Market Meltdowns, Trade Wars & the Primary Trend for 2019

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"If you look at the indicators I have historically used in my business, they're not red yet, but they are definitely amber and they are setting off warning signs,"

- Stanley Druckenmiller, Hedge Fund Manager, Bloomberg (12/14/18)

*"**2019** will be defined as a year of deleveraging. You're going to hear much less about buybacks and dividend increases."*

- Peter Boockvar, Bleakly Advisory Group

"For ten long years, the world's central banks have dragged everyone along for one last attempt at scaling Mount Credit."

- Chris Martenson, Peak Prosperity

"By behaving so badly and acting in such an immature, petty and irresponsible way in conducting Superpower diplomacy with a pre-eminently ancient, supremely wise and magnificent civilization such as China, Donald Trump may just finally have met his Waterloo."

- Matthew Jamison, Strategic Culture Foundation

"Well, the only thing that's strong is the artificial stock market. That's only strong because it's free money because the rates are so low. It's an artificial market. It's a bubble."

- President Trump, September 5th, 2016, Fox Business News

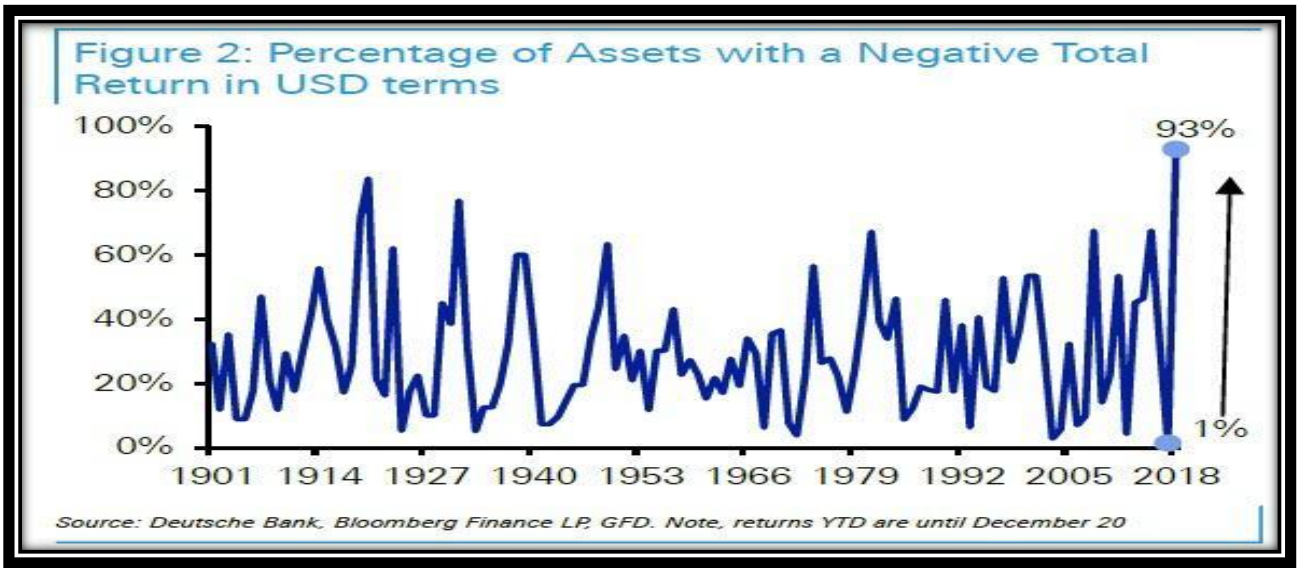
"There is no means of avoiding the final collapse of a boom brought on by credit expansion. The only alternative is only whether the crisis should come sooner, or later as a final total catastrophe of the currency system."

- Ludwig von Mises, *Human Action* (1881 - 1973)

Greetings in the New Year,

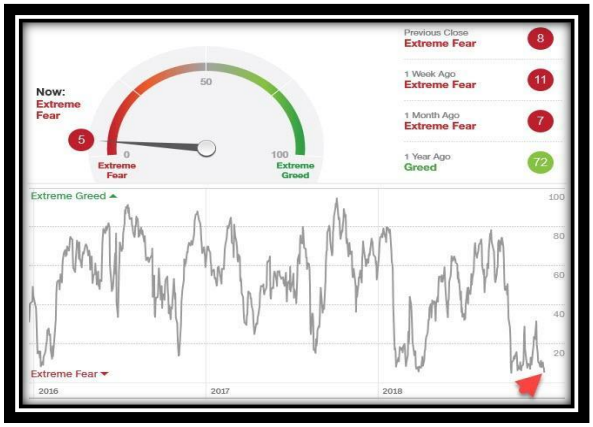
As the **World Economic Forum** winds down this week in **Davos, Switzerland**, the major theme is the **global economic crisis** that we all see coming (except CNBC, MSNBC and FOX Business). I will be addressing this issue along with our dysfunctional **Fed** policies, **trade wars** and a **primary trend** that barely gets any mention in the **legacy media**. This is a time when investors, pensioners and citizens need to be alert. So, let's get started and I will **conclude** with my usual update on **the metals space**.

Market Meltdowns & *Great Depression of 2019*



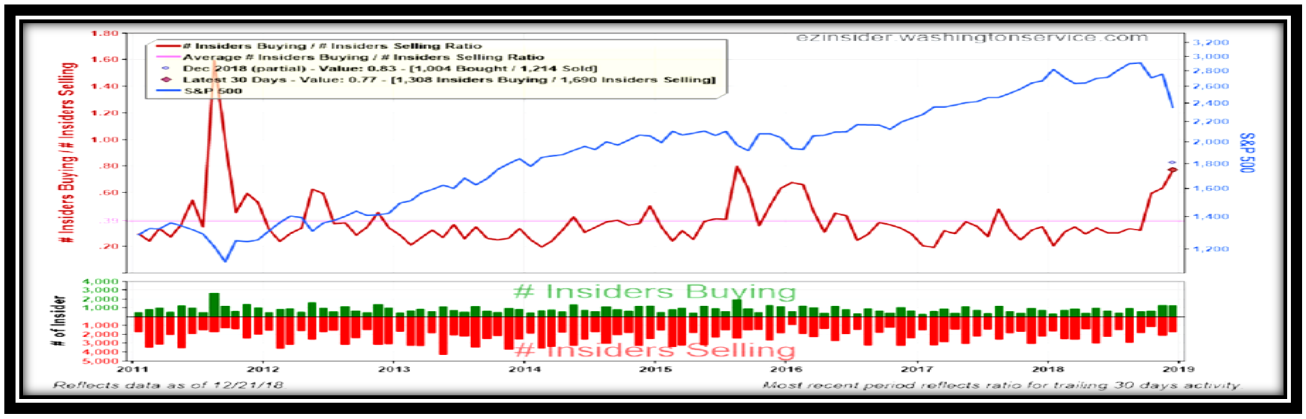
If there has been one thing that irritates me the most since the crisis of 2008, it has been the fact that they always refer to this episode as the ***Great Recession***, right? It would have been another ***Great Depression*** if the central banksters had not intervened with all of their monetary stimulus! And what has **trillions** in new debt accomplished? Not very much as I will cover. **As the above chart** indicates, the percentage of assets with a *negative total return* for **2018** was a ***whopping 93%!*** This is much higher than **1929**, and current stock **P/E ratios** are higher than **1929**. The velocity of money is at **1929** levels (how money changes hands), and the ***actual*** unemployment figures today are about the same as the **Great Depression!** A recession is when you have a drop of **20%** for two quarters. Well, we just did that, and it started in **October** - see THIS LINK. This is from late **December**, and indices are still struggling as the **Fed** waffles. Canadian billionaire and precious metals expert **Eric Sprott** had a fine overview of the **market meltdown** in **December,** and also mentioned **pension fund risks** that I will mention later, at THIS AUDIO LINK. Love that guy. He is **80%** in metals.....*and **80%** in **silver**.*

Last month, Hedge Fund Manager, Stanley Druckenmiller said that market indicators are "not **red** yet, but they are definitely **amber**." Well, they are about to **go red**, and the iconic **Fear/Greed Index** has shifted completely into **the red as seen here**. Extreme fear. **The Donald** has bragged about the rigged stock market since his inauguration, and now he is going to own it **big time.**



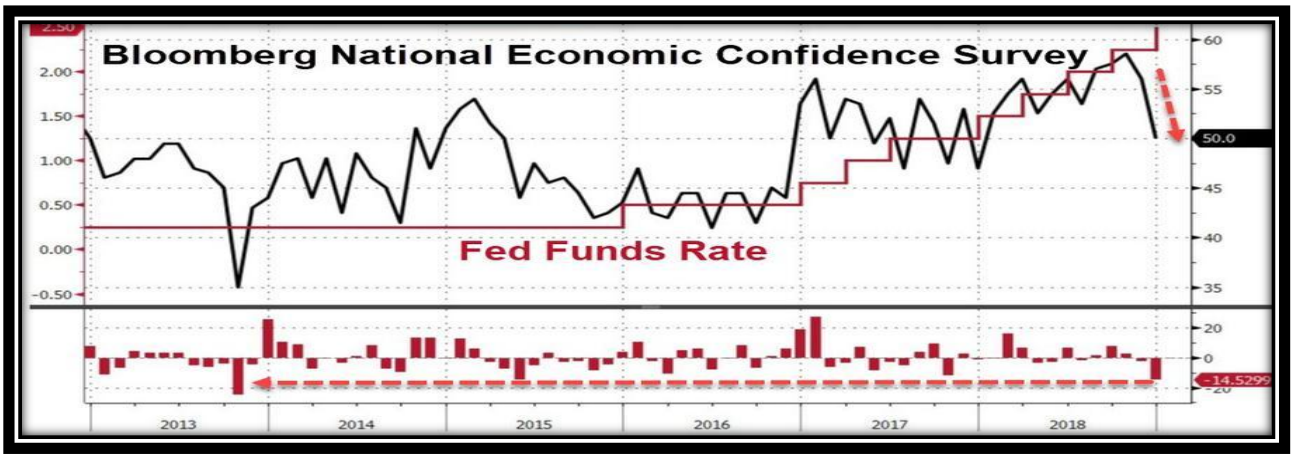
A recent blog summed up the problem of domestic and foreign policy in the Trump Era, with respect to **words and narrative** as opposed to **facts and reality** as follows:

"This has consistently been the story throughout Trump's presidency: a heavy emphasis on words and narratives and a disinterest in facts and actions*. A rude tweet can dominate headlines for days, while the actual behaviors of this administration can go almost completely ignored..... **Trump** himself, seemingly aware that he's interacting entirely with **perceptions and narratives** instead of facts and reality, routinely makes things up whole cloth and often claims he's "never said" things he most certainly has said.* ***And why not? Facts don't matter in this media environment, only narrative does."***

