

The Middle East Is Lost As Gold, Silver, Oil Rocket Higher.

Since Origination Of Our Federal Reserve In 1913, Banker-Controlled Dollar Devaluation Has Been Ruinous.

When a long list of really bad stuff piles-up over several years the ending is beyond ugly. We suspect the crack-up-boom ending is near as this fundamental list has grown way too long and those allegedly in charge are way beyond stupid as to potential outcome. Geopolitics was so miss-handled it appears deliberate.

Crooked bankers, since the Napoleonic Wars when the Rothchild's lent cash to both sides, have been busy planning the final solution for a one world government power using one currency. While this nefarious plan has worked so far, we have to wonder how it ends in America with millions of guns, super angry citizens and global banks holding treasury paper as valuable as potty tissue. How lovely that their own toxic paper takes them down.

The bond-credit-currency-confidence-games end when confidence leaves town. We think it went away earlier this year.

Where's the Money? Money is the real stuff made from commodities, commodities themselves, and hard asset manufactured goods. Play money is all the fiat currencies and bonds produced from and backed by nothing. Even some stock markets are play money.

As we've written several times lately in *Trader Tracks*, the list of naughty stuff is a mile long and growing. Some of the more critical problems are:

Credit: In our view government credit for nations, states, municipalities, and that of most private, commercial, and citizens, has been severely damaged and in many cases irreparably damaged. The QE2 continuation digs the hole deeper and we think the end is in sight when former buyers of USA paper quit buying. In many cases buying has already either slowed or stopped. Bond markets are damaged and being further damaged by the printing binge of Bernanke and Geithner. We are not alone. Other nations are doing the same thing in varying amounts. Budgets are shattered and in most cases there is little hope of full repayment. No bonds; no system. As we write today, Portugal is on the brink.

Food: There has been no major improvement in food growing, crops or farm management in the past decade. Yet, over one billion new mouths were born and must be fed. Next, Asia that formerly existed on a modest diet, is demanding up-grades in most all food groups because they can afford it. This imbalance appears to hit the world food system this year as weather is not cooperating and grain supplies are way too low. One US grain analyst said we had better have a big corn crop this year along with wheat or, we are into major problems with prospects of rationing. With USA corn reserves at a 37 year low, I suspect rationing is inevitable with higher prices; either in 2011 or 2012.

Energy: Energy production and demand has been fractured with nuclear problems in Japan, disruptions in the Middle East and lack of a coherent energy policy in America. Crude oil is now firmly supported at \$104 per barrel and our forecast for 2011 is much higher on forthcoming shortages and new inflation. USA refineries are shrinking in number as it costs \$6 Billion to build a new one, and operators can't get permits to build them, and refinery profit margins are too small to match investments. Consequently, the US is purchasing about 35% of its refined unleaded gasoline demand from imports, with fuel arriving on ships daily. In our view, big global producers prefer

to buyout wildcatters and not take drilling risks. Next, they also prefer to tap foreign oil sources, first leaving domestic reserves in the ground for later production. This creates a higher risk for America, being dependent on others; particularly geopolitically unstable others.

Pensions: Both public and private pensions have been grossly under-funded due to malfeasance and bad budgeting. Now that states and our national government are broke, congress is reviewing a taking of private pension cash, estimated at \$8 Trillion, and converting it all to government bonds, which would destroy that money. Ms. Pelosi mentioned she wanted this before the mid-term elections. In the states, the over-paid workers who have been stuffed with freebies are now screaming; as they are not going to get them any longer. Wisconsin's problem is only the beginning. Individuals should think about holding pensions in places where they cannot be snatched.

Income: The most important factor in a depression is to find enough income to keep going. This was a proven fact in the 1930's depression and its no different now. So many jobs are gone and with investments providing less or no income this is of major concern. We would recommend the former middle class, now in the top third of the lower class, reduce obligations and debts of all kinds and plan to live on a lot less. Many are going to have to take new jobs at low pay just for an income. Watch for a renewal of old values throughout the world to grow gardens, use less energy, drastically reduce monthly bills and exit larger urban areas to live in small towns with less expense and a more, low key stress-less atmosphere. We think this depression has broken the back of materialism. People in the business of selling non-mandatory optional needs-goods, are going out of business. There are simply no sales to be had for fluff and luxury.

