The New Normal, Financial Bubbles & Risk-Off Sentiment

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By www.chuckcoppes.com

"I believe the US Fed has created another massive credit bubble that will, when it bursts, lay the global economy very low indeed."

- **Albert Edwards, Societe Generale Strategist, June 2017**

"Either central bankers have gone completely mad or they'll someday be hailed as geniuses. I find myself in the 'mad' camp and I hope I'm wrong."

- **Dr. Lacy H. Hunt, 2017 Strategic Investment Conference**

"Confidence could be lost in a very abrupt fashion causing conceivably a ruckus in bond markets, stock markets and in financial institutions"

- Peter Singer, Founder, Elliott Management Hedge Fund

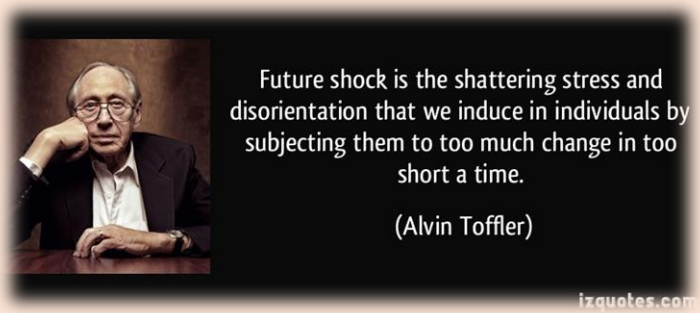
"The only thing Trump can do is allow the recession to come, get it over with, liquidate the debt. Politically, nobody wants that, so you're going to see runaway inflation before you see this country wake up."

- **Dr. Ron Paul, Former Congressman & Statesman**

June Greetings to All,

Let me first of all welcome all of my **new subscribers** from recent radio/webcast interviews and other venues. I started this free newsletter service in **2012** as a bi-monthly mailing. By **2015**, I had to switch to a **monthly mailing** due to time constraints and ***sheer information overload***, and I adopted a new letter format at this same time that has now branded my work. I have archived all of my past newsletters at **THIS LINK**. With that said, let's get started and hang with me as I share what I have studied for the past **30 days**, and pay attention here. I am going to try to move quickly with some graphics for clarity and understanding. Anyone who says we have a robust economic recovery is a **lair**, and the facts are starting to come out that we only have a **bubble economy**. The **new normal** is permanent job loss, declining lifestyles and household income. Extreme market overvaluations and **risk-on** behavior is giving way to the *opposite sentiment* as experts are seeing danger on the horizon.

Information Age and *Information Overload*



It was futurist **Alvin Toffler** who coined the term **information overload** in his **1970** book ***Future Shock***. It was his observation **47** years ago that technology was giving rise to an exponential growth in information that would simply overwhelm the ability for people to think critically about issues and become more passive/superficial. This is the **Group Think** we are seeing today. In **1980** he wrote *The Third Wave* regarding the digital age, and **Jon Rappaport** recently picked up on this issue. **Twitter** (and iPhones) is an excellent example where people obsess with trivia and chatter all day. "This effect is being taken to new levels, and as a result, **IQ** is dropping. Logical capacity is being swamped. The natural desire to get smarter and sharper is diminishing." Have you noticed how hard it is to have an *intelligent conversation* with people these days? This is why I don't cover Russian conspiracies, petty elections in Europe, Bill Cosby's sex life…or *driverless cars* (weird). In this edition we need to address financial risk, growing debts, the failure of central planning and Socialism and the real economy as seen in these **charts below** that reveal how **manufacturing jobs** have been exported overseas and **16 million** jobs have dropped out of the labor force in the past ten years.

