The US Financial Structure is Doomed. Monetization, Crisis of Retail Trade, Decline of the Dollar

By Bob Chapman
Global Research, September 27, 2009
The International Forecaster 26 September 2009
Region: USA
Theme: Global Economy

Nearly half the nation's 25 biggest retail chains expect to hire fewer holiday workers this season than they did last year, another sign that retailers aren't counting on recession-strained shoppers to relax the tight grip on their pocketbooks this year.

About 40% of stores surveyed across a broad swath of retailing, including consumer-electronic chain Best Buy Inc., teen-retailer American Eagle Outfitters Inc., and luxury-goods seller Saks Inc., told the Hay Group, a human resources consulting firm, that they expect to hire between 5% and 25% fewer temporary workers this year than last, when the recession forced many retailers to trim staff in response to falling sales. That's a grimmer outlook than the Hay survey found a year ago, when 29% of retailers said they would be slashing their holiday workforce.

Gross debt issuance will reach $7 trillion when the current fiscal year ends this month, Treasury Acting Assistant Secretary for Financial Markets Karthik Ramanathan, said on Wednesday.

In fiscal year 2009, which ends next week, Treasury will have issued $7 trillion in gross issuance that's in a 12-month period, Ramanathan said in a speech at a financial markets conference in New York.

This issuance was necessary to meet nearly $1.7 trillion in net marketable borrowing needs, nearly $1 trillion more than what we raised last year. He said that demand for Treasuries this year had been tremendous but expected some flight-to-quality flows into government debt to begin going to other sectors as the financial markets recovery continues.

There is still a long way to go toward market and economic stabilization but good progress is taking place, Ramanathan said, adding that officials were no longer focused "on LIBOR/OIS spreads on a daily or hourly basis."

The FBI is investigating the hanging death of a U.S. Census worker near a Kentucky cemetery. A law enforcement official says the word "fed" was scrawled on his chest.

The body of Bill Sparkman, a 51-year-old Census field worker and occasional teacher, was found Sept. 12 in the Daniel Boone National Forest in rural southeast Kentucky.

Investigators have said little about the case. A law enforcement official, who was not authorized to discuss the case and requested anonymity, tells The Associated Press the word “fed” was written on the dead man’s chest.

FBI spokesman David Beyer said the bureau is helping state police determine if Sparkman’s death was the result of foul play, and if so, whether it was related to his census work.

Resales of U.S. homes dropped 2.7% in August to a seasonally adjusted annual rate of 5.10 million, the first decline in five months, the National Association of Realtors reported Thursday. Inventories of unsold homes on the market declined by 10.8% to 3.62 million, representing an 8.5-month supply at the August sales pace, the lowest since April 2007. The decline in sales was unexpected by most economists. The median forecast by economists surveyed by MarketWatch was for a small gain to a 5.40 million annual rate from 5.24 million in July.

The two most important features of the Fed’s communiqué are: quantitative easing via Treasuries will end as scheduled in October but the quantitative easing via MBS and agency debt will be extended through Q1 2010 instead of ending at year end. The Fed must accommodate foreigners as they keep jettisoning agency debt.

The most salient part of the FOMC Communiqué: To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase a total of $1.25 trillion of agency mortgage-backed securities and up to $200 billion of agency debt. The Committee will gradually slow the pace of these purchases in order to promote a smooth transition in markets and anticipates that they will be executed by the end of the first quarter of 2010. As previously announced, the Federal Reserve’s purchases of $300 billion of Treasury securities will be completed by the end of October 2009.

The Fed has monetized $862B of its $1.25 trillion MBS plan, and $129.2 B of its $200B agency program.

Nearly half the nation’s 25 biggest retail chains expect to hire fewer holiday workers this season than they did last year, another sign that retailers aren’t counting on recession-strained shoppers to relax the tight grip on their pocketbooks…

About 40% of stores surveyed across a broad swath of retailing, including consumer-electronic chain Best Buy Inc., teen-retailer American Eagle Outfitters Inc., and luxury-goods seller Saks Inc., told the Hay Group that they expect to hire between 5% and 25% fewer temporary workers this year than last, when the recession forced many retailers to trim staff in response to falling sales.