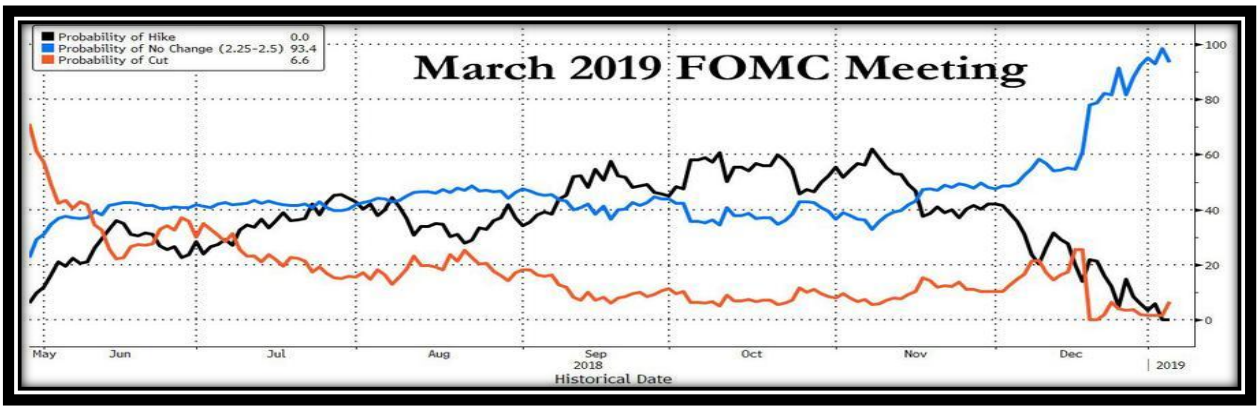


The narrative has been that we have had a robust economic recovery since Trump. This will be severely tested in **2019**, and the **Wall Street** business model has been **corporate stock buy backs** that I have talked about for months. This has been the main driver along with easy credit. As the **S&P 500 Index** dropped (blue), corporate execs bought back their shares (red). As noted HERE, they do this to deceive investors and distort share prices. Nothing new here. But, as financial risk manager, **Peter Boockvar**, says, "**2019**, will be defined as a *year of deleveraging*...and much less about **buybacks** and dividend increases." In other words, **the jig is up**. According to this **WSJ article**, fully **"85%** of all trading is on autopilot—controlled by machines, models, or **passive investing** formulas." The algos are about to go south, and most **passive investors** (without financial advisers) will be the big losers.

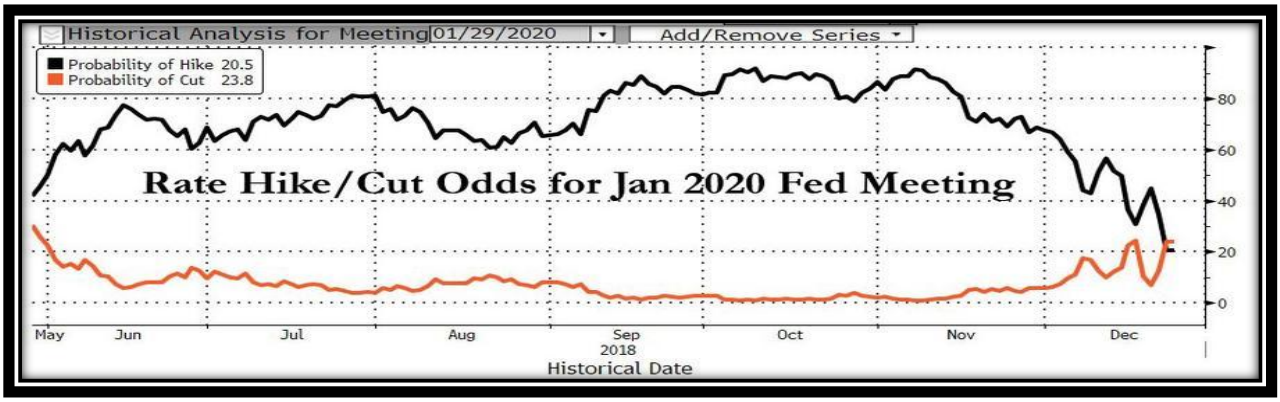
What is causing all of this market volatility? It is all about the **Fed** trying to "normalize" the **Fed Funds Rate** (the cost of money/credit), and it is creating havoc after years of **zero rates**. As you can see, economic "confidence" is plummeting as they try to walk this **financial tightrope.**



So, what can we expect going forward in this global economic crisis and market meltdowns? We can expect that the long credit expansion (boom) created by the central banksters is going to finally end very badly. As **candidate Donald Trump** said on **FOX Business** (9/5/16). "The only thing that's strong is the artificial stock market. That's only strong because it's free money because the rates are so low. It's an artificial market. **It's a bubble**." Indeed, it has been an artificial market since **March of 2009** (QE1, QE2, QE3), and this **bubble economy** is about to burst and go global. **Candidate Trump** spoke truthfully in **2016**, but now he is changing his tune. The **Fed** helped sustain the artificial bubble stock market growth until their announcement of Quantitative Tightening (dumping toxic assets) and raising interest rates in this past year. In late **December, President Trump** now says this about our economy. "The only problem our economy has is the **Fed**." Well, I would go further and say the only problem **our nation** has *is the existence of the **Fed,*** as I cover in my book. But I digress.....

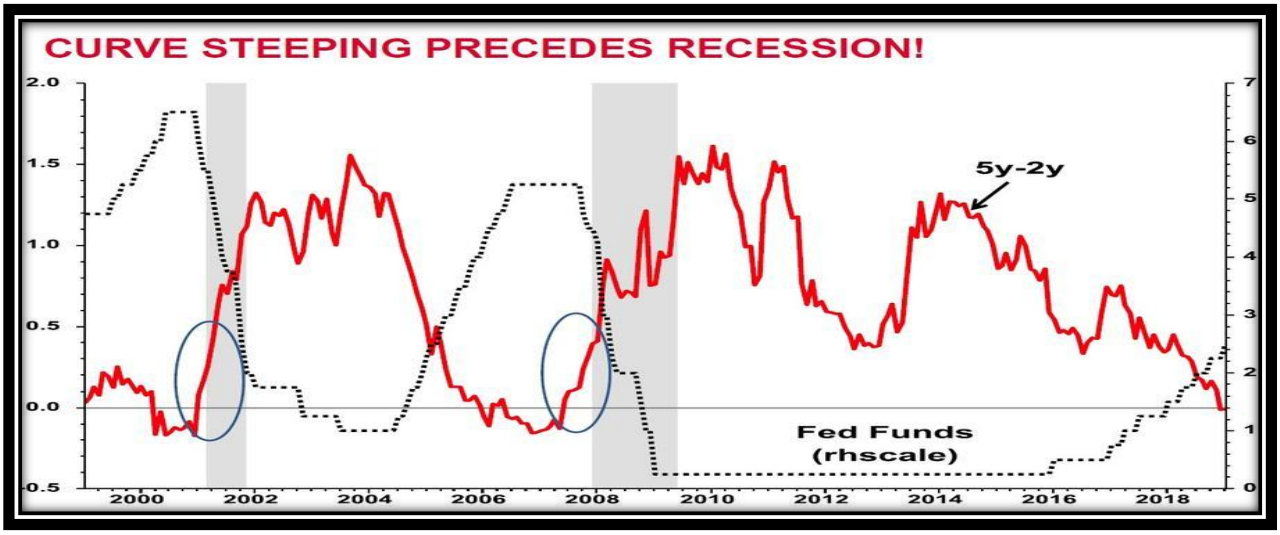


Here is the issue. **Trump** is having a *tantrum* because the central banksters are trying to raise rates, but this is what happened in late **2013** when **Bernanke** tried to slow **QE3.** He was trying to taper the dependence of the stock markets on **Fed** policy, and it became known as the "**Taper Tantrum**." And isn't this baby/juvenile reference to feckless traders and evil banksters a fitting depiction of our times? All they care about is keeping the punch bowl full of liquor (easy credit). **As seen above**, the **Fed** is **trapped** and more likely to be cutting rates (as in a new round of **QE4**) and not raising! There is even speculation out to **January 2020** that the **Fed** is bluffing and can't raise rates into weakness, as seen **below**. The very thing **Peter Schiff** has been saying for months**. Schiff** - *always hated. Always right*.

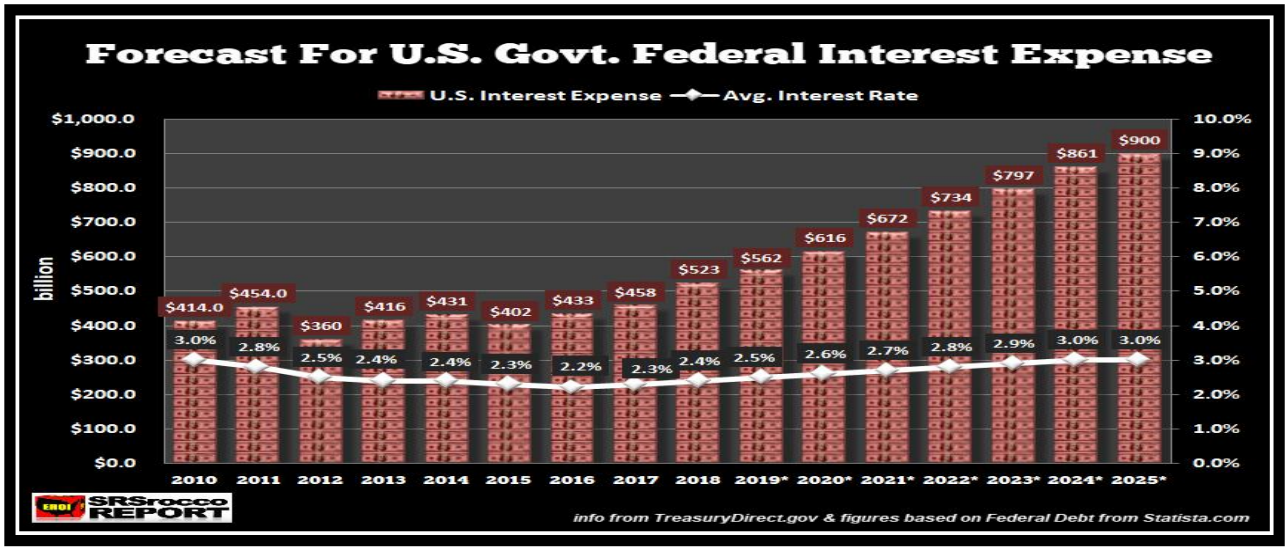


As noted in THIS article, "...if the **Fed** does resume rate tightening later this year, **it will be the first time** in the recent history it did so after a drop in **stocks** this large." Indeed, and stocks have a long way to drop with all signs *finally* pointing the end of the longest business cycle since **2009**.