Education: Education has been on a slippery-slide to lower achievement and higher costs for many years. Teacher unions took too much from the taxpayers and now budgets will not work. The Wisconsin events signal what spreads throughout the United States. If the unions will not provide relief, schools go broke and kids go to private schools, home-schooling and religious schools. Colleges have hit the wall with high prices for four year degrees beyond reality. We know of kids who went straight to work after high school or entered the military for a fully paid, educated existence. However, those choices are limited. Even the military is cutting back on certain budgets.

College loans are way too expensive and education quality has fallen as college kids are taught by very young grad students while fully tenured professors collect big bucks to do research and pontificate. Further, many formerly middle class parents do not like the left-wing teachings of lunatic socialists or, communists messing-up their children's heads for a so-called higher education. The reality is, in this environment, a kid has other avenues to learn, including a full, four year Internet degree obtained from a top-notch university for \$7,500 not \$40,000 to \$50,000 or, even more. This is a game changer for education in the USA. The ivy-covered walls of higher learning institutions are turning into poison ivy and it's not going to be pretty.

Utilities: Provision for residential and commercial utilities has undergone numerous changes in this depression. Commercial demand is off due to empty factories and office towers. Residential customers must have utilities and providers can charge anything they wish in a constant stream of price increases. Several of them have controlled profits set by the state utility commissions, but they are basically on a cost-plus basis. A solid ten percent return being guaranteed is quite nice; especially if the provider can keep jamming new and higher costs into base prices with impunity.

Collectively, all utilities used to be a small portion of expenses when compared to house payments. Now, in many cases, these run-away costs, when added together, exceed a home-owners' house payment. Worse yet, with new inflation, those costs will keep growing and squeezing users.

Watch for lower income or, no income consumers begin to give-up some of these services including the Internet, cell phones, land line telephones, fax machines, printers, computers, and anything else they can dump to reduce costs. The Internet is free at libraries and eating places have cable television.

Housing: Most folks up on the news know that housing is in such disarray it cannot return to normalcy for many years. We say with USA new-build starts running at 300,000 instead of 1,700,000, builders will be mostly destroyed. Remodelers can stay in business for smaller jobs and low profits scratching out a tiny living. But, for the most part buying a new house is not a good long range investment. Renting is on the rise as people have to live somewhere. For the first time in decades, renting is cheaper than owning a home.

In our view, the entire USA national average of home prices will drop another -35% to the point where values resemble the 1960's and in some extreme cases the 1950's. Incomes do not anywhere near match the "standard obligations" of operating a home for a family and paying all the "normal recurring expenses." The new normal won't cover and to do so, incomes would have to rise roughly +50% on average. This is not going to happen with current economic conditions and so our standard of living goes down over time and much further than most expect. Urban areas will decline with McMansions, and the smaller towns and villages should see some new folks seeking less stress and smaller bills.

Transportation: A single person or family needs one or two cars or trucks for errands, commuting to work, and for pleasure. Some urban folks can get by with no car using cabs, public transportation or, airplanes. However for the majority of Americans used to freedom and wheels, the cost-screws are tightening, pushing them into older, unreliable cars or, in fact car pooling. The auto companies claim former annual sales of new cars and trucks were 17 million annual units, and are now at 12,000,000.

Maybe, but we say those numbers should be lower and furthermore, sales are pumped through handout freebies and subsidy leases. The auto business has too many competitors in the USA and way too many dealers are fighting over the scraps of a declining marketplace. New car sales will drop drastically and repair garages should flourish as older cars are nursed along and repaired. Nissan reported that 40 Japan parts suppliers are shut-down or, running too slowly. Ya gotta have parts to make new cars.