That’s a grimmer outlook than the Hay survey found a year ago, when 29% of retailers said they would be slashing their holiday workforce.

HANK Paulson has admitted that he kept in touch with “market participants” on Wall Street when he was Treasury secretary.

But did the former head of Goldman Sachs use his government position to enrich his friends during one of the most tumultuous times in US financial history?

Paulson’s phone logs, which I obtained after a Freedom of Information Act request, show that the Treasury chief kept in frequent touch with a virtual Who’s Who of Wall Street’s power players. But a half- hour block of time could prove to be the most intriguing bit of non-information in his schedule.

The stock market had been in a free fall all that day, but at around 3:10 p.m. on Aug. 16 — less than three hours after the Bernanke/Paulson lunch, the stock market turned on a dime.

This sort of "very illegal" inside information trading has been part and parcel of this entire mess. It is part and parcel of how we have a couple of firms, one in particular (cough-Goldman-cough!) who manage to make money on their "proprietary trading" virtually every day in a quarter, a statistically-improbable outcome akin to that of getting hit in the head by a meteorite when one goes to get their mail.

The trading patterns make crystal clear that certain market participants knew in front of the announcement what was to come in each and every case. The bets placed were enormous and one-sided.

But when the law only applies to "the little people" we indict Martha Stewart while some of the biggest firms on Wall Street do the same sort of thing literally every day – with impunity.

President Obama is exploring alternatives to a major troop increase in Afghanistan, including a plan advocated by Vice President Joseph R. Biden Jr. to scale back American forces and focus more on rooting out Al Qaeda there and in Pakistan, officials said Tuesday.

In looking at other options, aides said, Mr. Obama might just be testing assumptions — and assuring liberals in his own party that he was not rushing into a further expansion of the war — before ultimately agreeing to the anticipated troop request from General McChrystal. But the review suggests the president is having second thoughts about how deeply to engage in an intractable eight-year conflict that is not going well.

The Fed and the government sent a message to companies that "the bigger that you are, the more problems that you get yourself into, the more likely the government is to bail you out," Palin said in the closed door speech, according to a tape of the event given to Bloomberg News. "Of course the little guys are left out then. We're left holding the bag, all the moms and pops all over America."

Palin criticized Obama's plan to give the Fed powers to monitor risks to the financial system. A meltdown last year led to $1.6 trillion of bank losses and writedowns and triggered a global recession.

"How can we think that setting up the Fed as monitor of systemic risk in the financial sector will result in meaningful reform," she said. "The words 'fox' and 'henhouse' come to mind."

Existing-home sales in the U.S. unexpectedly fell in August, breaking a string of four increases as the housing market struggles to recover.

Home resales decreased by 2.7% to a 5.10 million annual rate, the National Association of Realtors said Thursday.

Wall Street expected a sales rate of 5.39 million sales rate for previously owned homes. It was a mild retreat from a very strong gain, NAR economist Lawrence Yun said, adding the sales pace in August was the second highest in nearly two years. The highest was in July, when sales rose to 5.24 million, capping four increases in a row.

Distressed property sales have pushed prices lower, year over year. The median price for an existing home last month was $177,700, down 12.5% from $203,200 in August 2008. Existing home sales have gone up four times in six months as a nascent economic recovery, rising affordability, and a big tax break offset tight financing conditions and a jobless rate expected to top 10%.

The number of U.S. workers filing new claims for jobless benefits unexpectedly declined last week, according to a Labor Department report Thursday.

Meanwhile, total claims lasting more than one week also decreased.

Initial claims for jobless benefits fell 21,000 to 530,000 in the week ended Sept. 19, the department said in its weekly report.

Economists surveyed by Dow Jones Newswires had expected a rise of 5,000. The previous week's level was revised from 545,000 to 551,000.

The four-week moving average of new claims, which aims to smooth volatility in the data, fell by 11,000 to 553,500 from the previous week's revised figure of 564,500.