Inverted Yield Curve, Recessions *and US Debt!*



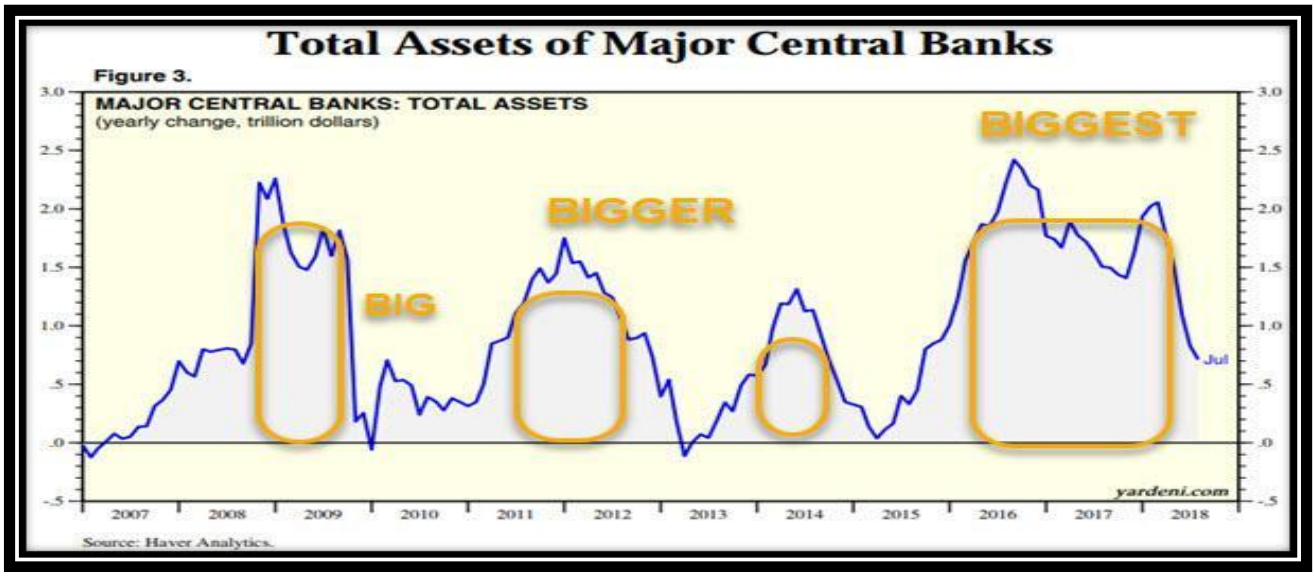
What is an inverted yield curve? Basically it is when **short term** Treasuries have a higher yield than **long term** bonds. Why is this? Institutional investors sense that a **recession** is coming and they usually last a couple years, so they favor **long term** bonds causing the yield to fall, while **short term** has to raise yield to attract investors. It is always a sure indicator as seen above prior to **2000** and **2008**, and now here in **2019**. The **Fed** creates the boom/bust cycles and they know it. Both **Yellen** and **Bernanke** literally "confessed" that this is the case as noted HERE. The **Fed** is our enemy.



The national debt is unsustainable. According to **Steve St. Angelo** he adds our national debt with agency debt (Fannie Mae, etc.) and state debts and comes up with ***$34 trillion***, or **166%** debt to **GDP. As seen here**, the interest on the debt is rising exponentially. We are on a suicide mission, but it gets much worse, as **Greg Hunter** interviews an economist who has revealed that there is ***$21 trillion*** *missing* through the Department of Defense, HUD and some others! **Take a listen here:**

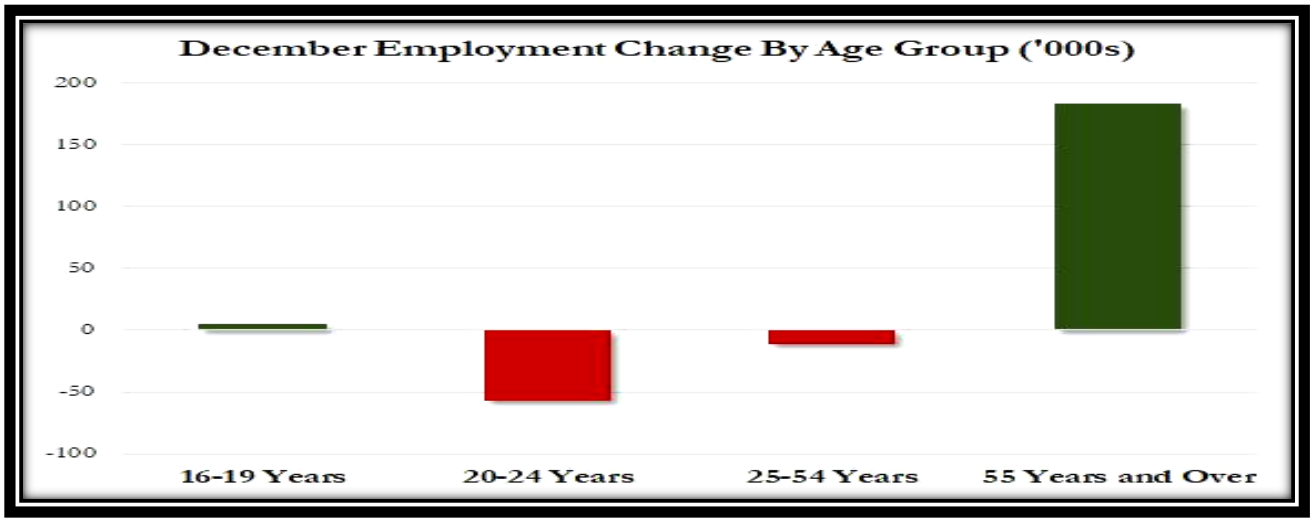
Greg Hunter & Dr. Mark Skidmore: The Missing $21 Trillion!

In this stunning interview, the stoic professor concludes that if this amount were disclosed to the public (and all **US Treasury** debt-holders domestic and foreign), the **US** would lose its **reserve currency status** and all of our sovereign debt would be downgraded to uncreditworthy! **Pure junk**. He further concludes that it is only *CONFIDENCE* that sustains the **US** dollar and **US** bonds. At some point there will be no confidence. Listen at **13 minutes**. Our debt to GDP is worse than **Japan**.



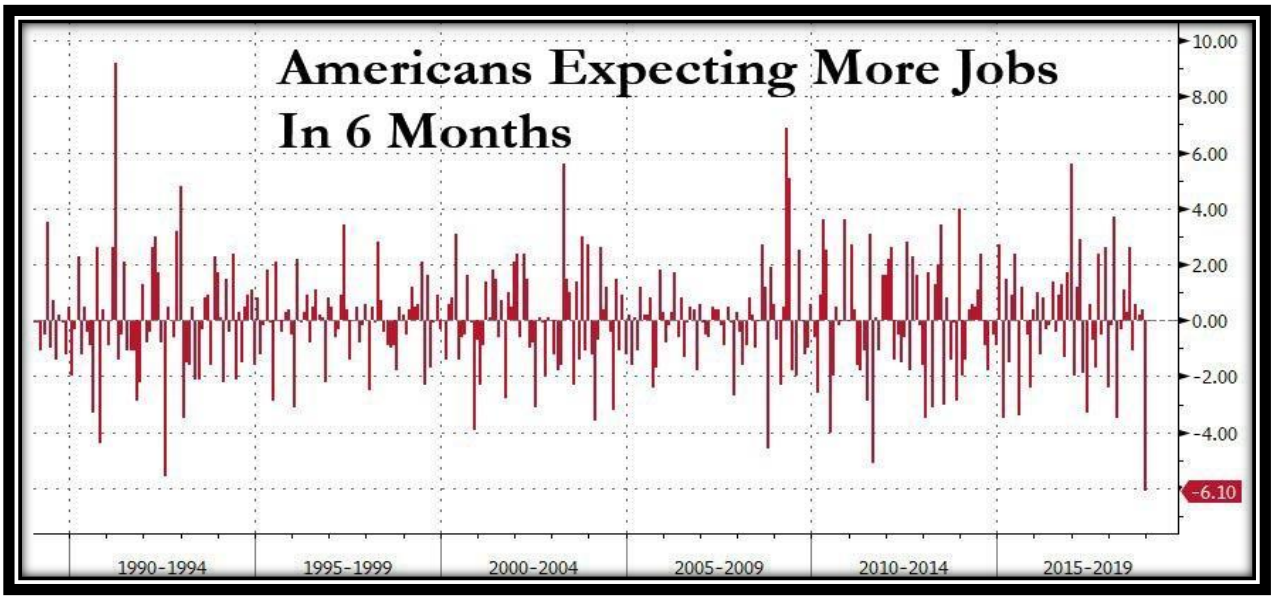
"For ten long years, the world's central banks have dragged everyone along for one last attempt at scaling Mount Credit." **- Chris Martenson, Peak Prosperity**

According to the McKinsey Global Institute, global debt (public and private) has increased by ***$80 trillion*** since **2009**, and there is no end in sight. As **Chris Martenson says**, the central banksters keep adding debt instruments to their balance sheet, and now there is no exit strategy. **As you can see**, it is the **biggest ever**, and this too is not sustainable. More on this important issue a bit later.

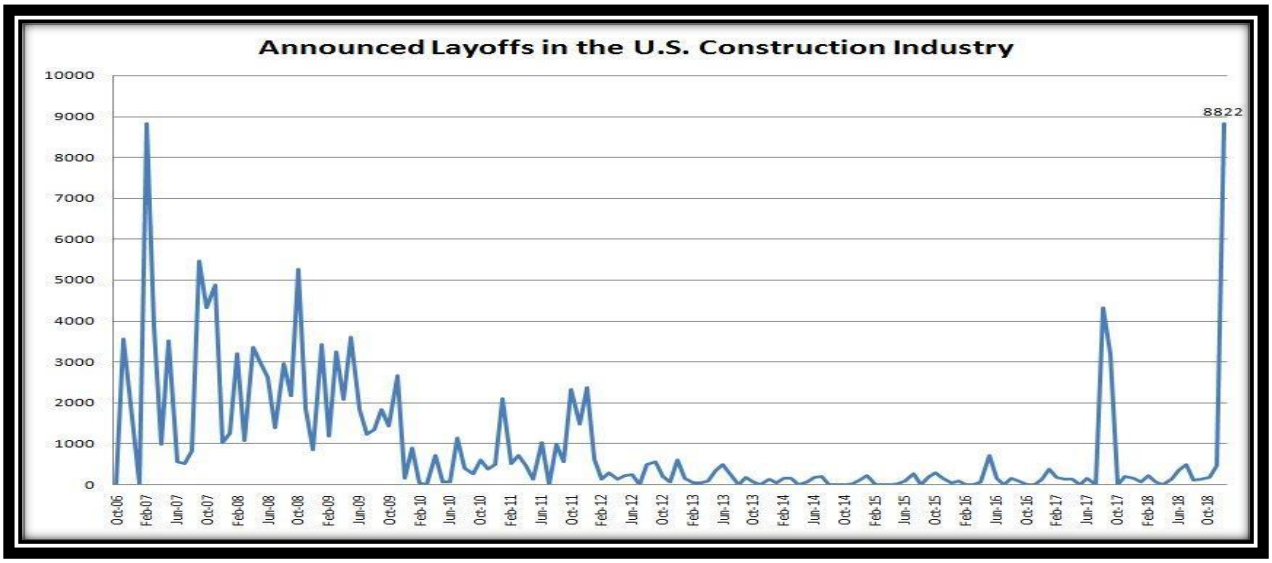


We now come to the false narrative of the robust economic recovery as I mentioned earlier (p. 3). The **BLS** (BS) figures are now in, and guess what? All those "great jobs" created **in December**? They *ALL* went to aging, desperate, struggling babyboomers. *All other demographics were zero, or negative*. Yep, you can see it HERE. And **Larry Kudlow** does not want you to know this at all.