Structural Unemployment: *The New Normal!*

This is the face of the **new normal** in America, and it is highly unlikely that **Trump** can do anything to reverse this trend. We are not just suffering a normal "business cycle" in the economy. These are long-term **structural changes** that are also compounded by aging **demographics** as many of you are aware, especially if you are aging like I am also! Commenting on the above chart, this writer notes the irony that **95 million** people are not in the US labor force, yet government officials keep reporting that we have aa robust economy and very low unemployment figures:

> *"You wonder why these numbers continue to go up and the headline unemployment rate would indicate that all is well. It would seem that **the economy is booming** on all fronts including the stock market, real estate, and employment. **Yet somehow, one out of three Americans are now part of the 95 million that are not in the labor force**."*

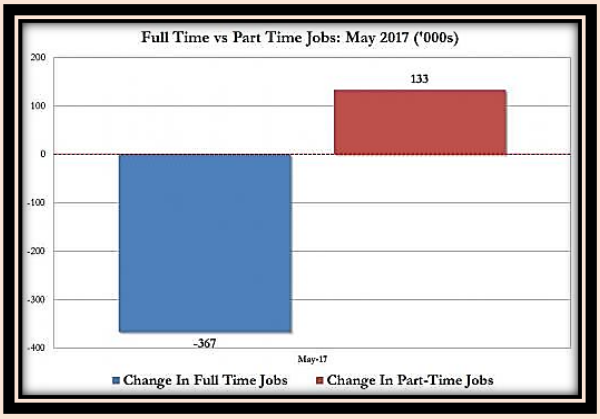
There is an old saying that figures don't lie, but liars figure. This cruel joke to literally millions of struggling Americans is not only outrageous, but now we have the proof that the enthusiasm for "new jobs" is all a fraud! According to this report, **93%** of all jobs reported since **2008** (on Obama's watch) were all based on ***accounting gimmicks*** (called the birth/death model). **Look at this.**

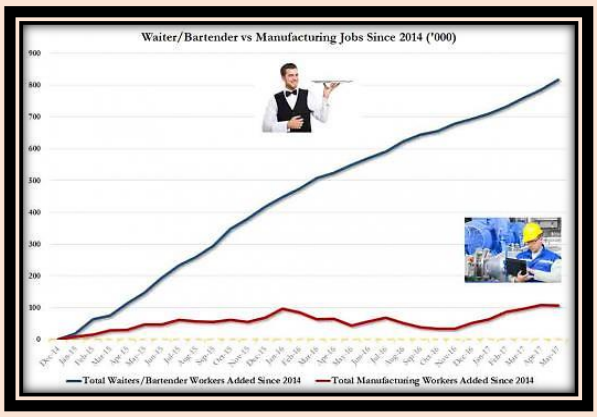
A full 93% of the new jobs reported since 2008 and 40% of the jobs in 2016 alone were added through the business birth and death model – a highly controversial model which is not supported by the data. On the contrary, all data on establishment births and deaths point to an ongoing decrease in entrepreneurship. [1]

Net Jobs Added Per Year Since 2008: (in thousands)	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total 2008 - 2016
Net jobs added	(3,569)	(5,070)	1,066	2,087	2,149	2,311	3,015	2,744	2,002	6,735
of which: through birth / death adj.	904	882	510	490	535	624	733	781	841	6,300
% of jobs added through birth/death adj.	n.m.	n.m.	47.8%	23.5%	24.9%	27.0%	24.3%	28.5%	42.0%	93.5%