This latest data still leaves claims at a fairly high level, reinforcing the view shared by most economists that the job market will take longer to heal. The August monthly jobs report recently found that while job losses softened, the unemployment rate had also climbed to 9.7% — the highest level in 26 years.

The fact we are not improving faster has been an ongoing disappointment, Wrightson ICAP economist Lou Crandall said in a Wednesday interview, adding that other employment indicators have proved more encouraging than jobless claims.

But the unexpected drop in last week's claims also may suggest that the labor market is improving, albeit slowly.

When I think you step back and look at everything that has happened since March when claims peaked, I would say the trend has generally been down since then," JP Morgan Chase & Co. economist Abiel Reinhart said Wednesday.

In the Labor Department's Thursday report, the number of continuing claims — those drawn by workers for more than one week in the week ended Sept. 12 – fell by 123,000 to 6,138,000 from the preceding week's revised level of 6,261,000.

The unemployment rate for workers with unemployment insurance for the week ended Sept. 12 was 4.6%, a 0.1 percentage point decrease from the prior week's unrevised rate of 4.7%

The largest increases in initial claims for the week ending Sept. 12 were in Wisconsin, Oregon and Kansas. The largest decreases in initial claims were in Texas, Illinois, Pennsylvania, Michigan and Massachusetts.

Luxury hotel owners risk defaulting on their debt as the recession cuts occupancies and the credit crunch constrains refinancing.

Loans secured by more than 1,500 hotels with a total outstanding balance of $24.5 billion may be in danger of default, according to Realpoint LLC, a credit rating company that tracks commercial mortgage-backed securities. Some of the biggest loans, put on the company's watch list because of late payments, decreasing occupancies or cash flow, were made to luxury properties where rooms can cost more than $850 a night.

Babson Capital Management LLC and GoldenTree Asset Management LP are among investors bargain- hunting in the $650 billion market for collateralized debt obligations linked to corporate debt as credit markets open.

An estimated $11 billion of CDOs backed by high-yield, high-risk loans or linked to corporate bonds using credit derivatives, have exchanged hands this year, according to Morgan Stanley and JPMorgan Chase & Co.

Trading in CDOs that contributed to $1.6 trillion of writedowns and credit losses at banks worldwide increased after the Federal Reserve doubled its balance sheet to more than $2 trillion to rescue financial institutions. Prices have more than tripled since May for some securities tied to company debt as analysts and investors lowered their predictions for defaults and the economy showed signs of emerging from the longest recession since the Great Depression.

CDO trading activity has been huge since May, said Joseph Naggar, a partner at GoldenTree in New York, which oversees $11 billion and has bought loan CDOs and so-called synthetic CDOs composed of credit-default swaps. "Access to the capital markets has dramatically improved for companies. As some of the underlying corporate assets have improved, CDOs have followed.

The market for buying and selling CDOs, which repackage assets such as mortgage bonds and loans used in corporate buyouts into new debt with varying degrees of risk, was shut down last year in the wake of Lehman Brothers Holdings Inc.'s bankruptcy filing, Naggar said. (You would think that these greeting morons would have learned their lesson, but no they haven't).

As ABC news reported last night, the special inspector of the government's $700 billion TARP program said in prepared testimony that the chances of taxpayers recovering their investment are extremely unlikely.

Neil Barofsky said today.

While several TARP recipients have repaid funds for what has widely been reported as a 17 percent profit, it is extremely unlikely that the taxpayer will see a full return on its TARP investment. For example, certain TARP programs, such as the mortgage modification program which is scheduled to use $50 billion of TARP funds, will yield no direct return, and for others, including the extraordinary assistance programs to AIG and the auto companies, full recovery is far from certain.

When we look at companies as we have told you over and over again, it is the fundamentals. When we look at government statistics we see something totally different. The reporting is so outrageous that it is purely disgraceful. The latest scam from the BLS is that the subsidy in the "Cash for Clunkers" program will be deducted from the CPI. This is being done to artificially reduce the CPI and reduce pension payout, as well as Social Security payout. It is outright theft. If we did this we would be thrown in jail.

