 years ago when we stated that Greece had to default, leave the euro and euro zone, return to the Drachma and put an austerity plan in place. We also said it would take $4 trillion to solve the problems of the six near insolvent nations, but unfortunately few were listening. Germany, as we wrote at that time should have accepted the Greek offer of a 50% debt haircut. They were not listening. The leadership and bureaucrats in Europe are so possessed with a world government that wouldn't listen and they still are not listening, because there still is no solution. Even German politicians and bankers still do not get it. The dream of Europe as the centerpiece for a new world order is over. There will be big governmental changes from country to country and many banks, insolvent, will be nationalized.

The German Federal Constitutional Court may have approved the Bundestag allocating more funds for a further bailout, but did not give the budget committee a magic wand. It is also apparent that many European banks could not survive if their holding of sovereign debt, such as Greece's was marked-to-market and not to model. What it all boiled down to, as we said before, should the solvent countries make sure they survive, or should they bail out the insolvents. It looks like Germany is preparing to save itself, thus as we pointed out six months ago, it will be every man for himself. That is truly how dire the situation is. Cost analysis dictates the end of the euro and perhaps the end of the EU. This while thousands demonstrate in Athens every day venting their anger over past and present politicians and bankers. Presently Greece is ungovernable by its communist government that calls itself Socialist.

The banks caused all these problems and have been assigned 21% of the losses. We believe that figure should be at least 50%. If that were put in place, nationalization would be the only solution and that would neutralize the power of the banks, which are responsible for 85% of the problems. Put the burden where it should be, on the banks.

At this point in time sovereign countries should be worried about protecting their own citizens, not others. Germany seems to understand this. Can you imagine the inflation throughout Europe if $4 to $6 trillion was created and lent to the insolvent countries? Such inflation would force nationalization of German and most European banks. Thus it should not be surprising that France has followed in the steps of Germany and is printing French francs as well. These moves by Germany and France allow the US dollar to appreciate, because it becomes the best of the worst, at least temporarily, or that France is negotiating with China to sell three of its largest banks.

The President of the European Central Bank, Jean Claude Trichet, attended his last meeting on Thursday. The day before a reporter asked him if Germany might go back to the Deutschemark, and his answer was Germany got better price stability under the ECB than under the Bundesbank, which intonates please stick with the euro. Of course, we believe that is impossible and has been for a long time. German officials and experts knew this as well. It also means Mr. Trichet will have to admit that under the circumstances he should have not raised ECB interest rates and that decision will have to be reversed, if not by him, then by his successor.

Making matters worse some EU members have huge debt issuance during October and November. Rolling that paper under current circumstances is going to be difficult. You not only have Greece out front, but you have five problem nations behind it, and you will also see solvent sovereigns struggling to raise money as well.

If Germany and France return to their currencies the euro is history and a valuable lesson has been taught. A number of unequal nations cannot amalgamate under one currency or group. It is unnatural and simply does not work. Culture and social conditions prohibit such a marriage. We said this four years ago and again have to repeat it. As an outsider looking in and having lived in these countries for an extended period of time and having spoken their languages we knew it as all wrong. This also means credit default swaps spreads will widen and interest rates could move higher not only in Europe but also worldwide. The cat is out of the bag and the Fed can lend only limited assistance in the form of additional currency swaps and secret loans. As the six insolvents fail the fallout will affect not only Europe, but also the UK and US and eventually the world.

In the middle of all this we find that Irish banking officials have presented evidence to the European Commission that will lead to an indictment of JPMorgan Chase and its CEO Jamie Dimon for massive derivative fraud, which ties into the Fed's operation twist. This operation was not only to maintain the short end of the Treasury market and to buy the long end with new credit created out of thin air, but also to depress gold and silver prices, which we believe won't work. In addition Irish officials are conducting a major audit of Allied Bank looking for more incriminating evidence of fraud. The criminality seems to never end.

France and Germany have already set the tone for the future of the euro and other European currencies. The seed of doubt has been planted regarding the euro and it can only add to the burden of the euro and the EU. As they say, you have to do what you have to do, and that is what Germany and France have decided to do. Their governments are already sharing French and German banks. As Greek default looms that will force other countries to do the same. Britain is in no condition to help Greece, or the Irish banks for that matter. The Alpha Group and its owners, the royal families of England and Holland and the Rothschilds are going to take a big financial hit, and rightly so, they caused all this. British banks have been doing the same thing that major US banks have been doing and that is hoarding trillions in cash just for such a rainy day. They fully well knew what was coming three years ago. The French banks do not have the kind of cash, and that is why they are secretly negotiating with the Chinese.

This is why secretly the Fed has made unlimited liquidity available to the market and European banks and governments.

We believe shortly the Fed will announce QE 3 to assist the US economy as well. What better excuse to implement the US issuance of trillions more in money and credit. Unlimited liquidity in the UK, US and Europe can only mean major additional inflation, which means gold and silver are going to go through the roof, as are commodities.

You will now see a new and different Germany, one that will have finally thrown off the shackles of WWII. In announcing that they are leaving the euro zone they will emphasize their allegiance to the Eu7ropean Union, which will mean nothing. Germany wants to go on its own and rightly so. Why should Germany hang on to a dying currency that will bring great damage to its economy and nation? Down the road there will be a bank holiday in Europe's future, as these changes are made public.

We have the same incompetent change agents, so-called financial personalities, as usual, misleading the public.

They are telling the unwashed to buy the euro when it has only way to go and that is down.