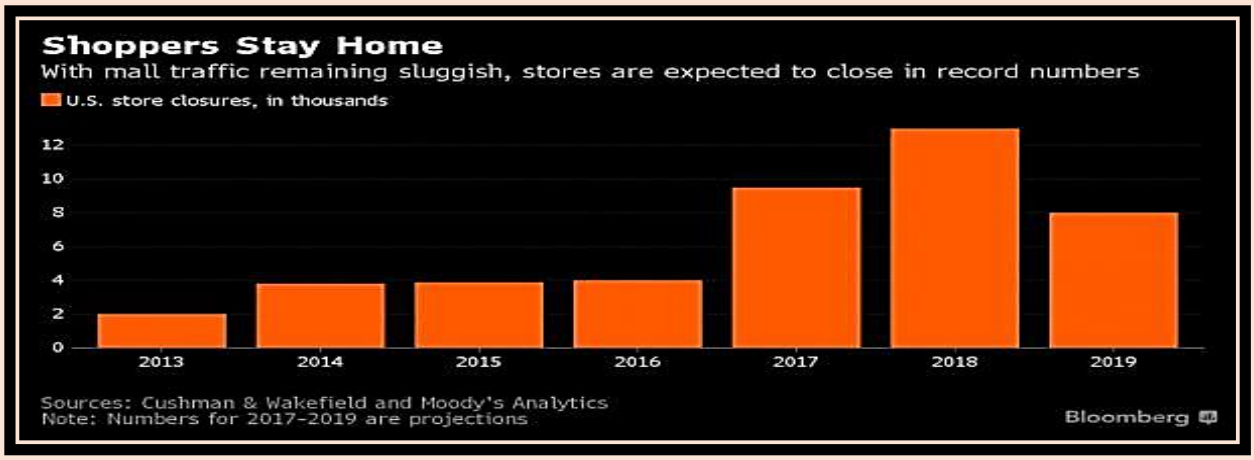
Source: BLS, Morningside Hill

The Fed's so-called recovery was only on a spreadsheet, and not economic reality! Based on the actual figures this report says that the *trillions* pumped into the economy since **2008** means that the **US** spent ***$20 million per new job created!*** You read that correctly! And what were those great jobs? **As seen here**, mostly low-paying part-time jobs like bartending and waitress jobs (manufacturing is flat as always). Last month (May) **133,000 part-time jobs** were added to the labor force, but notice that conversely **367,000 full-time jobs** (blue bar) were eliminated! This again is the **new normal** around the country. Since **2014**, 816,000 food and dining jobs have been added, which makes me wonder; are people driving those ***new cars*** with max loans and dining on their ***credit cards***? Hmm.





Analyst Michael Snyder has also exposed the fraudulent jobs report by the BLS and Department of Labor – *their figures are to be totally ignored*. Just ask your neighbor. A **recession** is when your neighbor is out of a job; a **depression** is when *you* are out of work, amen? The "generally accepted narrative" that the **US** is in a robust economic recovery since the **Great Recession of 2008** (never, *ever* call it a Depression), is ***totally false***. Not only is the velocity of money at **1929** levels (the rate of money exchanged in the real economy), but **retail stores** are closing and commercial RE (massive malls) are in collapse mode. Just look at the trajectory of the **real economy** in **this chart**:



According to this study, **10,000** major retail stores will close this year, and this is *more than twice* the closings of **4,000** last year! Furthermore, commercial malls cannot get long-term leases and it is expected that **26%** of all malls in the US will look like downtown **Detroit** in five years. Sad indeed.

But wait! There is good news if you want a management or retail clerk career in the dynamic and growing….**dollar store chains**. That's right, and it confirms what I have been seeing all around the area I live in. There is one **dollar store** after another, and here is the astonishing (and damning) evidence that the **Fed/Obama** great economic recovery since **2008** is catering to a new impoverished class of Americans. **In this chart/report**, a full **76%** of *ALL* new stores are dollar stores (or gas station convenience stores), and in **2017** this figure is expected to be *more than **80%***. So there, my friends, is your **new normal** in the **US**. Dollar stores are doing well. Macy's, Sears, JC Penny, CVS, Kmart, Radio Shack, Payless, etc. are going under. And this leads me to my **next important subject**: The real economy and the real threat as we go forward. Let's start with **this comment below**.

