Financial Manipulation on Wall Street: An Economy run on Smoke and Mirrors

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We have an economy run on smoke and mirrors, based on the manipulation of markets. That was accomplished via the executive order signed by President Ronald Reagan in 1988 in the aftermath of the stock market collapse of October 19, 1987, known as the "President's Working Group on Financial markets." This order intended to be implemented during emergencies has been used to manipulate markets worldwide 24/7.

We experienced an example of this misuse of power when the Dow Jones Industrial Average rose from 6,500 to 10,900 over this past year. This rise was aided by TARP and a host of other programs that injected trillions of dollars into the economy, which, of course, the American citizen is responsible for. The result is we do not have free investment markets. A secret group led by the Federal Reserve and the US Treasury Department runs them. The SEC and the CFTC play their parts as government agencies to make sure the public doesn't know what is going on. Another recent example is the CFTC testimony of Andrew Maguire, who informed the CFTC the date on which the market in silver was going to be manipulated by JPMorgan Chase. The manipulation occurred as outlined by Maguire and the CFTC did nothing to stop it. Thus, we have heavily manipulated markets that are part of control planning by our government in order to shape economic policy. If you happen to be on the right side of the trade it is fine. That is in this case if you are long the market. The other side of the trade is you lose as your government suppressed the gold and silver markets. You lose in a rigged market. This is the new American way. Seeing 72% of NYSE trades are black box created Wall Street wins and you lose. Better yet you just were allowed to bailout Wall Street and banking. Such a deal brought to you by the masters of the universe members of the Illuminist Skull & Bones.

Elitists believe that everything you have belongs to them because they created it are managing your financial life. A good example of that was on March 18th our President passed the most recent stimulus act, the $17.5 billion Hiring Incentives to Restore Employment Act HR 2487, which is now not only known as HIRE, but the Capital Controls Act as well. It requires foreign banks to withhold 30% of all outgoing capital flows to the Treasury and to disclose the full details of non-exempt account holders to the IRS. That is because the elitists allowed you to make that money and so they demand their 30% cut. If this demand is illegal in a foreign destination then the US government demands that the account be closed. The bottom line is if a foreign financial institution operates in the US or has a subsidiary in the US, they have to comply. That means the law is easy to get around, but the very fact that government has implemented Capital Controls is ominous.

Who do they think they are? Is there no privacy left? We also understand that those who have offices in the US must reveal all information in a foreign account in a foreign country

and if that information is not forthcoming the US government demands the account be closed. Many banks will leave the US and that is understandable. Very few Americans have foreign accounts, thus this is just more harassment, and an attempt to further control the lives of Americans. As the world turns its something new monthly from government. We are averaging ten emails a day because of this and medical legislation from people who are very serious about leaving the country.

As you can see manipulation of the public masses and the market are part of official public policy, as well as of that of Wall Street. It has been for many years. We started to write on the subject in 1965. Today it is becoming public knowledge. This manipulation has become the nexus or mainstay of economic and political policy. The resultant financial policy has produced zero interest rates and more money and credit than at any time in modern history. They, the planners, expect that soon unemployment will reverse, but as yet that has not occurred, in spite of trillions of dollars being poured into G-20 countries, plus tens of trillions more in guarantees. In the US $1.5 to $2 trillion was put into financial companies, while the public was thrown a bone. Now that interest rates are rising and will continue to do so for some time to come, our master planners are getting nervous. The Fed is withdrawing funds from the system and stimulation has ended. What our geniuses are finding out are that once having achieved this withdrawal the US and world economy will start stepping back from this so-called recovery. Massive monetization has to continue to buy sovereign debt. If it is not available there are a minimum of 19 sovereign nations that will go bankrupt. America and the world haven't gone under due to massive quantitative easing. The Fed is reducing money and credit, which is a major mistake. They are going to find there is going to be no exit.

As a result of very low interest rates investors have been attracted by high yielding junk bonds, which is a fatal mistake. Sooner or later 12 to 15 percent will go under as yields rise and bond prices fall in the future.