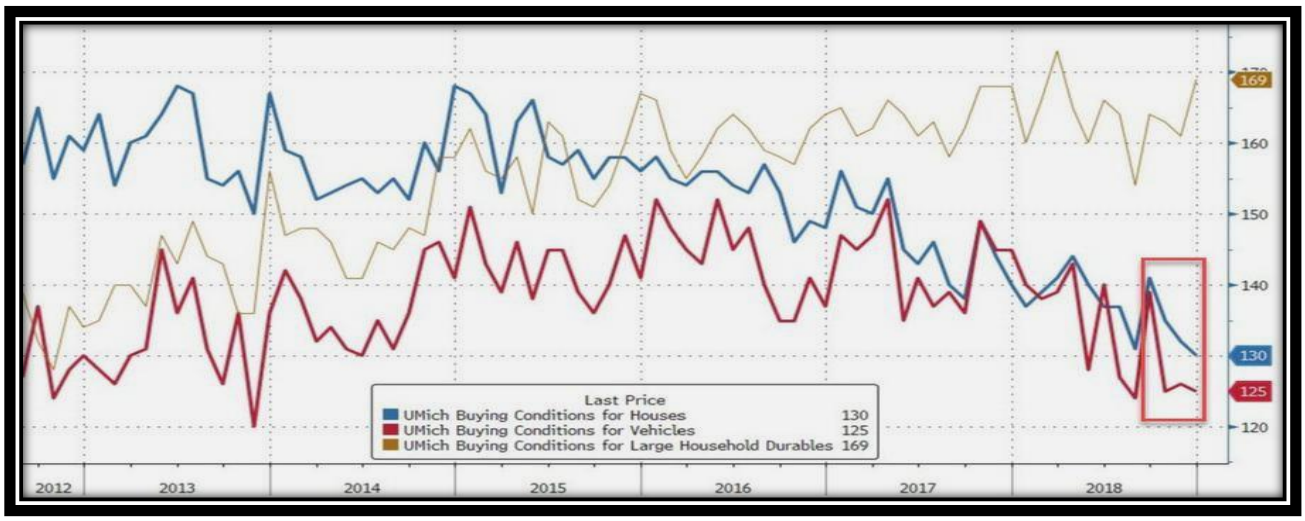
Job Losses, Layoffs & *Record Consumer Debt!*



Does this chart look very optimistic to you? **The December Report by the Consumer Confidence Board** reveals that most of Americans expect that their job prospects will drop in **2019,** *fell by the largest percentage in over **41 years!*** The largest drop in ***four decades?*** Folks, this does not comport with the **GOP** narrative, and **the deplorables** are bound to get restless at some point!

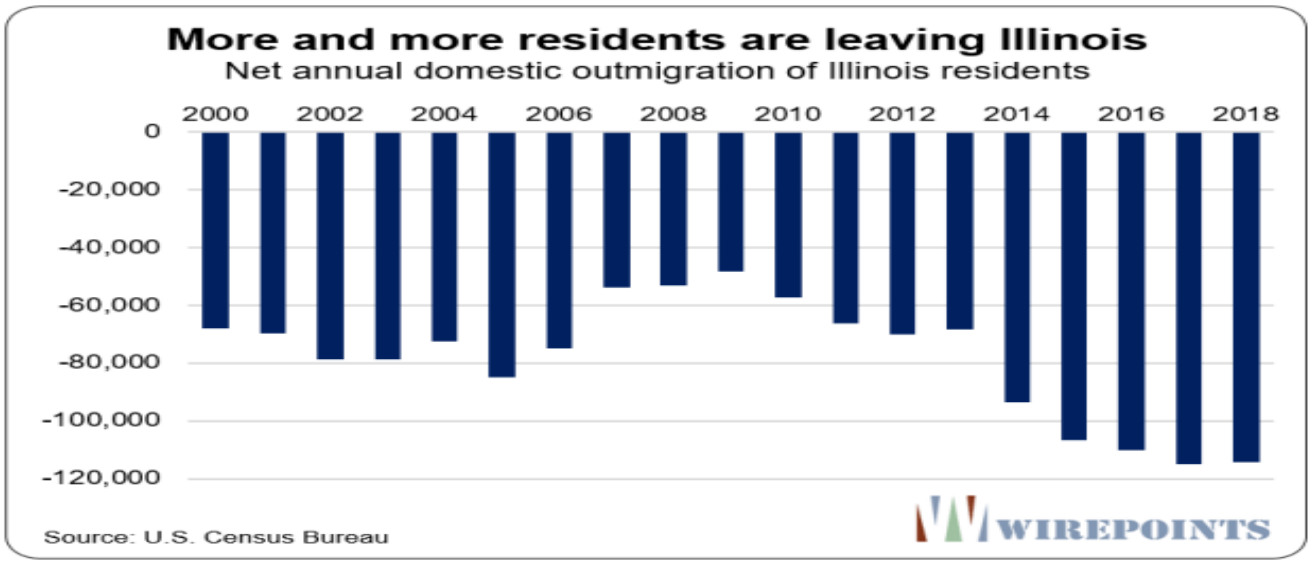


And here is more proof that we are now in a recession. The housing construction industry (RE) is now laying off thousands of workers! **This layoff** is so huge that it even *exceeds* the **subprime RE crisis in 2007-2008 - see it for yourself**! This is why I include so many **charts** in my newsletters and lectures. They tell the story in plain sight, right? And look, I had a Trump/Pence sign in my front yard in **2016**. **Trump** was/is a disrupter of the status quo, but he cannot take us to the Promised Land of a Great America. As I say in my radio interviews, he is ***21 years*** and ***$21 trillion dollars* too late.**
In other words, it would not matter if Dr. Ron Paul, George Washington or Tom Jefferson were in the **White House** today. As I said earlier, our national debt is unsustainable, and so is **consumer debt.**

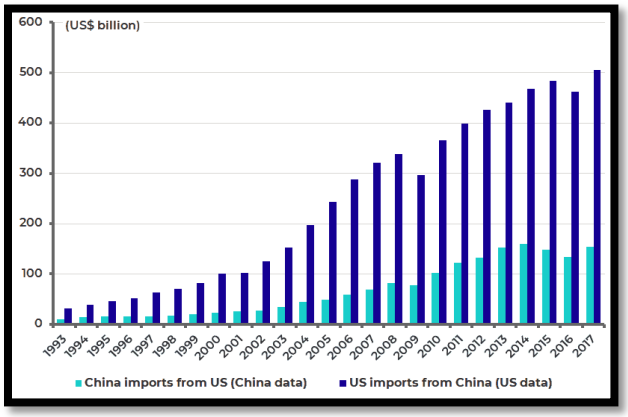


Here is a chart that is tracking the decline in buying conditions for houses and autos. It does not look good. **Auto loan debt** is now ***$1.25 trillion***, and repossessions are increasing. **Student loan debt** is now the largest in America at $***1.5 trillion*** (thanks to easy credit by the government, of course). As noted, the prospects for **real estate/construction** is turning negative. And major markets for new and existing home sales are *off by **20%,*** and this downward trend will continue. Home ownership has been at a **50 year low**, and up slightly at **63%**, but nowhere near home ownership of **90%** in **China** and **87%** in **Russia** as seen HERE. The **EU** is higher than the **US**. We are a debtor nation living on easy credit/debt. This past Christmas season **the National Retail Federation and Mastercard** is pleased to announce that stupid American consumers went a record ***$850 billion*** into more debt. But! The **GOP narrative** is that the economy is *strong...robust...best ever*. I am weary of all this.....

In my last newsletter (12/15/18 - pages 9-11), I covered the **public pension fund risk**, and especially *The People's Republic of Illinois!* This **Democratic** stronghold (think Obama), has ***$123 billion*** in *unfunded* pension liabilities, or **600%** of state revenues in **2017**- read my last **NL!** **As seen below**, there is an exodus from this **failed state**. I will cover this in more detail in the future, but I leave you with this **scary report** that states that all **US** public/private pension funds are *underfunded* by ***$6.1 trillion***. No, I did not say millions or billions. ***This is trillions.*** This too is unsustainable.



Trump Trade Wars: *Backfiring on Americans!*



Just as Hoover put trade tariffs on imports to the US in 1930 (Smoot-Hawley), The Donald has also imposed tariffs on imports from China and the EU. But this policy is backfiring for **Trump** supporters. In theory, a **tariff** (tax) makes imports very expensive, thus Americans will reject these imports and start making stuff here and create jobs. Does this work? Rarely. And only weak nations resort to this. **See that chart?** We import way more from **China** than they do. In **1929, Hoover** promised he would help the farmers. He did not. **China** is avoiding our farm exports and now **US** farmers are in a world of hurt with rising farm bankruptcies. **Senator Ben Sasse** (R-NE) says:

*"This trade war is cutting the legs out from under farmers and [the] White House's 'plan' is to spend **$12 billion** on gold crutches... This administration's tariffs and bailouts aren't going to make America great again, **they're just going to make it 1929 again**."*

Historians generally agree that tariffs only made the Great Depression deeper. **Henry Ford** begged **Hoover** not to do it, but politicians like easy solutions. Our trade imbalance with the world has nothing to do with bad trade deals. We have a **structural trade decicit** because we have the reserve currency of the world. Nations need dollars for commerce so they export heavily to the **US**. This has been the case since **Bretton Woods in 1944** and later when **Nixon** decoupled gold from the dollar.