The FDIC has 400 banks in its watch list, but further examination sees 2,256. That means at least 900 more banks will fail in this cycle. These banks are using mark-to-model, so there is really no knowing whether the failure figure during the cycle will be 3,200 or 4,200. On just 900 banks, which are certain to go under, the loss figure will be at least $300 billion. Incidentally top banking professionals have verified these figures. They say one of the biggest problems is that solvent banks, some of who received TARP funds, are refusing to accept failing banks no matter what federal guarantees. They tell us that they believe that once a solvent bank is loaded up with failing banks they will then be taken over by bigger banks.

Historically losses for failed bank resolutions have been about 11%. Today they are 25%. Thus, far losses are estimated at more than $300 billion. The FDIC believes, although they won't tell you this that more than 1,000 banks will fail at a cost of $500 billion. The FDIC has $10 billion. the FDIC will borrow $100 billion from the Treasury and borrow additional funds from insolvent banks that have received loans from the Treasury and the Fed. You might call this a financial daisy chain.

In addition to the foregoing problems the commercial real estate industry is facing $500 billion in losses to be absorbed by banks. That means the FDIC will have to borrow $1 trillion from some of the institutions they are trying to save.

Facing these problems and others tells us that one-year recovery we foresee will be tepid at best and what will be left for an encore?

On another note 73% of NYSE volume is in front running trades. The SEC says they'll end flash trading. If they do the market is going to fall, perhaps a big fall.

The Treasury's 5-year auction was held with a bid to cover of 2.4 to 1. Indirect participation, foreign central banks, took 44.8% of the action. The bid to cover disappointed.

The Fed has started talks with bond dealers about withdrawing an unprecedented amount of cash injected into the financial system the last two years. Evidentially some of the $1 trillion may be removed from the system. The only effective way they can do that is by buying paper bank and pay for it with more money created out of thin air, which is further monetization.

Credit card charge-offs rose to a record high in August. Consumers are under fierce stress. Moody's Index rose to 11.9% from 10.52% in July. Delinquencies more than 30-days late, rose to 5.8% from 5.73%.

Mass layoffs rose by 533 in August from July. The number rose to 2,690 last month; affecting 259,307 workers. That brought the total of mass layoffs this year to 21,184; 279 were in manufacturing. In 21 months that is events of 44,669 or over 4.56 million jobs. That is official; can you imagine what the real numbers are?

The FOMC left Fed funds unchanged at 0% to 0.25%. They said they will gradually slow the pace of mortgage-related debt. They have already bought $300 billion of longer-dated US government bonds, and $1.45 trillion of mortgage-related debt to keep lending rates low.

The U.S. government will have issued $7 trillion in bonds by the time the current fiscal year ends next week, but it expects the debt deluge to stabilize by mid 2010, a Treasury official said on Wednesday.

The Fed balance sheet increased $18.860B for the week ended 9/23 due to the monetization of $8.539B of MBS, $4.04B of agencies and $5.849B of Treasury notes.

The government is failing to disclose the full details of how the $700 billion bailout of the financial sector has been implemented, the program's top government watchdog will say on Thursday.

Neil Barofsky, the Special Inspector General over the Troubled Asset Relief Program (TARP), will testify to Congress that the government's "basic attitude" on the transparency and accountability of the program "remains a significant frustration."

Stimulus funds boost number of federal jobs That's helped fuel the continued growth of the federal government, which increased by more than 25,000 employees, or 1.3%, since December 2008.

Over the past several weeks we have noted that the Baltic Dry Freight Index, which has led commodities and stocks, topped in June and has been declining sharply. The past two days, commodities have declined sharply, producing a very ugly technical picture. It appears that commodities and stocks will now reconnect to some degree with the real economy as reflected by the Baltic Dry Freight Index.

G20 should tax financial trades: The prologue to the crisis was a combination of cheap money, deregulation, and a race for returns by executives undeterred by the risks.