The ability of companies to increase earnings during a depression is via layoffs and forced productivity increases, as well as quantitative easing and stimulus. When you have 22-1/8% unemployment you have far less consumers to sell too. As this situation persists it can only be a matter of time before earnings fall.

That means that at current levels the stock market is very overpriced. The crowding out caused by sovereign debt sales is exerting tremendous pressure on bond yields and as we have said we expect the 10-year Treasury note to soon be over 4% and up to 5% over the next nine months. These events will bring the housing market to an abrupt halt. We see no way that can be halted.

What will it be, foreign governments dumping US Treasuries and other sovereign debt or a massive oversupply of such debt? Probably a combination of both. It is hard to declare a recovery when 92% of small businessmen say they as yet see no recovery and 60% say if it comes it's 14 to 18 months away. These kinds of poll results mean less not more spending and the selling of shares and bonds. That means a higher commodity market and gold and silver prices as a place of refuge. Bond yields are telling you something is not right. The bond market speaks with a very loud voice. As we said before yields are rising, which can be viewed in an overall sense as normal. The real problem, which is getting much worse daily, is the overhang of sovereign debt and sales by formerly large Treasury buyers. Now that China has been accused as a currency manipulator and for keeping US goods out of China, I think we can expect more sales rather than buys in the future. Debt is the Achilles heel of

our financial system. The yuan is strengthening. That means US imports from China will rise in price and the US will experience higher inflation. All these factors will bring a lower stock market.

Everyone on Wall Street is well aware of what the plunge protection team has been up to for a long time, No one says anything because as long as the market rises they do not care. It is a conspiracy of silence. They know the market is selling where it is because of manipulation, but they could care less. They believe the Fed will keep the 10-year note under 4%. We disagree – we will see. Irrespective to the damage to the economy they want a goldilocks economy. There has even been talk of negative interest rates. Government will pay you to borrow money to accelerate the economy and, of course, at the same time create more inflation. We wonder what Wall Street will do when more Treasury debt hits the market? It is $50 billion a week now. We cannot envision monetary tightening without a collapse. We see tariffs versus China that will grow to include the world and that has to mean Chinese sales of Treasuries. Confrontation is on the way, which means everyone is going to suffer.

While all this transpires commodities continue their relentless move upward in price as investors seek safety. Oil, copper, platinum, palladium, gold and silver look like they are headed higher. The dollar rally as we said in the last issue has run its course at 82 on the USDX and the next stop is 74. There are certainly complicating factors.

The bottom line is there will be more stimuli and quantitative easing this year, accompanied by higher inflation. If the Fed is audited 2011 will be a wild year. Hold on tight.

The Chicago Purchasing Managers Index expanded less than expected in March as it slipped to 58.8 from 62.6 in February. The experts predicted 61. The employment component of the Index edged up to 53.1 from 53. New orders fell to 61.8 from 62.2.

New factory orders rose for a 5th straight month in February. Orders for manufactured goods increased 0.6% after a 2.5% jump in January.

The MBA Purchase application Index was 6.8%. Refis fell 1.3%. The 30-year fixed rate mortgage rose 3 bps to 5.04%, the 15's rose 1 bps to 4.34%.

Having seen so many fragile markets over the past 50 years we say to ourselves what untoward even will bring this one down? Fundamentals versus share prices are 1/3 of what they were just several months ago. Stock yields are as slim as bond yields. Richard Russell and Joe Granville tell us the market is headed lower and we agree. Not only is the stimulus induced recovery faltering, unemployment still isn't in the plus column, banks are not lending to small companies and individuals, and the cost of money is rising. The political situation is deplorable; 81% of Americans do not trust their government and 92% of small businessmen do not see any kind of a recovery for at least 14 to 18 months. Business is not expanding and has no intention of doing so. We now have nationalized Soviet style health care that 70% of Americans do not want passed by the Democrats by unconstitutional trickery.