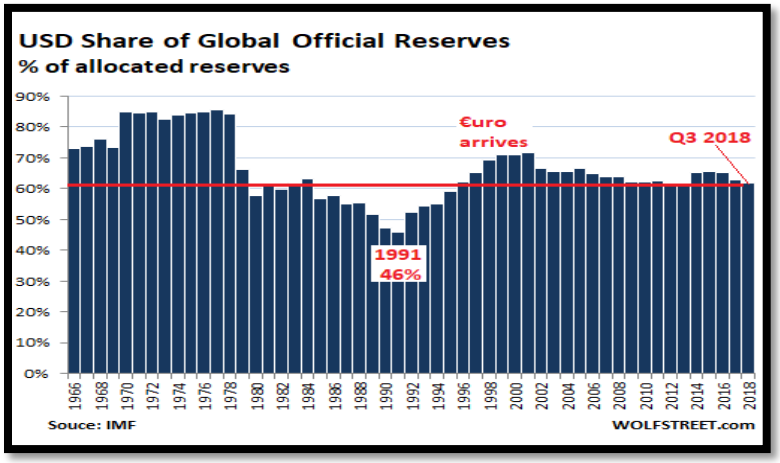
China has been a dominant emerging market since **1978**, and nothing is going to change this dynamic. They peg their currency to our currency (artificially low). If we impose a tariff they devalue their currency and there is no negative affect. Based on **Purchasing Power Parity** (PPP), **China** is the strongest economy in the world and they are holding the cards. Trump has started something he won't be able to manage. As **Matthew Jamison** at the **Strategic Culture Foundation** says:

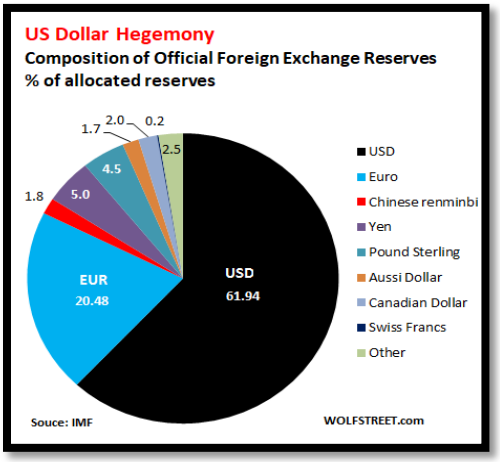
*"By behaving so badly and acting in such an immature, petty and irresponsible way in conducting Superpower diplomacy with a pre-eminently ancient, supremely wise and magnificent civilization such as China, **Donald Trump may just finally have met his Waterloo**."*

Further, Trump has provided corporate tax cuts to lure **US** firms back to the **US** and (allegedly) create jobs. But why did these firms leave the **US** in the first place? Put simply, it is too hard to do business in **America** with regulations, taxes, unions, wages, benefits and so on. There is something called the **Wriston Rule** named after **CitiGroup** CEO **Walter Wriston** - *Capital goes where it is welcome, and stays where it is well treated*. This is why firms have left our shores. This is why people are leaving **Illinois**. In **1990, 36** states were primarily manufacturing states. Now it is only ***nine (9).***

Someone once said that trade wars are easy to start, but hard to stop. The **US** is not the manufacuring giant it used to be since **1945**. Call it globalism, but the **US** has lost its competitive edge. In a recent poll by the **American Chamber of Commerce** in South China, they interviewed **200 US** firms and **80%** said that **US** tariffs are hurting them. At least **70%** are delaying further investment and moving most of their operations to other Asian countries. It concluded, "**64%** of the companies said they were planning to relocate supply chains outside of China, but only **1%** said they would even consider establishing manufacturing bases in North America." **Get that?** Whether it is tariffs, tax cuts or whatever, multinational firms have no intention of coming back to the continental **US.** Ever.

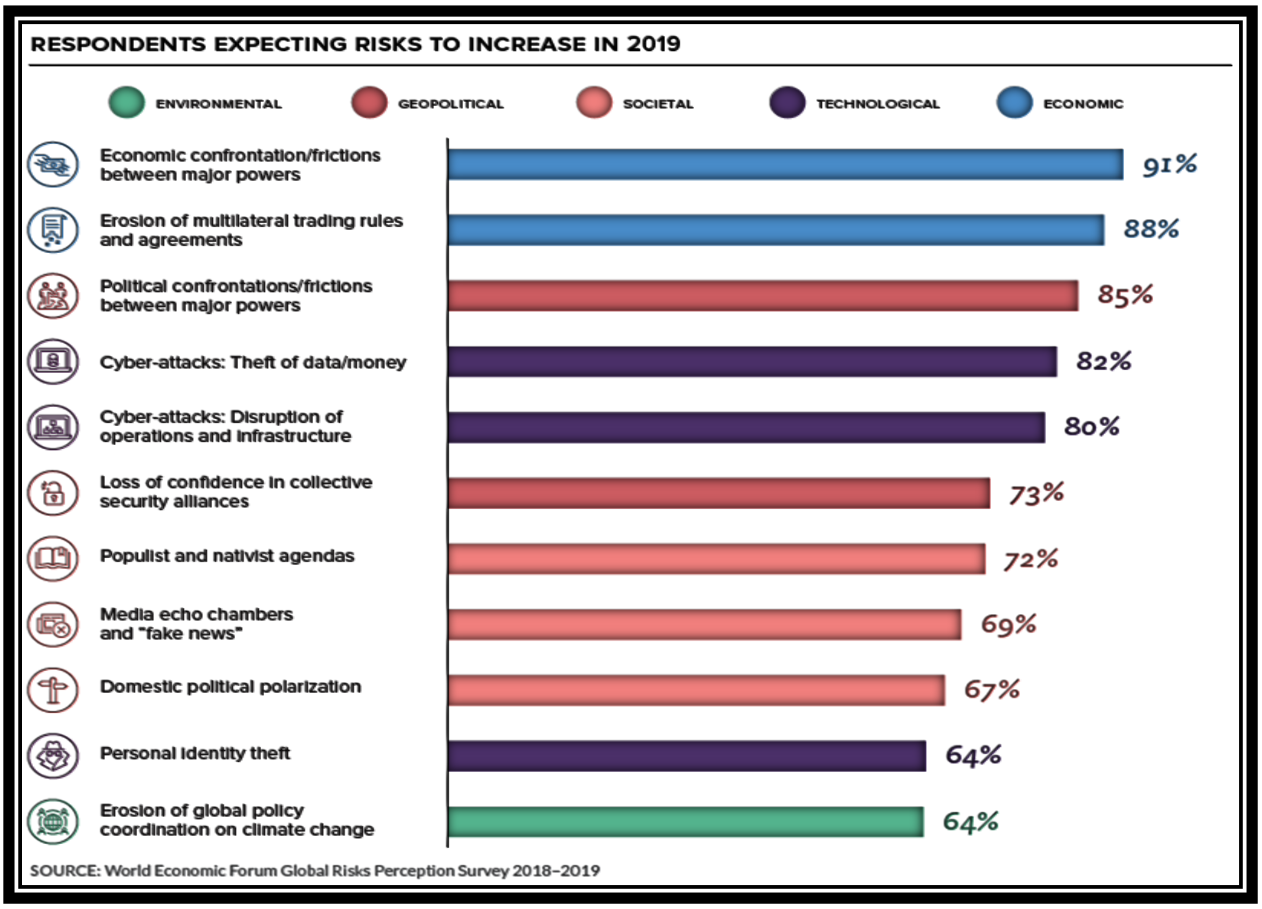
Primary Trend for 2019: *Global Monetary Reset*



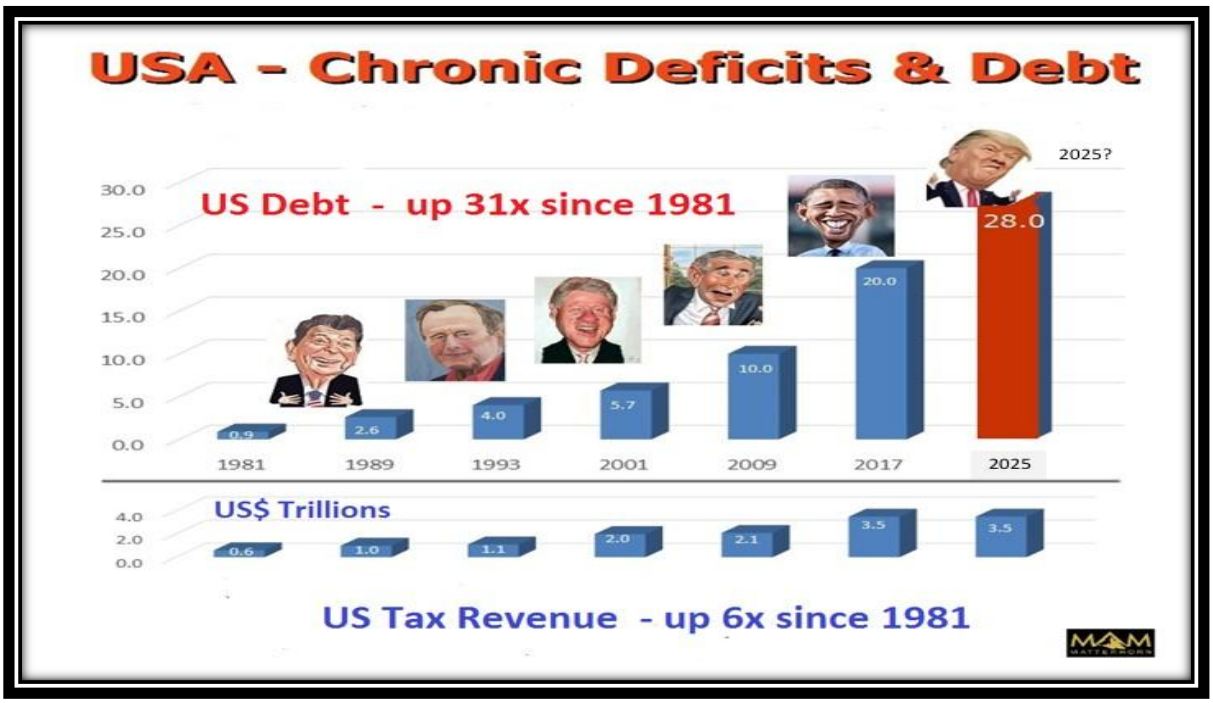


We now come to the primary macroeconomic/geopolitical trend for 2019. As noted, the **US** has a ***structural trade deficit*** due to our reserve currency status. **As seen here**, the **USD** share of official reserves has dropped to **60%** in recent years. The **US** has had an "exorbitant privilege" to create *money/debt out of thin air* and postpone a **reckoning day** because there is no alternative to the **USD**. In other words, we create fiat currency, export inflation and ***we receive real goods in return.***

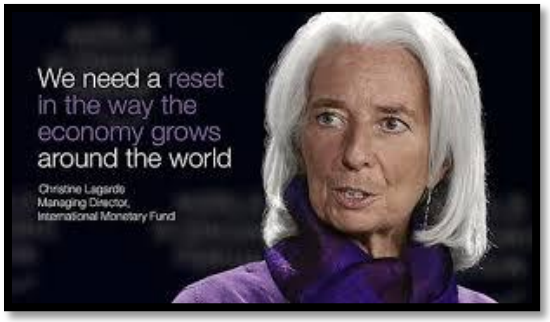
Can this macroeconomic model be sustained? Most certainly not, and I touched on this in my last newsletter. The **USD** was set up as the settlement currency for global commerce in **1944**. By **1960**, economist **Robert Triffin** warned that the **USD** would fail as reserve currency because the **US** would continue to devalue its currency through monetizing debt/inflation and loose fiscal policy. This is formerly known as **Triffin's Dilemma**. Learn more HERE. The real dilemma was how to maintain ***confidence*** in the **USD** as we pursue reckless/suicidal fiscal policies...as we see to this very day. As **Dr. Skidmore** said earlier (p. 5-6), if our missing ***$21 trillion*** down the rabbit hole becomes public we are to toast. At the recent **Davos Confab**, we see that economics, trade and geopolitics is the major concern going forward in **2019**. **HERE is a full report and findings below.**



In attendance at the **World Economic Forum** was **Ray Dalio, CEO of Bridgewater Associates** hedge fund ($160 billion). According to this article, **Dalio** criticized the **Fed** rate hikes, but also "...likened **global financial and geopolitical conditions** to what prevailed in the **1930s**." In other words, we are entering into trade wars like the **1930s**, and by **1939** we had a **World War**! Is the world heading into war? It is said that if goods and services do not cross borders, then armies will. This is an ominous and prophetic sign of our times. **China** holds trillions in US debt/reserves and has repeatedly said they want a "de-Americanized and de-dollarized" world. Although not commonly known or reported in the Western media, the Dagong Global Credit Rating agency in Beijing has rated **US** debt to be **BBB+** with a *negative* outlook! Why? As noted HERE in translation - "The [US] government has formed a virtual solvency by increasing new debts in the name of the **US** through *abusing* the right of issuance the **US** dollar as the international reserve currency." Sounds like **Triffin's Dilemma** huh? **The Chinese** (our bankers!) are concerned about our **chronic deficits and debt as seen below:**



As you can see from this chart, we hit our first trillion in national debt with Reagan in 1981. Since that time our national debt has gone up **31 times** while tax revenues are only up **6 times**. Our Welfare State costs are rising at **6%** with **GDP** at **3%** or less. Our unfunded liabilities are over ***$200 trillion*** and we are the largest debtor nation in the world. The debt in the **EU** is half of the **US**, and **China's** unofficial debt is **$5.2 trillion** ($36 trillion yuan). As I mentioned, **China** surpassed the **US** in **2013** based on **PPP**, and this **Bloomberg** article headlines that the *US is No Longer #1*. Their **Dagong Global Rating agency** concluded with this: "The virtual solvency of the [US] federal government would be likely to become **the detonator** of the next financial crisis." How is that for clarity? THIS article graphically portrays that **trade wars** can become ***hot wars*** and **China** has considerable means to do damage both economically and militarily. I will discuss their **EMP** capability in my next newsletter. So, what is the solution for **Triffin's Dilemma?** A new settlement unit of account is needed as an alternative to the **USD**. This will require a rebalancing of debt - **a monetary reset** - and the implementation of the **IMF** Special Drawing Right (**SDR**) that is already being used.



In a recent interview, **Mark Carney** (Bank of England) described the **SDR** as follows:

*"The IMF's **SDRs** are designed for a specific purpose – **to supplement IMF member countries' official reserves and so help them to address balance of payments problems.** So they are not intended to become a widely accepted means of exchange – what most people understand 'currency' to mean."*

In other words, the SDR is not a new currency used on the street. It is a unit of account comprised of five currencies in different percentages - US, EU, UK, Japan and China (as of 2016). This is what the Chinese have lobbied for since **2009**, and now it is near. What will be ***the detonator?*** The insolvency of the **US**. Our own **S&P Ratings** downgraded **US** debt in **2011**. The **US** is facing a debt ceiling deadline in **March**, and **Fitch** is considering a downgrade with **Moodys** to follow. Is the **US** uncreditworthy? The **Chinese** (our bankers) think so. So does **Russia.** This is the **primary trend** or **theme** going into **2019**, and nary a word in the **US** financial press. **In THIS INSIGHTFUL article**, the author presents **three scenarios for 2019: 1)** Global Depression (assets falling 50%, unemployment); **2)** Systemic Meltdown (global economic crisis, credit freeze), and **3)** A Fairy Tale (that we can fix things, central banksters are trapped, hyperinflation). **This article** is entitled: ***Something Biblical is Approaching***, and how appropriate folks! We are living in prophetic times, and the **Bible** is very clear on **two things** in the last days - *no mention* of the **US** and the *prominent rise* of the **EU** as a global Superpower - a **Revived Roman Empire** as some refer (Dan. 2:1-45; Rev. 17).

In this Biblical scenario, global unsustainable debts cause a systemic meltdown, the **US** has a hard landing, the **Chinese/Russians** have a soft landing, the **Eurozone** is restructured into a smaller fiscal union (10) and the Bank of International Settlements (**BIS**) and **IMF** roll out the **SDR** with a new **gold** component repriced near *$30,000/oz*. This is all in my book. The major duopoly of currencies today is the **USD** and the **Euro** (p. 10). The **Eurozone** can fix its structural problems. The **US** cannot fix its structural problems after decades of abuse. The **Eurozone** "has a large trade surplus with the rest of the world" as noted HERE. All they need is a dynamic leader to restructure their fiscal/political issues, and the **Bible** refers to that person as the "rider on a white horse" (Rev. 6:1-2). Just today, I read an article out of Canada about the **Eurozone** and it concluded this way: "The demand for a 'man on a white horse' across **EU** member states is building, and whilst in this blind rage, people tend to forget that a man on a white horse *is not always good...* and that's what makes the entire **Eurozone** so incredibly dangerous." Amazing. He is describing the **Antichrist**, and I urge you to watch this video at **16 minutes** to **26** minutes for how all of this will *personally* affect you. More in a moment.

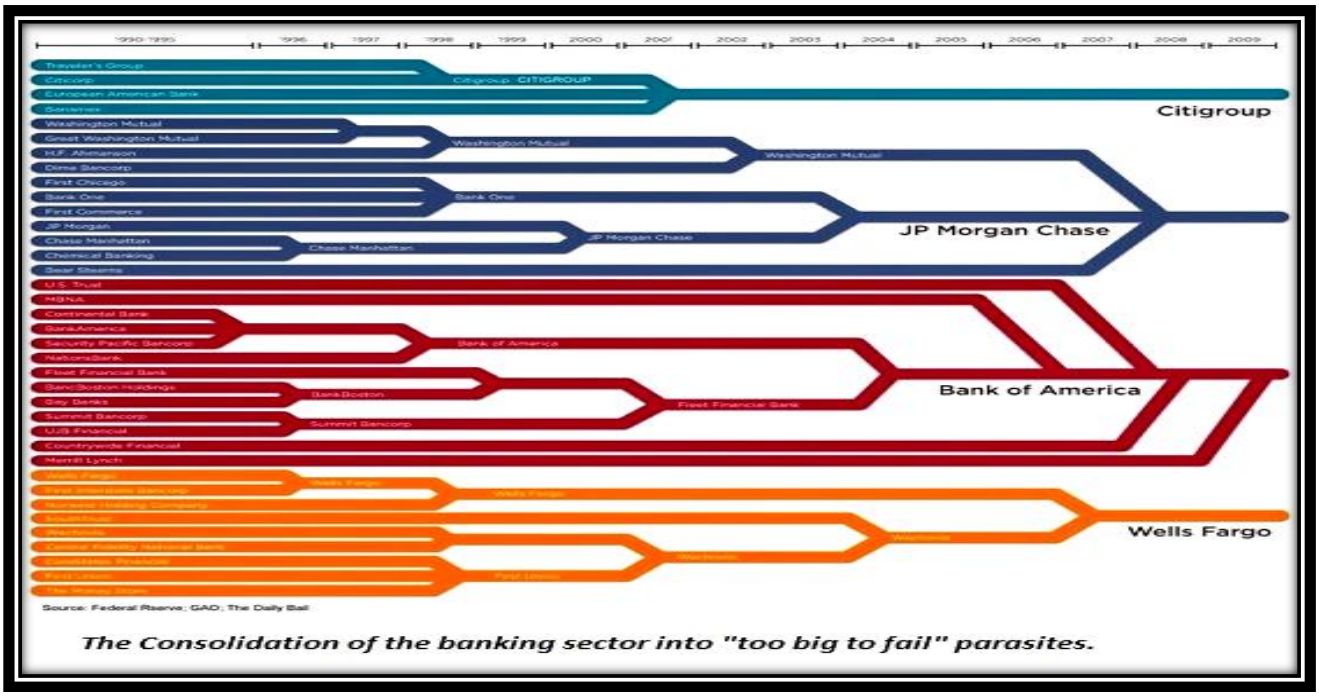
The Hal Lindsey Report: Rise of the EU & Antichrist

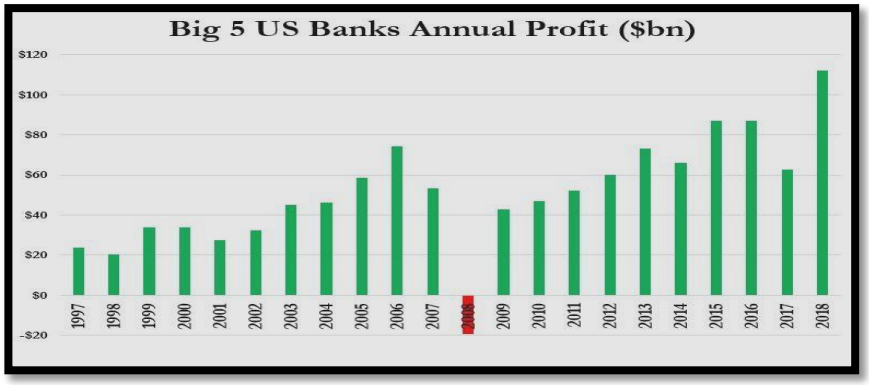
Legerdemain: *The Root of Bankster Trickery!*

"Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money." - **Sen. Daniel Webster (1782 -** 1852)

Featured above is the cryptic BIS building in Basel, Switzerland. Created in **1930**, this is the central bank to the central banks. They operate in total secrecy, have diplomatic immunity and pretty much rule the world of global finance. The **IMF** is a junior partner in this banking cartel scheme.