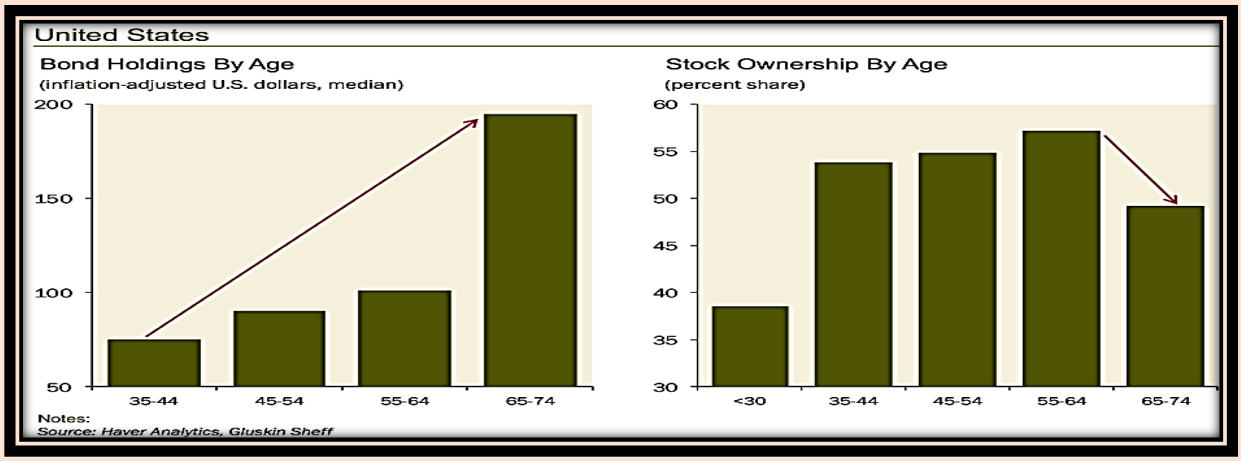
Hedge Fund Manager Paul Singer Warns: *System May Be More Leveraged Than 2008!*

Posted June 7, 2017, wwwbloomberg.com

Billionaire investor Paul Singer said "distorted" monetary and regulatory policies have increased risks for investors almost a decade after the financial crisis. "I am very concerned about where we are," Singer said Wednesday at the Bloomberg Invest New York summit. **"What we have today is a global financial system that's just about as leveraged -- *and in many cases more leveraged* -- than before 2008, and I don't think the financial system is more sound." Confidence "could be lost in a very abrupt fashion causing conceivably a ruckus in bond markets, stock markets and in financial institutions,"** said Singer, founder of hedge fund Elliott Management Corp., which is known for being an activist investor……..READ MORE.

What is this billionaire investor saying? He is saying – *warning* – that we are in much worse shape than **2008** thanks to central bank interventions, that I will address in a moment. What he is really saying is that we live in a **bubble economy** (leverage, credit, easy money), and this is going to end very badly for the vast majority of complacent investors. In fact, the **VIX Index** is now at the lowest rate since **1993** (this measures daily volatility). **George Goncalves,** a fixed-income strategist at **Nomura** has this comment. "**Complacency** has returned in such quick fashion that it's starting to feel like **2005-06**, when nothing seemed to faze the broader markets." Do you think, *by George?*

Bond King, Bill Gross warns that the US (global) **bond market** is facing a "supernova" (expansion and rapid implosion). Based on demographics, **this chart** indicates that the advice given by mainstream financial advisers to rotate out of **stocks** into fixed-income (**bonds**) is going to be a **disaster**:



Supporting **this thesis**, the folks at **Mauldin Economics** add that **70%** of our economy is based on consumer spending (on *credit cards* we assume), and the babyboomers are not spending, and further they are *required* to take Required Minimum Distributions (**RMD**) from ***$24 trillion*** in retirement funds starting this year (based on aging demographics). I know this is happening with my clients who are approaching **70**, or more. My clients are safely protected with **Precious Metals IRA Accounts** and can take delivery (I will mention this in my conclusion), but this is a very bad trajectory for most people. **Paul Singer** mentions that **"confidence"** can be lost in a "very abrupt fashion," and this is the *ONLY* thing holding up these **financial bubbles** and the entire monetary system today. Bad.

