US Dollar Under Acute Pressure: The World seeks an Alternative Reserve Currency

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The US dollar continues under acute pressure, as the world seeks an alternative reserve currency.

The days and years of manipulation, fraud and criminal behavior are fast coming to an end. New alliances are evolving, as are outspoken advocates of a new world reserve currency. As a result more and more foreigners are bypassing Treasury and Agency bonds, as well as other US dollar denominated investments. We watch as other major nations accumulate gold and cannot help but think that the new world reserve currency will be gold backed.

Over the past 11 years the Fed and other central banks have increased money and credit by several devices and in the last three years more aggressively by purchasing bonds and via using swaps. QE1's monetary creation has now begun to affect costs and the entire price structure. As wages lay stagnant the resultant inflation will eventually destroy the middle class, the structure that holds American society together. As the taxpayer saves the financial institutions the middle class is being destroyed. They are funding their own demise.

We believe inflation is currently 8% and should be 14% by yearend. That is the result of QE1 and stimulus 1. Next year the US economy will be impacted by QE2 and stimulus 2. If we get QE3 and stimulus 3, 2013 will be impacted. Inflation could range from 25% to 50%, or more, dependent upon what the elitists have in store for us. While this transpires unemployment will rise and government revenues will fall increasing the already colossal debt. That means consumption will fall as a percentage of GDP from 70% to perhaps 64.5%, the long term mean, by the end of 2013 if we get QE3 and stimulus 3. People will only be able to spend on basics. That also means corporate profits will fall, as well as share prices. That, of course, will depend on whether the "Working Group on Financial Markets" is able to hold the markets up and keep them from falling. Deficits will spiral completely out of control, as will personal and corporate insolvencies. That means education will be cut to the bare bones. Instead of 18 to 21 children in a class you will see 36 to 42. Social services and welfare will be cut in half.

It is not surprising that the Fed has to buy 80% of US debt. Few others are willing to purchase it. Most of the foreign buyers are from England and the Cayman Islands. Is this the Fed buying, which we have suspected for years, or is this real buying? We don't know, but if rep. Ron Paul is successful we could find out, along with all kinds of other law breaking. Don't forget the result of all the things the Fed has been doing translates into a tax increase on every American. This is another effort to bring the consumer to his knees, so he will be softened up to accept world government. In addition, the dollar is about to approach new depths and a chance exists that it could soon break 71.18, the old all time low and fall to 40 to 55 on the USDX. Many of the items purchased by consumers, that presently represent 70% of GDP, could rise more than 100% in costs, which will cut deeply into consumption.

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