In my book, I cover the history of banking and how the banksters basically run **two books**. They consider your deposit as both a **liability** (they owe you) and an **asset** (they can lend out). They loan out these "assets" with interest and every new deposit allows them to repeat this process. Many refer to this as **legerdemain**, a **French** word that means "sleight of hand, deceit and trickery." **How fitting**. Not surprising, this is also how the Social Security/Medicare funds are used by the government. They spend it now, but they still owe it later. Good luck on that one. This "multiplier effect" enriches the banksters, and in recent years **bank mergers** in the **US** have created the **Too-Big-To-Fail banks**:





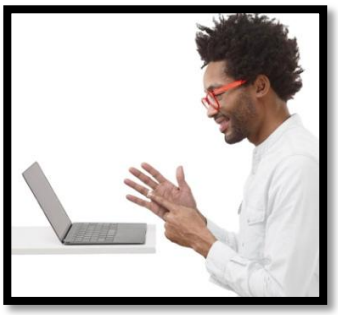
Since the crisis in 2008, the banksters have made **wild profits** (above), but now they have huge exposure to a systemic meltdown, defaults and bank runs. In **1988**, the **BIS** imposed the **Basel I Accord** to raise capital requirements (after notable bank failures in the 1980s). In **2007**, they imposed the **Basel II Accord** that required banks to "mark-to-market" bad debts, and this *triggered* the **2008** crisis. Now comes the **Basel III Accord** deadline in **March 31, 2019** that requires these big banks to move **gold** up to a **Tier I** asset to recapitalize the banks during the next crisis! Why are they doing this? They know a reckoning is coming, and I mentioned this in my last newsletter with this very important interview with **London** trader **Andrew Maguire - LINK**. At the highest level they sense a **monetary reset/debt restructuring** is imminent. But there is a darker side to all of this. **The Bible** also speaks of a day when people cannot buy or sell without the "mark of the beast" (Rev. 13:11-18).

The Dark Side of Banking & *"Social Credits"*

"And he causes all...to be given a mark on their right hand or on their forehead" **(Rev. 13:16)**

As you probably know, there is a war on cash these days. Establishment economist **like Kenneth Rogoff** (Harvard, CFR) has written *The War on Cash* to enforce a **cashless society**. His reasons are based on bank runs and the need to herd people into the banking system to impose negative rates. There is also the issue of **bank bail-ins** like they did in **Cyprus** and **Greece**. The **Dodd-Frank Bill** also makes provision for this, and it is clear where all this is going. There is a **NY** firm that has introduced the **Token Ring** (www.tokenring.com). You really do have to see their promo!! It is being promoted as "everyday magic," "keeping your life safe and secure" and "coming to **a hand** near you." It is even compatible with **Windows 10**, whatta ya know? It is all *safe and secure*...until somebody pulls it off your hand or worse! To be really *safe and secure* you will need a **biochip implant**.



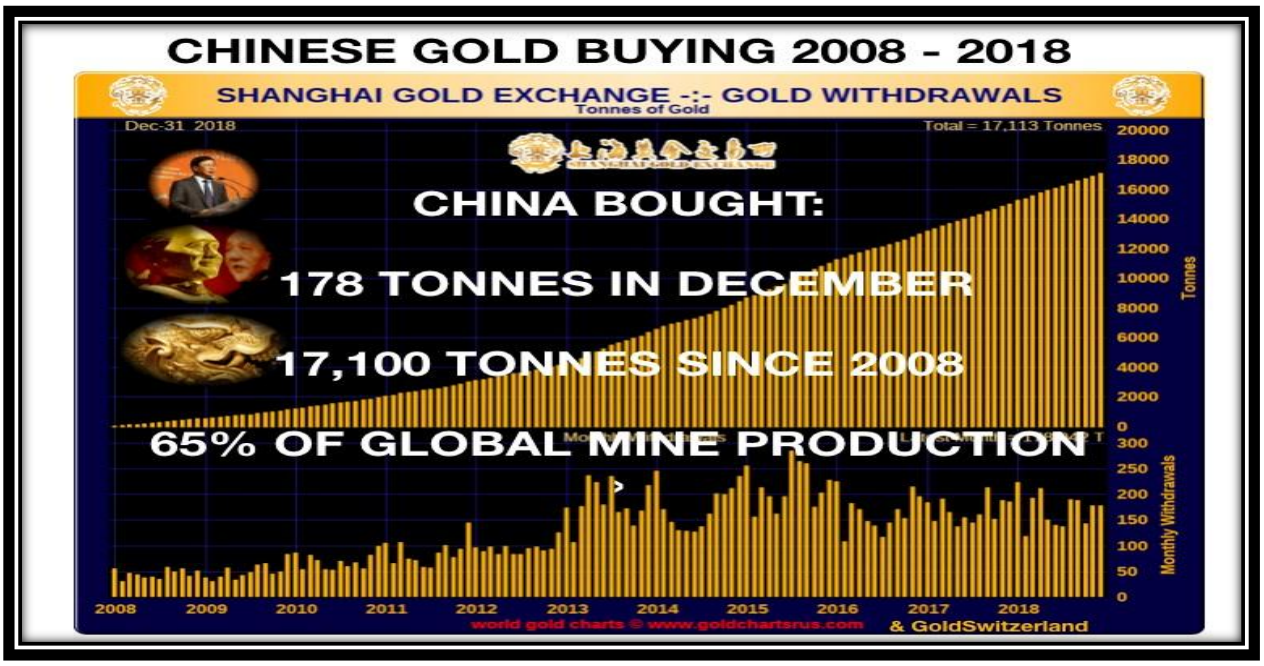



Pretty amazing huh? This ancient prophecy could not be fulfilled **until today**. When the **Antichrist** arrives on the scene in **Europe** he will have no problem rolling out this technology. Already in **China** they will implement "social credits" by **2020** that will control the masses, **as in this video:**

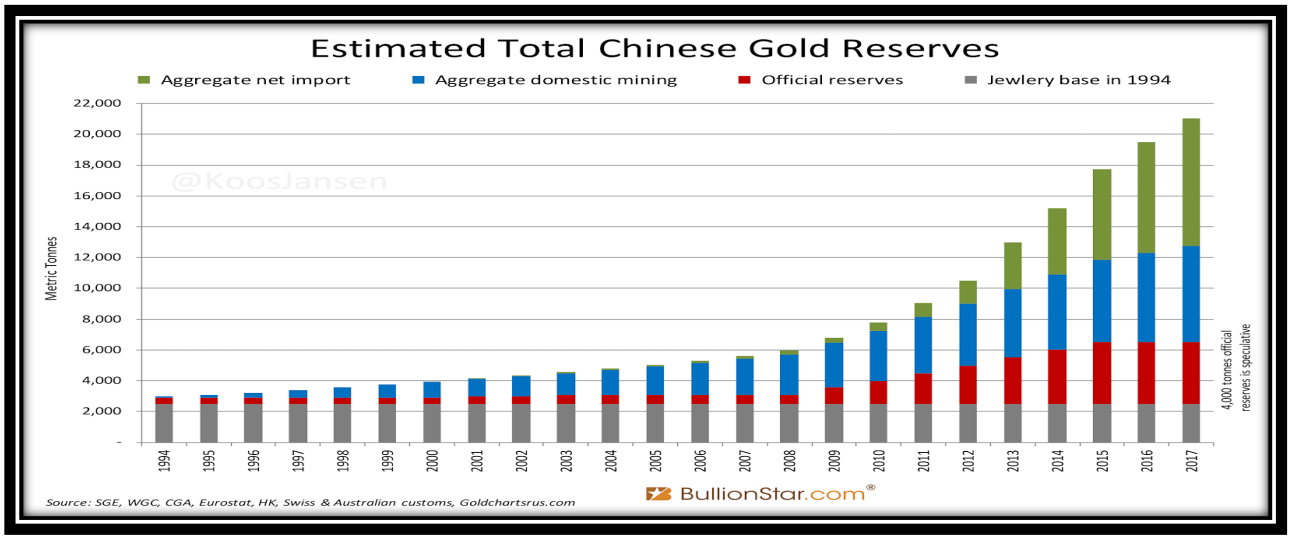
Paul Joseph Watson: China's Terrifying Social Credit System

They are using 400 million cameras, tracking cells, browsers and other means to track people's behavior. Compliant citizens will be rewarded. The rest will be "marginalized." **Venezuela** has adopted this **Chinese** technology. Here in the **US**, **Silicon Valley** is merging with the **Deep State** as noted in THIS PIECE. This is **Orwellian social engineering** on a massive scale, as in **Technocracy** that **Pat Wood** talks about (foreward to my book). This is perhaps a few years away, but it is all the more reason to have a low profile asset like **gold and silver** for wealth preservation and privacy. And this brings us to some concluding remarks about **gold and silver for 2019**. The banksters are always *suppressing* the metals, but this is the only safe asset class to have in these very uncertain times.

CHINA: *Largest Importer of Gold & Silver!*

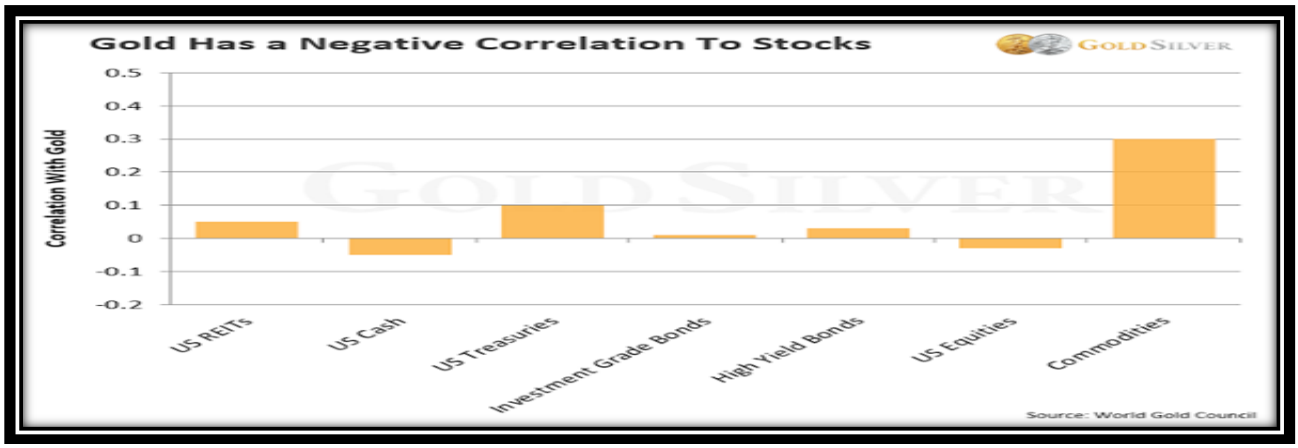


We have been watching China accumulate gold for about 30 years, but you rarely hear the real reason they are doing this. They are not only the largest *producer* of gold, but the largest *importer*. Why are they doing this? Some say it has been their **tradition**. True. Others insist it is a secret plan to **back their currency** with gold. Possible. But **IMF** rules do not allow for member countries to have a gold backed currency (Art. 4.2.b). **China** is buying lots of **gold** (and silver) because they know the **West** is collapsing, and they are **hedging** on the cheap. **Jim Rickards** talks about this and a few others. How much **gold** do they have? It is a state secret. But, **BullionStar** out of Hong Kong has the most respected research and figures that I know of. Here is what they estimate - ***21,000 tons!***



You will notice this includes public and private, but the official reserves (red) are also *way too low!* What if this was actually more like ***30,000 or 40,000 tons!?*** This is huge. The **EU** has **12,000 tons**. The **US** (allegedly) has **8,100 tons**. **China** is hoarding metals for some very obvious reasons.