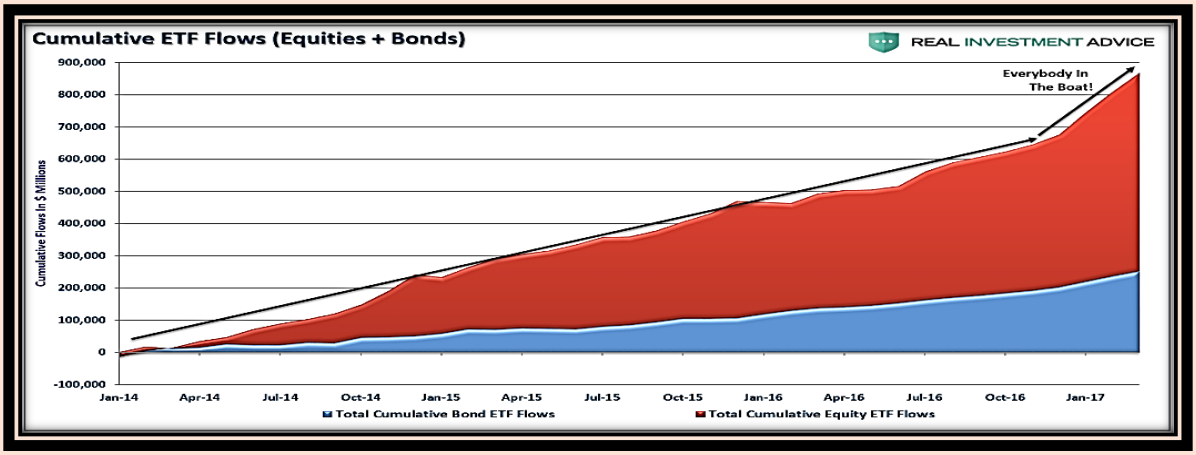
If you have time to listen to how devastating this ***$100 trillion dollar bond bubble*** calamity will be I invite you to listen to this 30-minute video from **David Stockman** on the **bond market**, etc.

Greg Hunter Interview with David Stockman on the Bond Bubble

And speaking of **confidence** and irrational exuberance, let me provide this great **article/chart**, and I will comment below. Why do people act so irrationally with their financial futures? I think it goes back to the non-critical thinking dynamic of **Group Think** that **Toffler** wrote about. (herd instinct). Hey, it's time to ***take on risk*** and chase all-time/historic highs in the financial markets! Yahoo!

The Fog of Markets by Michael Lebowitz

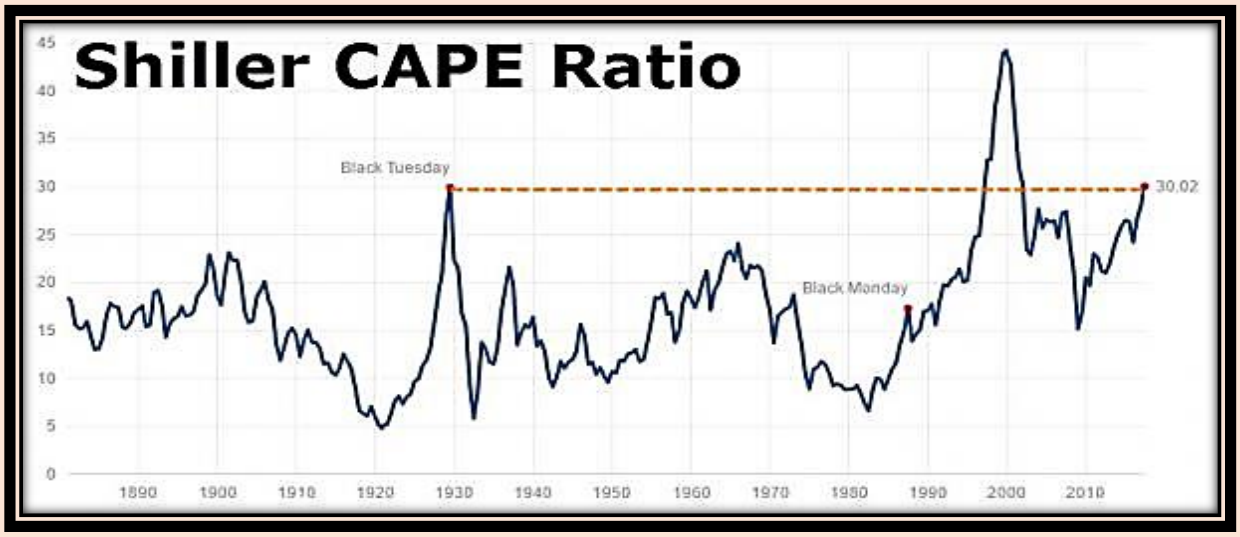
Posted June 7, 2017, wwwrealinvestmentadvice.com