We ask ourselves what will trigger the coming collapse? We believe that if $500 billion in stimulus is not forthcoming and $500 billion in additional money and credit is not injected into the system that it will collapse.

Wall Street, banking and government are almost totally corrupt. The people are disgusted

and are more and more angry every day. They see the US and world economy is again faltering. They see the sovereign debt crisis, especially that of the US. They know that soon America will lose its AAA sovereign debt rating because we have a government that keeps on spending and refuses to cut costs. They know that such a course can only lead to bankruptcy. They see the beginnings of capital controls being erected and the vote buying in Congress.

The world economy is beginning to again slow as quantitative easing ends and stimulus packages of the G-20 countries run out of steam. As a result of these previous methods of propping up economies inflation is rising, as wages remain stagnant. Taxes and fees are rising as home foreclosures hit new records. The American government has veered so far to the left we can hear the laughter from Karl Marx. What is left of people's assets is about to disappear as home prices fall further and stock and bond markets finally fall. The purging that should have taken place three years ago is upon us and the temporary antidote is more, more and credit again. There is no real growth; it is a mirage. In 50 years America's leadership has led it to financial, economic and political suicide. We know where this is headed; we just hope this year we can stop it. If we can't we tremble to think what the outcome will be.

The number of planned layoffs rose in March to 67,611 from February's 42,090, says Challenger, Gray & Christmas. The first quarter saw 181,183 layoffs, which was 69% lower than the 578,510 announced in the first quarter of 2009, which was the peak of downsizing.

The US Commercial paper market fell for a third straight week, off $5.2 billion to 41,109 trillion.

The Fed's help to big banks comes at a big cost to savers.

In February 2006, when Ben Bernanke was first sworn in as chairman of the Federal Reserve, the federal-funds target rate stood at 4.5%. That same year, the average yield on a one-year certificate of deposit was 5.4%. A retiree who diligently saved for a lifetime and had amassed a nest egg of $100,000 could count on an added $5,400 in retirement income per year. That may not sound like much to the average Wall Street Journal subscriber, but for a senior on fixed incomes that extra money improved the quality of his life.

Today's average rate for an identical one-year CD is roughly 1.3%. On the same nest egg, that retiree will now get annual payout of just $1,300—a 76% decline in four years.

To put the scale of this problem in context, consider the fact that more than $7.5 trillion in American household wealth is held today in short-term, interest-bearing products such as checking and savings accounts, retail money funds and CDs. At today's low interest rates, the return on those savings is hundreds of billions less than it would have been at 2006 interest rates. Retirees feel the consequences disproportionately, but because much of that income would have made its way into the economy, spending and job creation also suffer.

http://online.wsj.com/article/SB10001424052702303429804575149633264117248.html?mod=WSJ_Opinion_LEFTTopOpinion

Never say never. Treasury Secretary Timothy Geithner broke that cardinal rule last week when he said a ratings downgrade "will never happen to this country."

Yet his remark, made during an ABC TV interview, reflects fears that at times swirl through

the market, fears that the U.S. government could indeed lose its coveted AAA rating. Because of heightened concern about unsustainable long-term obligations in Medicare, Medicaid and Social Security, the ratings agencies Moody's, Standard Poor's and Fitch all recently opined about the possibility of a downgrade one day.

Companies in the U.S. unexpectedly cut payrolls in March, according to data from a private report based on payrolls.

The 23,000 decline was the smallest in two years and followed a revised 24,000 drop the prior month, data from ADP Employer Services showed today. Over the previous six months, ADP's initial figures have overstated the Labor Department's first estimate of private payroll losses by as little as 2,000 in February to as much as 151,000 in November.

Companies are still hesitant to add workers until they see sustained sales gains and are convinced the economic recovery has taken hold. Economists surveyed by Bloomberg News anticipate the government's report April 2 will show payrolls increased by 184,000, in part due to temporary hiring by the federal government to conduct the 2010 census and because of better weather compared with February.