Despite all this pain, the remaining financial market participants gained significant benefits from government bailouts. The Group of 20 nations' average support for the financial sector is more than 30 per cent of gross domestic product (including capital injections, guarantees, treasury lending and asset purchases, liquidity provision, and other central bank support). In our political response to this crisis, new forms of fiscal burden-sharing will be needed. One of these is a global financial-transaction tax.

Remaining financial market participants are not pulling their weight in this crisis. But Main Street sees what happens on Wall Street – and in London and Frankfurt. Citizens are aware of the hundreds of billions of euros and dollars used to prop up banks. Bonus payments in the financial sector now go hand in glove with massive job losses in the real economy.

A global financial-transaction tax, applied uniformly across the G20 countries, is the obvious instrument to ensure that all financial-market participants contribute equally. German Foreign Minister Frank-Walter Steinmeier and I suggest the G20 take concrete steps toward implementing a tax of 0.05 percent on all trades of financial products within their jurisdictions, regardless of whether these trades occur on an exchange. Retail investors could be exempt.

http://www.ft.com/cms/s/0/25afd1d4-a905-11de-b8bd-00144feabdc0.html?ftcamp=rss&nclick_check=1

The Group of 20 nations is close to an agreement to improve global coordination of economic policies, a significant change to the world economy that would envision member countries monitoring each others' commitments, according to G-20 officials.

The U.S. came into the summit seeking a commitment to "rebalance" the world economy. Under the concept being discussed, the Chinese would boost domestic demand, the world would reduce its reliance on U.S. consumers, and the Europeans would encourage investment.

How far reaching the agreement will be depends on how — and whether — it is enforced. The potential agreement envisions a “peer review” system, with G-20 countries assessing whether each others’ policies are working, and the International Monetary Fund likely providing technical help. Not included are any enforcement mechanisms such as sanctions or other financial penalties.

European differences with the Obama administration threaten to overshadow Friday’s G20 summit in Pittsburgh, with Britain and France resisting US plans to overhaul the International Monetary Fund.

UK and French officials were exasperated on Thursday by US proposals that could threaten both countries’ seats on the IMF board of directors, the Financial Times has learnt. Under the US plans, the IMF board would be cut from 24 seats to 20 with fewer European representatives.

The US financial sector’s losses on large loans exploded over the past year, exceeding the combined losses since 2001, with hedge funds and other members of the “shadow banking system” hit the hardest, official figures revealed on Thursday.

The importance of these non-bank institutions was underlined by the review’s finding that they held 47 percent of problem loans, in spite of accounting for only 21.2 per cent of the total loan pool.

Overall, the US financial sector’s losses on loans in early 2009 reached a record of $53bn, almost triple the previous high in 2002.

The U.S. financial system remains fragile a year after launching a $700 billion bailout fund and the government may need to extend the program into next year, a senior U.S. Treasury department official said on Thursday. Herbert Allison, the Treasury’s assistant secretary for financial stability, said credit and securitization markets have not recovered, and U.S. Treasury Secretary Timothy Geithner will consider these factors as he decides whether to extend the program.

“A lot of people are still suffering in the American public, there is still concern by many people about losing their homes and losing their jobs,” Allison told the U.S. Senate Banking Committee. “There are improvements in parts of the economy that are dramatic but we still have a long way to go,” he said.

A former analyst with Moody’s Corp has accused the credit ratings agency of issuing inflated ratings, and has taken his concerns to U.S. congressional investigators, the Wall Street Journal reported on Wednesday.

In a letter dated July, obtained by the paper, Eric Kolchinsky accused Moody’s Investor Service of issuing a high rating to a complicated debt security in January, in spite of it being aware it was planning to downgrade assets backing the securities.

Moody’s issued an opinion which was known to be wrong, Kolchinsky wrote, along with detailing other instances of inflated ratings issuance, according to the paper.

The paper said a Moody's spokesman declined to comment on the January rating under scrutiny, but had said Kolchinsky refused to cooperate with an investigation into the issues he raised, and was suspended with pay.

Kolchinsky is scheduled to testify on ratings firm reform before the House Committee on Oversight and Government Reform on Thursday, the paper said.