The seemingly unabated march upwards in stock prices occurring over the last eight years has had a mind-numbing effect on investors. The relentless grind higher is backed by weak fundamentals providing little to no justification for elevated prices. Indeed, if there was no justification for such valuations during the economically superior timeframe of the late 1990's, how does coherent logic rationalize current circumstances? For example, feeble economic growth, stagnating corporate earnings, unstable levels of debt, income and wage inequality and a host of other economic ills typically do not command a steep premium and so little regard for risk. **This time, however, is different, and investors have turned a blind eye to such inconvenient facts and instead bank on a rosy future.** Thus far, they have been rewarded. But as is so often the case with superficial gratification, the rewards are very likely to prove fleeting and what's left behind will be **deep regret**. Despite our education and experience which teach the many aspects of the discipline of prudent investing, investors are still prone to become victims of the philosophy and psychology of the world around them. **These lapses, where popular opinion-based investment decisions crowd out the sound logic and rationale for prudence and discipline, eventually carry a destructively high price**. Investors, actually the entire population, have become mesmerized by the system as altered and put forth by the central bankers. We have somehow become accustomed to believe that debt-enabling low interest rates make even more debt acceptable. Ever higher valuations of assets are justifiable on the false premise of a **manufactured and artificial economic construct**….It is difficult to maintain convictions that run counter to most investors and the tape**. Animal spirits and the siren song of faulty popular logic effectively draw investors in as events pass "largely outside the scope of conscious choice". Yet, rationality will prevail as it always has throughout human history and those on the right side of it will be rewarded appropriately**……..**READ MORE**.

In this article, he recounts that the "fog of markets" literally clouds critical analysis. In other words, it is never a good idea to follow the crowd, and especially when central banks and Wall St. brokers are all **nudging you** in the same direction, to support the all-important narrative that we are in **a robust economic recovery** thanks to the **genius** of central planners. ***Buy, buy, buy! $$$$***

Sadly, as a **Trump** supporter (to mainly block the criminals at the **DNC** and perpetuation of a third **Obama/Jarrett** administration), this has also released the **"animal spirits"** that's fueling our bubble economy (rosy future); and investors **taking on new risk** will have "deep regret" and they'll pay a "destructively high price" for lack of "prudence and discipline" as noted above. Recently, **David Stockman** made this comment, "**Trump-O-Mania** is the greatest eruption of *irrational exuberance* yet because it occurred in the wake of an election outcome that is a repudiation of the very regime of **Bubble Finance** from which it took flight." **Randy Frederick**, vice-president of **Charles Schwab** trading and derivatives desk adds, "I don't know where the optimism is coming from. That's not to say we should be negative. I just don't see any reason for **excessive optimism** right now." Perhaps this **historical chart** is what the experts are referring to. **Stock P/E ratios are at 1929 levels!**