As I said earlier, the Basel III Accord deadline is in March of 2019. The original deadline was **2013**, and then **2015**, so now it is a hard deadline. As **Andrew Maguire** has stated in his interview (p. 14), this accord will have implications about *unallocated* **gold/silver** at the **LBMA** in **London** (and Comex). What does this mean? It should lead to a spike in metals, and perhaps even *delivery defaults*. **Try** to listen to his interview **HERE**. As I have covered so far, **stocks** and fixed income is not the place to be today. **Gold** may seem flat in the **US**, but it is hitting *all-time highs* in **72** other currencies as noted HERE! **Gold** is not only *inverse* of the **US Dollar Index**, but the **stock market also:**



Ludwig von Mises lived in Austria during the 1930s and witnessed hyperinflation in Europe. He also warned against **utopian/collectivist ideologies** in his day (just like today), **and he wrote this:**

"Finally the masses wake up. ***They become suddenly aware of the fact that inflation is a deliberate policy and will go on endlessly****. A breakdown occurs. The crack-up boom appears.* ***Everybody is anxious to swap his money against real goods, no matter whether he needs them or not, no matter how much money he has to pay for them****. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as media of exchange.* ***They become scrap paper****. Nobody wants to give away anything against them."*

This is the danger we have today. **Why?** Because we have a **debt-based monetary system** with continual currency devaluation (inflation/hyperinflation). But, the ***scraps of paper*** you have today can still be exchanged for ***real goods***, and we strongly favor **silver**. In January, **gold** was up **5%** while **silver** jumped **10%**. I know people content with *3% fixed annual income* today, but that will not even keep pace with official inflation, let alone ***real inflation*** of ***10%*** *or higher* - **check your state**.

Why should investors favor silver over gold? Here are my quick answers: The **gold/silver ratio** is **85:1** today. The historic ratio is **15:1**. It was **30:1** in **2011**, and this would mean **$43/oz**. today. It has been mined at **9:1** since **Egyptian/Roman** times, and that would mean **$143/oz**. today. The market cap of available **silver** is *less than **$20 billion**!* Compare this to **$6 trillion** for gold. According to ***Forbes***, there are almost **2,400 billionaires** in the world that could scoop up every ounce. **Silver** is *six times more scarce* than gold since it is also an industrial metal, with **90%** being used up for industry in the past **100** years! Annual mining production of **silver** is **800 million ounces,** with **55%** for growing industrial demand, **35%** for jewelry and a *mere **10%** for investment!* The rigged paper futures markets like **LBMA** and **Comex** in **NY** have *suppressed* the artificial "paper price" of **silver**. It is estimated that "Crimex" has a paper derivative of ***200 times*** every eligible **ounce** for delivery. This strongly suggests **delivery defaults** (*force majeure*) that I mentioned above based on the **Basel III Accord**, and most certainly the coming **global monetary reset** that will reprice gold to *$20-30,000/oz*. (p. 13). In this scenario, we will see **silver** provide the *largest transfer of wealth in human history*. Even based on $5.000/oz. gold this is **$300/oz. silver** based on a **15:1** ratio, and you can do the additional math.

And then, there is the strange case of JP Morgan, as many of you know. I am talking about the fact that **JP Morgan** was literally forced by the **NY Fed** to acquire the assets of failed **Bear Stearns** in **March of 2008**. Why? **Bear Stearns** had the current *naked short* on **Crimex** to suppress silver, and **Ted Butler** estimates that if this had not happened, **silver** would have **shot to $100/oz**. like a balloon being held under water! And this is pretty much where we are today. When **silver** peaked at almost **$50/oz**. in **April 2011, JP Morgan** did not have a *single* physical ounce of silver. **Today**, they have the largest physical hoard in history - ***700,000,000 oz. of silver!*** Why is this important to **silver** investors? This strongly suggests that **JP Morgan** is expecting **silver prices** to rise, and they are working both ends of the trade to acquire on the cheap! Is this criminal? Yes. Does the **CFTC** care? Ha! When **physical silver** reaches $**100/oz., JP Morgan** will make **$70 billion**. In **2018, JP Morgan** had **$109 billion** in revenue. **As seen in the chart above,** bank stocks have dropped **20%** since **December** and **JP Morgan** has been downgraded. We know that central banks like **China** and **Russia** are buying both physical gold and **silver**, but **JP Morgan** is the only commercial bank I know that has this much **silver!** If bank stocks were to crash they have a **silver** lining. There is also the issue of a *criminal investigation* by the **Department of Justice** into **silver** manipulation by **JP Morgan** after a junior trader was busted in **November**. I have covered this recently, and nobody has covered it more than **silver expert Ted Butler**. In his very **latest article** he had this to say about this investigation:

"It has now been two months since the DOJ's announcement on Nov 6 of the guilty plea and ongoing investigation and three months since the plea was first recorded and sealed on Oct 9. Obviously, the Justice Department had to be pursuing the matter for several months prior to the sealed guilty plea. Therefore, ***the Justice Department has spent the better part of 2018 looking into the matter of a COMEX silver manipulation. No entity is better equipped for such a task than the Justice Department....It would be unreasonable not to have faith that the DOJ will do the right thing****."*

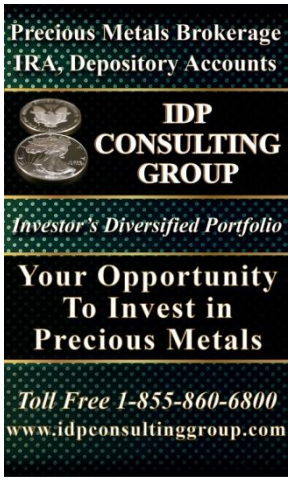
Will the DOJ do the right thing and indict the senior management of JP Morgan? One can only hope, and I will be following this story. The "fat fingers" on their trading keyboards might be a little reluctant to push **silver** around with federal agents looking in. You can read his article **HERE.**

So what is the outlook for silver? **Silver** is the most undervalued asset in the world, and only has one place to go - *much higher*. Like Canadian billionaire **Eric Sprott**, who has a majority of his wealth in **silver**, I think this is a no-brainer. In a recent interview, **Dr. Stephen Leeb** talks about China's demand for gold and **silver**, and highlights **silver** at the 12:30 minute mark. Take a listen if you have time:

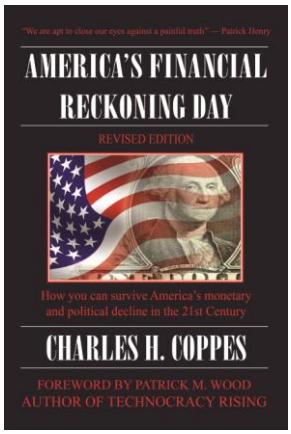
Dr. Stephen Leeb: Why Silver will Rise Faster Than Gold

Below are some concluding remarks made by Gary Christenson that favor silver in 2019 and beyond. As you can see, most **silver analysts** are also watching what **JP Morgan** is doing in this market, and more importantly, what the **DOJ** is doing! **Silver** "paper prices" have been suppressed since **2011**, but the next **bull market** is just beginning and this should be a primary trend in **2019**.

- Central banks might return to their usual playbook—reduce interest rates and "print" trillions of currency units to re-inflate bubbles. Or perhaps they want a massive crash for unknown reasons. "Printing" trillions of currency units will drive silver prices higher. **A massive crash will push investors into safe assets—silver and gold.**
- **JPMorgan**, if you follow Ted Butler's analysis, has amassed 700 million ounces of silver bullion. They expect silver prices will rise. Don't bet against JPMorgan and their greed. They own the regulators and congress. **But their massive hoard of silver bullion should also encourage small investors to own silver.**
- The U.S. stock markets look weak and will probably fall much lower in 2019. **Silver is no one's liability. When other liabilities are dodgy, silver will shine.**
- The first great silver bull market occurred between 1971 and 1980. The next bull market extended from 2001 to 2011. **The next silver bull market will happen from 2018? to 2023? Probably!**



Summary. Well, another ambitious newsletter. As usual, if I can assist you or a friend with **precious metals,** let me know. **Market meltdowns** are likely to continue in global bubble economies. **The central planners** are basically *trapped* and their only strategy is to keep climbing **Mt. Credit**, and as old **JP Morgan** said, "Gold and silver is money. *Everything else is credit*." Chronic debt and deficits (and *trillions* missing!) will be our **financial reckoning day**. As **Ludwig von Mises** has warned, "There is **no means** of avoiding the final collapse of a boom brought on by credit expansion." We are at the end of this monetary experiment and no amount of false economic narratives and wishful thinking is going to ***Make America Great Again***. It is time for contingency planning. As I like to point out, in **1980** the **Dow** and **gold** were both at **800** points and **$800**, or **1:1**. Since the **Dow** is **24,000** points...shouldn't **gold** also be **$24,000?** Yes indeed! And that is something to ponder.



Conclusion. The primary trend for 2019, is also the general theme of my book. The **US dollar** *cannot* remain as the reserve currency of the world, and this will have enormous **geopolitical, macroeconomic** and even ***theological*** implications for all of us. The **debt** problems in the **US** are structural (**88%** is *fixed/mandatory* spending!). We have become an Imperial Welfare/Warfare State, and folks this is **unsustainable!** We are going the way of the ancient **Roman Empire**. As noted earlier, something Biblical is approaching, and that is the rise of a **Revived Roman Empire** in **Europe**. As many of you know, my degree is in theology not economics. We need to keep our eye on events in the **EU**, and I will keep you posted on these **prophetic issues**. The **US** is in monetary, political and *profound moral decline* (Pro. 14:34). I would again urge you to watch **The Hal Lindsey Report** I mentioned earlier (p. 13).

Finally, will the **US** be the "detonator" of the next financial crisis? Perhaps, but **Triffin's Dilemma** must be resolved, and **trade wars** are not helping this situation. We need to pray for our "imperfect" **President** (1 Tim. 2:1-4). For people of faith, we have no fear index. We know **God** is in control and **He** offers eternal life through **His Son**. "He who has the **Son** has the life, he who does not have the **Son of God** does not have the life" (1 Jn. 5:12). Click **HERE** to be sure on this one and **God bless!**

Until Next Time, Your Messenger from Pinetop

www.idpconsultinggroup.com