Taxes: While the federal tax rate in the USA has been reported as smaller than most other comparable western nations, overspending on entitlements and defense by our congress has permanently ruined the national budget. These extremes will eventually force a national bankruptcy of sorts although the outcome will not be something resembling any kind of commercial or, citizenry bankruptcy. Rather, we can expect a shrinking dollar and perhaps a change-over to using SDRS as an international currency or, in fact see a dissolution of the dollar and its premium usefulness as the reserve currency for the world.

If the dollar remains intact albeit at much lower values, it will need something behind it like a tiny unit of gold or perhaps a unit of energy being oil and gas or both. Taxes should be a flat tax of 10% for all individuals and companies. Numerous, favored big corporations pay little or, no tax and this should be rectified. Tax codes are in drastic need of revision. We think somewhere soon, most taxes go unpaid as there is no income to tax or, the citizenry and some companies refuse to pay as they cannot or, will not. Here comes major mayhem on this one. Governments' grasping scramble for dollars will get wicked.

Banker Theft: We all know what favored insider-bankers and corporations did to the American taxpayers. They were literally TARP-robbed and it continues today in this wild-west post-Lehman anything goes environment. The American public is very forgiving and will provide wide latitude for huge errors. However, the bankers and companies have pushed too far and too hard and their day of rejection and come-comeuppance is near. This will be beyond ugly. This is especially true since these scammers are still at it more than ever.

One analyst said that to bring their downfall from unbridled power, the Sheeple will have to reject the system the best they can. We think they will as they have no other choices and cannot pay. In my view, we suggest the implosion of global bond markets on a failure of confidence and trust will smash the bankers and their government enablers.

Rejection of participation in their criminal games and elimination of most all debts must arrive before we can start all over again from a new page one for a new life. These international controllers are fighting hard to keep old

paradigms alive but they're losing and the end is nigh. Expect the first of several major repercussions this fall with a war in 2012-2013. Meanwhile, a stampede to precious metals, shares, and related trades could be heroic. We've seen some of our traders busy fortune building and are amazed.

Confidence: When confidence is lost all is lost. Knowledgeable observers know governments are broke and federal paper currencies are toilet paper sitting on a mountain of bonds issued each day. Confidence is waning and when bond-buying ceases to exist, there will be little time left to escape a crashing implosion of not only USA paper, but that of other nations throughout the world. Here comes personal trade goods, regional gang problems, and the use of hard currency in commerce.

When one big player goes down; they all go down as confidence is lost in all governments, paper and corporations. That is indeed the end of this game. Please understand these users can kick-the-can down the road until that day of lost confidence and rejection. It could be weeks, months or, years. We are continually surprised at their new tricks and games used to keep the scam in motion, delaying the inevitable.

Trading on this day of March 23, 2011, signals a calm before the storm.

Traders and investors have been mostly watching and inactive for the past three days waiting to see what happens next. We got hit with several negative news events this morning and this day could yet turn into a trading adventure. If not today, we certainly expect the storm very soon. Key signals are showing hard rallies in gold, silver, and crude oil; all with some real power and new recent highs.

Silver is especially sensitive as it represents commercial demand as well as a higher demand on the hard money "Fear and Security" markets for precious metals traders. For now, Gold is hot but Silver is even hotter. Highs today were April gold futures at \$1,441.20 and May silver futures at \$36.98. Next resistance points for gold are \$1,448.50 and \$38.48 for silver.

Time is growing short when traders and investors can purchase gold and silver coins at lower, today's prices. We think by this fall, many will wish they had jumped in now and bought even more metal at the March 23, 2011 prices.

More than ever, it is important to take immediate necessary precautions to protect yourself and your families and friends. Traders and investors should be buying precious metals and *select shares* right now. In our newsletter we have a great list of trading and investing ideas for you.

Meanwhile, you can never go wrong buying physical precious metals and holding them for security. We've had a constant run of nearly eleven years in gold rising +15% per year or more, so this remains a good trade. In the last twelve months, gold rallied over 34% and is going ever faster. As outstanding as those numbers are, silver is doing even better. Inflation adjusted gold should be about \$2,350. Charts are telling us the top is no where near for now.

It's not going to stop any time soon. In fact, we predict those annual percentages will rise even more, and this offers a chance, arriving only once in 25 years on the historical commodity cycle.

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