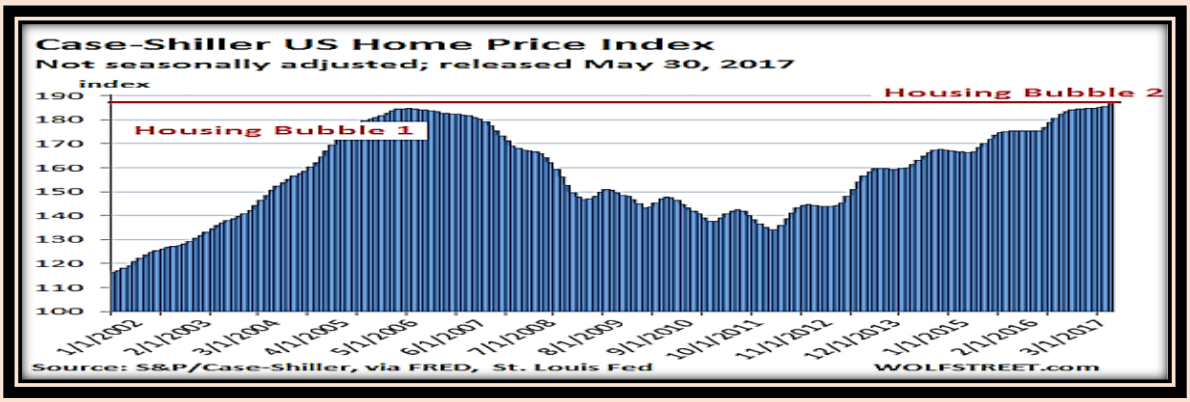
I have been following, and reporting, on this ratio for some time now. This latest chart above has now exceeded **30:1** ratio of stock valuations to earnings. Except for the **Dot.com** mania, this is a very extreme indicator that should concern you (and your adviser). It was in late **October in 1929**, that legendary financier **Irving Fisher** made his now-famous quote that "Stock prices have reached what looks like a permanently high plateau." I think it was the *very next day* that stocks collapsed and deflated the **animal spirits** and **false confidence** of that era, and well….I guess you know the story.

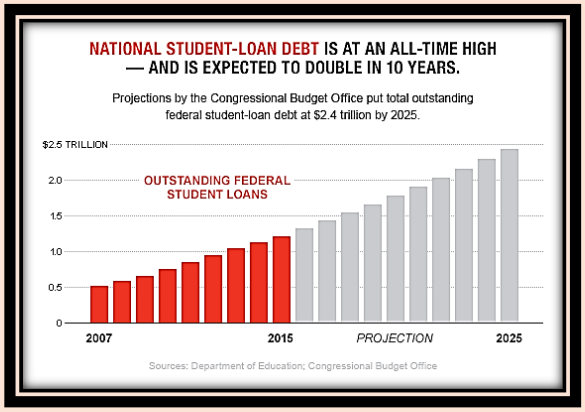
Seriously. Have times really changed that much? Can our **central banksters** suspend the normal business cycles of boom/bust? This is what they have done since **2008**, and we will all have hell to pay for this. But for now, people feel good. The so-called "wealth effect" (inflated asset valuations) has now caused US household ***net worth*** to climb to **$94.8 trillion**, according to the WSJ. But as **Zerohedge** has adroitly pointed out in THIS ARTICLE and headline: ***There is just one catch!*** And what is that inconvenient catch? The very fact that this $2.4 trillion increase for households is due entirely to inflated **real estate valuations** of $500 billion and $1.78 trillion in the **US stock market** since **Trump-O-Mania**. In other words, the central banksters have successfully deceived the retail investors in the **US** to take on risk and celebrate all things bubbly and exciting.

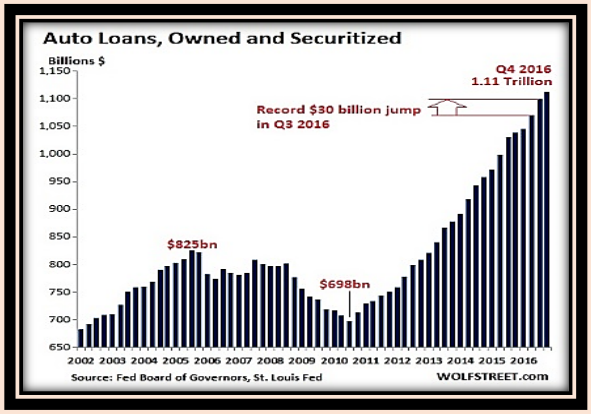
Another recent survey found that **40%** of millionaires (the 1%) "plan to avoid investing" in the near term. