No Solution to the Global Credit Crisis

Rising Gold and Silver Prices

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World markets and especially US markets are in a state of uneasiness and it is only a matter of time before they degenerate further. The real question is will everything break loose between now and the end of the year? The answer in part is yes, and it is currently in process.

"The President's Working Group on Financial Markets," along with elitist insiders normally have the ability to make the stock and bond markets do what they want them to. That is, at least on a short-term basis. We believe the market is being deliberately taken down by them in order to impress upon politicians that if they do not extend the short-term cash debt limit that the market will fall even further and that in turn will reduce their ability to get reelected. If you do not think that is possible then you have no idea what is going on. At the present time with about a month to the August 2nd deadline the two political parties are nowhere near an agreement. As we draw closer to the deadline investors will become more and more concerned and the market will trend lower.

These problems that we predicted for the second half of the year are all coming together like a bad dream. This could very well be a reply of 2008, but for a different set of reasons. Obviously Wall Street knows something others do not know as they resort to large layoffs.

For months oil prices have tended higher. The official CPI is 3.6% when in reality it is well over 10%. Unemployment officially under U3 is 9.1%, when in reality it is 22.6%.

No solution has been found for Greece's problems, even though an agreement has been made with lenders, and as an extension of that, we see euro, euro zone and European Union problems that probably are unsolvable.

Debt ratings for sovereign nations are falling like ten-pins, which we look at very skeptically. Why were not these ratings reduced by rating agencies some time ago? We see the rating agencies, as controlled by Wall Street, and we see no coincidence that these ratings are all being lowered almost simultaneously. We think these events are being timed to force debtor European nations to heel to European bankers' demands. By example, it is obviously the intention of Europe's Black Nobility, which controls such banking, to rape Greece financially and enter it into financial bondage for years to come and they intend as well to render the other five hopeless EU members into the same position.

Little has been done to repair the damage done by the credit crisis, which began in 2008. The financial sector and government has temporarily been kept from failure, but little else has been done. The situations in Europe and the UK are no better. Failure of a debt extension and or default by Greece could lead to a collapse of the world financial system, as we know it. The long-term looting by the Fed, the Bank of England, and many others, day-by-day is being exposed to the public by talk radio and the Internet and the elitists are powerless to stop it. We'd say it won't be long before the whole world knows what they have been up too for a long time. The exposure of these facts is affecting public confidence and many are saying, are we next? The entire financial sectors in the US, UK and Europe are now more vulnerable than ever and by the looks of recent economic reports things are looking worse. That is why Greece or debt extension is so important. Their failure could trigger panic. The Democrats in the US House are playing chicken and if a deal is not reached there will be no extension. Further to this China is slowing down and has major inflation problems and a real estate bubble and Japan has been devastated.

As we predicted the Feds will spend $900 billion in their QE2 program. It has injected $2.3 trillion into the financial system September of 2008. The federal government has added $1.7 trillion for a total of $4 trillion and no recovery has appeared. Over the next year $112 billion of the Fed's government bond holdings will mature and they will use those funds to roll Treasury paper.

The Fed as well holds $914 billion in mortgage backed debt known as toxic waste, and $118 billion of debentures from Fannie Mae and Freddie Mac. They will maintain these levels until September. In July and August plans will be put in place to again increase money and credit in order to assist in the Treasury and agency markets and replace funds, some $850 billion that will not be forthcoming from Congress.

Real unemployment is 22.6%. That should move up to 22.8% to 23% by the end of the year.

The two political parties have been meeting for two months and have accomplished very little regarding the cash debt extension. If no compromise is reached the US credit rating will probably be lowered and interest rates will rise. Zero interest rates are still currently in place. It is not a pretty picture. As we predicted in May 2010, the second half of 2011 is going to fraught with problems.

Wall Street sees what we see, but they are not going to tell you what we will tell you. Their direction and thought process is what you have to watch. Why would the securities and banking business be planning big layoffs and payroll cutbacks? They obviously believe markets are headed lower and they see plenty of problems ahead. Wall Street is pessimistic and they should be because they see what we see. Except for gold and silver shares get out of the market as fast as you possibly can.

Food prices will probably double again over the year and OPEC says they will not raise oil production. That means over the next year oil should trade between $85 and $120 a barrel, barring any unusual events. This means based on QE2 inflation should reach 25% to 30% next year.

In spite of financial problems in the UK and Europe the dollar is still unable to gain against other currencies in any meaningful way. That is understandable, considering a possible downgrade of US debt and a recent statement by Moody's to downgrade the debt of Wells Fargo, Citigroup and Bank of America. As of late bank stocks have been hit hard and that is not a good omen. Bank stocks led the downside in 2008.

The residential real estate market is off 5% year-on-year, as new home sales soften and existing sales go nowhere. We see another 10% to 20% price drop this and next year. Even when prices bottom, how long will it be before there is a recovery, perhaps ten or twenty years? If you didn't notice consumer confidence is lower now than it was in late 2008.

Even though Greece made a deal their second bailout would probably only last another year. The case for this kind of rescue is very weak. In the final analysis Greece has to go bankrupt along with the other five problem nations. That in turn will kill the euro and the European, UK and US banking systems. Very few people realize how serious this is even professionals.

Complicating matters Moody's just lowered the outlook for 13 Italian banks, and said 16 others could have downgrades as well. The German banking association said last week they would no longer accept the ratings of Moody's, S&P and Fitch because their ratings are bogus and are used politically by Wall Street and US banking. Sometime ago China said the same thing. As a result of pressures in Spain and Italy, the ECB is flashing a red alert signal. More trouble is on the way. Needless to say, yields on bonds in problem countries are climbing, as are the costs for credit default swaps. Contagion is spreading and sooner or later it will affect the lender countries as well. These conditions will also lead to a tightening of liquidity.

Greece's public debt as a percentage of GDP is 143% and Italy isn't far behind with 119%. As contagion moves forward from Greece higher borrowing costs will prevail as countries like Italy, Spain, Ireland and Portugal have to rollover their debt, along with contagion comes a change in sentiment, which causes contraction, which could spread worldwide, as liquidity finds its way into gold, silver and commodities.

All nations have to have sustainable growth to produce rising tax revenues to service existing and new debt. That hasn't and is not happening and with the policies being implemented it won't happen in the future. Governments and central banks are only interested in funding and saving corrupt and bankrupt governments, financial sectors and select transnational conglomerates. These selective rescues are accompanied by the drums and dark clouds of war, which are deliberately created to distract the world populace. Who worries about debt solvency when you may be dead tomorrow? Without such a distraction economic and financial problems move to the forefront and that is the last thing the elitists want to happen. The public has to be kept dumb and stupid, otherwise they cannot be bilked out of everything they have worked for in their lifetime. That era is coming to an end, because people are being told the truth about who is doing what to them and why via talk radio, that now spans the globe and via the Internet as well. We are seeing the results of that in Greece today and many more countries will follow, including the US. The people of the world will eventually end this reign of banker tyranny, because they will have been educated and will have discovered the truth. Too big to fail will be cast into the dustbin of history.

The antithesis of central banks and fiat currencies are gold and silver, which have acted in the capacity as the only real money for 6,000 years. This has become even more apparent over the past 11 years. After having exited the stock market in the second week of April 2000, we told subscribers in June 2000 to begin accumulating gold and silver coins, bullion and shares. Since then, vs. nine major currencies, every year gold and silver have appreciated more than 20% annually. During that period the stock market has fallen on average 20% annually. The concentrated central bank selling of gold since 1988 has been staggering, but there were many willing buyers and during that period gold rose from $260 to $1,550 and silver from $3.50 to $50.00. The elitists impeded the upward movement in these metals to keep them from reaching their true value, but they still performed admirably. Over that time period many sovereign nations have been accumulating gold and continue to do so. Inflation began its current rise 11 years ago as the Fed and other central banks were forced to offset the deflationary effects in the fall in the stock market and then the collapse in the real estate markets, bubbles that the fed deliberately created to keep the economy from collapsing. Money and credit creation are the antithesis of deflation. This is how we arrived at where we are today. The surge of QE1 and QE2 and stimulus 1 and 2 have been the latest manifestation of wild liquidity creation, which will soon turn into high gear as quantitative easing 3. The money war is well underway and fiat currencies are losing to gold and silver and that will continue. All the attempts to discredit gold and silver have not deterred some investors from buying these precious metals.

The result is that official above ground inventories have been reduced to the extent that very little is left to impede the upward movement of these metals, especially silver. At the same time demand continues unabated and new supplies of these metals from the earth falters, as large ore bodies become harder and harder to locate and more expensive to mine due to persistent inflation caused by central banks. All the increases in margin requirements in the long run will not deter the upward path of these metals, nor will the use of paper derivatives block the long-term assent of these metals. The recently discovered rules in the Dodd-Frank Bill to reduce leverage on margined transactions will do little to discourage speculators.