"Just because things are getting better tomorrow doesn't mean that things are good today," Guy LeBas, chief fixed-income strategist at Janney Montgomery Scott LLC in Philadelphia, said before the report. "Weak labor markets remain the single- biggest risk to economic growth for the coming years."

The ADP figures were forecast to show a gain of 40,000 jobs, according to the median estimate of 35 economists surveyed by Bloomberg. Projections ranged from a loss of 20,000 to a 100,000 gain.

A nonstop airline ticket from New York to Paris on the first weekend in May costs $1,142. A Continental Airlines Inc. flight to attend Berkshire Hathaway Inc.'s annual shareholder meeting in Omaha, Nebraska the same weekend: $1,433.

As investors have been making plans to attend the event that Berkshire's chairman, Warren Buffett, calls the "Woodstock for capitalists," airlines including Continental and Delta Air Lines Inc. have been raising prices for the weekend of the meeting. They're asking four times the normal rate for round trip tickets, which means New Yorkers will pay more to visit Omaha for the May 1 meeting than London, Rome or Barcelona.

Continental has added one flight from the New York area on April 29 and three on April 30, said Mary Clark, a spokeswoman for the airline. Attendees who bought tickets earlier paid less for their seats, she said. Now, the Houston, Texas-based company is demanding a premium for the spots that remain.

"There does appear to have been high demand," Clark said. "Since many of those fares have already been sold and there are very few seats left, the seats that are left are at the higher fares."

Dan Fuss, whose Loomis Sayles Bond Fund beat 95 percent of competitors in the past year, says Bill Gross got it right by forecasting declines for U.S. Treasuries.

U.S. 10-year yields will rise past 4 percent next year as the government sells record amounts of debt, from 3.86 percent today, Fuss said in an interview from Tokyo on

Bloomberg Television. “Bonds have seen their best days,” Gross, who runs the world’s biggest bond fund at Pacific Investment Management Co., said last week on Bloomberg Radio.

“I agree with what Bill is saying but I don’t go to the degree that he does,” Fuss said. “I do think very strongly that we will soon see — soon being next year sometime — the start of a long, gradual rise in interest rates in the U.S. and in other parts of the world.”

Treasuries headed for their first monthly loss this year on concern President Barack Obama’s attempts to sustain economic growth by borrowing unprecedented amounts will overwhelm demand. The U.S. can’t ignore the effect of the growing federal deficit on Treasury yields, Federal Reserve Bank of Dallas President Richard Fisher said yesterday. [We are projecting 5%, not 4%. The crowding out effect is going to be enormous. The Federal Reserve supposedly has ended quantitative easing if that in fact is the case rates could hit 5% by the end of the year on the 10-year US T-note. We believe that if more stimuli, perhaps $500 billion, is not forthcoming, and that the Fed does not inject another $500 billion in quantitative easing, then the economy will collapse. Bob]

It’s Official – America Now Enforces Capital Controls

March 18, with very little pomp and circumstance, president Obama passed the most recent stimulus act, the $17.5 billion Hiring Incentives to Restore Employment Act (H.R. 2487), brilliantly goalseeked by the administration’s millionaire cronies to abbreviate as HIRE. As it was merely the latest in an endless stream of acts destined to expand the government payroll to infinity, nobody cared about it, or actually read it. Because if anyone had read it, the act would have been known as the Capital Controls Act, as one of the lesser, but infinitely more important provisions on page 27, known as Offset Provisions – Subtitle A—Foreign Account Tax Compliance, institutes just that. In brief, the Provision requires that foreign banks not only withhold 30% of all outgoing capital flows (likely remitting the collection promptly back to the US Treasury) but also disclose the full details of non-exempt account-holders to the US and the IRS. And should this provision be deemed illegal by a given foreign nation’s domestic laws (think Switzerland), well the foreign financial institution is required to close the account. It’s the law. If you thought you could move your capital to the non-sequestration safety of non-US financial institutions, sorry you lose – the law now says so. Capital Controls are now here and are now fully enforced by the law.

http://www.zerohedge.com/article/its-official-america-now-enforces-capital-controls

By the end of 2010, about half of all commercial real estate mortgages will be underwater, said Elizabeth Warren, chairperson of the TARP Congressional Oversight Panel, in a wide-ranging interview on Monday.