Consumer confidence levels jumped in September compared with the previous month, a report Friday said.

The Reuters/University of Michigan consumer sentiment index for September moved up to 73.5 – the highest reading since January 2008 – from 65.7 in August and 66.0 in July. The end-September figure was higher than the 70.2 in the preliminary September index.

Economists surveyed by Dow Jones Newswires had expected a lower end-September reading of 70.5. The current conditions index for September was 73.4, compared with a reading of 66.6 in August and 70.5 in July, while the expectations index was 73.5 in September from 65.0 in August and after a reading of 63.2 in July. The expectations index was at its highest since September 2007.

The one-year inflation expectations reading was 2.2% in September after 2.8% in August, and the five-year inflation reading was 2.8% after 2.8% last month.

Demand for U.S. durable goods unexpectedly fell in August and sales of new homes rose less than forecast, restraining the pace of the economic recovery.

Orders for goods made to last several years dropped 2.4 percent, the biggest decline since January, the Commerce Department said today in Washington. Consumer sentiment improved, a separate report showed.

Regulators say that the level of losses from syndicated loans facing banks and other financial institutions tripled to $53 billion in 2009, due to poor underwriting standards and the continuing weakness in economic conditions.

According to the Shared National Credit Program (SNC) 2009 Review, an annual inter-agency report released on Thursday, credit quality deteriorated to record levels with respect to large loans and loan commitments.

The Shared National Credit Program which was set up in 1977 to review large syndicated loans now reviews and classifies all institutional loans of at least $20 million that are shared by three or more supervised institutions.

According to the report, criticized assets rated 'special mention', 'substandard', 'doubtful' and 'loss', touched $642 billion, representing 22.3 percent of the SNC portfolio, compared with 13.4 percent a year ago.

Classified assets rated 'substandard', 'doubtful', and 'loss,' rose to $447 billion from $163 billion in 2008.

The volume of SNCs rated 'doubtful' and 'loss' in 2009 rose almost 14-fold to $110 billion, while non-accrual loans touched $172 billion, up from $22 billion in 2008.

The report also said foreign banks held about 38 percent of the $2.9 trillion in loans, while hedge funds, pension funds, insurance companies and other entities held about 21 percent.

The report also said that non-banks continued to hold a “disproportionate share” of classified assets compared with their total share of the SNC portfolio. They hold 47 percent of loans seen as ‘substandard’, ‘doubtful’ and ‘loss’.

The SNC review is prepared by the Federal Reserve Board of Governors, Federal Deposit Insurance Corp (FDIC), Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS)

Confidence among U.S. consumers rose this month to the highest level since January 2008 as the pace of job losses slowed and the economy started to pull out of the worst recession since the Great Depression.

The Reuters/University of Michigan final index of consumer sentiment increased to 73.5 in September, more than forecast, from 65.7 in August. A preliminary September reading was 70.2.

Commercial paper rose $22.5 billion last week versus $16.1 billion the prior week. Total CP was $1.212 trillion. The ABC CP was $520.8 billion versus $501.5 billion. Unsecured CP rose $14.4 billion versus a fall of $9.7 billion.

Those who are still long the market should consider that the S&P is priced for 4% real GDP economic growth, which is unattainable. 1% to 2% late next year might be attainable. The market is 26 times operating profit, which is very expensive. The market is 4 times overvalued, just as it was in the dotcom tech bubble. Trailing P/E is now 24 times earnings, which is absurd. The Baa corporate bonds were pricing GDP contraction of 10% at the widest spread levels, not 2.5% as the stock market was discounting at the lows. Even at that the market is pricing in 2% GDP growth, not 4%. It looks like the first stop down will be 7800 not 8500 on the Dow. That is a 20% market correction. Except for gold and silver shares, get out.

As the yen carry trade winds down the Japanese yen rises, threatening their export trade. That means the Japanese must keep the yen low in terms of the Chinese yuan. China is now their main trading partner. As this occurs the strong master salve relationship with the US will end. The hangover of WWII is in the process of ending.