“They are [mostly] concentrated in the mid-sized banks,” Warren told CNBC. “We now have 2,988 banks—mostly midsized, that have these dangerous concentrations in commercial real estate lending.”

As a result, the economy will face another “very serious problem” that will have to be resolved over the next three years, she said, adding that things are unlikely to return to normalcy in 2010.

Meanwhile, the U.S. Treasury on Monday pledged to sell its 7.7 billion Citigroup shares this

year, a step that further reduces the government's influence on the banking giant. Warren said she is having difficulty getting clarity on Citigroup's business plans.

"This is a cake that is still being baked," she said of the company's plans. "[Citi's CEO] Vikram Pandit said he was going to shrink the company by 40 percent…and Citi's numbers keep moving around so much I don't know."

Speaking on troubled mortgage lenders, Warren said it's time for the government to "pull the plug" on mortgage lenders Fannie Mae and Freddie Mac.

"I'm one of those people who never liked public-private partnership to begin with. I think what they did was use public when public was useful and private when private was useful," she said. "And I think we've got to rethink that whole thing."

"There is no implicit guarantee anymore," she added. "I don't care how big you are, if you make serious enough mistakes, then your business can be entirely wiped out."

California took in 3.9 percent more since December than projected in January, Controller John Chiang said this month. New York got $129 million above forecasts in its budget year through February. In New Jersey, the second-wealthiest state per capita, January sales-tax collections were 1.9 percent higher than a year earlier, the first annual increase in 19 months, forecasters said in a report last month.

The good news about sales tax receipts increasing is tempered by these factors: 1) Y/y comparisons are very easy because the nadir of the financial crisis was January thru March 2009; 2) Sales tax rates have been hiked; 3) Tax rebates and tax refunds have been a prime driver of activity; and 4) Q1 and Q2 are expected to be the peak of economic activity for 2010.

Morgan Stanley: Remarkably, American households are now receiving more in cash benefits from the government than they're paying in taxes. In short, they're getting the government for 'free'. Finally paying what it's worth…but clearly unsustainable in a macro sense. [It's the 'free lunch' recovery.]

Despite widely publicized indications that the economic tide has turned and a recovery is under way, new consumer polling data show that eight out of ten U.S. supermarket shoppers see no improvement in the economy, and forty percent say things have actually gotten worse in recent months.

Asked whether the economy has changed over the past few months, 40% said conditions were worse, while another 42% said things have stayed the same. Fewer than one in five felt the economy had improved, The Chicago Purchasing Management Index for March declined from 62.6 to 58.8. The production component declined 5 points; and New Orders declined 0.5 to 61.8. Perhaps the inventory overhang is starting to have an effect…Employment increased 0.1.

More than 500,000 readers of the company's free Daily E-letter were asked a single question: Are you more open to moving outside the United States than you were 12 months ago? A stunning 95.6% of those who responded said they were now more willing to make the move and leave the U.S.

http://www.prnewswire.com/news-releases/survey-shows-record-number-of-americans-ready-to-leave-the-us-89593257.html

On March 18, 2010, the President signed the Hiring Incentives to Restore Employment Act (HIRE Act), and once again payroll becomes center stage for tax relief. The HIRE Act provides two new tax benefits for certain 2010 new hires. First, employers may qualify for exemption from the employer's share of Social Security tax for most 2010 wages for certain new employees hired after February 3, 2010 (a similar exemption applies to Railroad Retirement Taxes). Second, an employer may claim an additional general business tax credit of $1,000 per qualified worker. As the IRS works out the details on the applicable wages and how to take advantage of the relief, a summary of the relief is set forth in the attached memo.

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