Those of you who didn’t subscribe to the IF the 1990s are probably unfamiliar with the gold carry trade, where central banks lend gold at 1% interest to bullion banks, which sold it into the market depressing gold prices and allowing Wall Street to take the funds, leverage them and gamble in world markets for little overhead costs. Now that the gold is gone, or central banks want to keep what they have left, the criminal syndicate has little left to lend, or to suppress the gold market with.

We now have zero percent money, which is even better than the ½% charged by Japanese banks or 1% charged by central banks to lease gold. But that few sovereign bonds are attractive today’s borrowers are going into junk bonds, stock markets and even gold and silver. That will continue as long as interest rates remain at current levels in the US. Despite efforts by some central banks, such as the Swiss and Canadians to hold the value of their currencies down, they continue to appreciate. As the Fed has said, zero interest rates will prevail for sometime to come. That means perpetual downward pressure on the dollar and continued upward pressure on gold and silver. Low rates will last at least two more years, as will increasing money and credit in spite of all the rubbish we hear of exit strategies we hear from the Fed and the G20. Just pipe dreams and lies. The nations are all trapped in a box and none of them can escape, unless they own gold and silver. Eventually the US bond market will collapse, as Wall Street believes what the Fed says.

The intersession of the Fed into markets has to continue or the system will collapse and deflation will take over. This desperate situation will force more and more players into the dollar carry trade into gold and silver. Monetary stimulus is the only thing that can keep the ship from sinking.

The dollar as we predicted will test USDX 71.18 by the end of October or at least by the end of the year.

The dollar is being dumped wholesale, something that should have happened ten years ago. It didn't happen because of massive US pressure on all nations not to jump and play along within the game. During the first six months of next year 71.18 will be broken. First to 65, then 60, then 55, then to 50 and perhaps to 40 giving new and greater impetus to higher and higher gold and silver prices as the dollar carry trade goes wild.

That means that probably the dollar will be officially devalued and debt will go to default in 2011. They won't be alone. There will be another Smithsonian or Plaza type meeting and all currencies will be officially devalued or revalued against one another and all debt will be reduced by 2/3's. A new international trading unit will be formed and three old dollars will be replaced by one new dollar. Do not ask how domestic debt will be settled because we do not know. Logically it should be on the same basis as international settlements, but who knows what these criminals will do. Not only is the US financial structure doomed but also so is that of the entire world. That is why gold and silver investments are so important. Gold and silver are breaking out because in part we have a carry trade that is looking for action and gold and silver markets are not reflecting their intrinsic value. They are way under priced due to the criminal activity of central banks, all of which are controlled by the Illuminists. Eventually zero interest rates and the dollar carry trade, just like with the yen, will cause terrible distortion. Inflation since 1980, real inflation, demands gold over $6,000 an ounce. The question is how far will it go? Markets have a way of getting way overpriced and that could happen to gold and silver.

You say to yourself how could this happen? It didn't just happen it was planned that way to force the world's inhabitants to accept world government. Zero interest rates guarantees the destruction of new capital formation as money runs to asset accumulation or preservation of wealth.

Monetization is running rampant even at Treasury auctions as dealers buy for the Fed, the Fed buys through the Cayman Island and their swap partners use swap dollars to buy at the auctions as well.

We just found out from the Fed that they lied about gold swaps. What do you think the percentages are that they are lying about currency swaps and secret Fed buying of Treasuries from secret offshore locations? All this means gold will quickly hit $2,000 and climb to $3,000 in 2010. 2011 will be another doubling, and the end of phase 3. The question is will we have a phase 4? If we had to bet on it we'd say yes. Would you believe

$12,000 or more? As this all transpires only about 15% of Americans will catch on and the rest will lose almost everything. Or perhaps, revolution will change that.

Julian Robertson, founder of Tiger Mgt. told CNBC, if the Chinese and Japanese do not buy our debt inflation could go to 15% to 20%. "It is a question of who would lend us the money if they don't. They really control our destiny. They own almost exclusively short-term debt, because we cannot sell long-term debt. Americans need to start saving and we have to grow out of the problem."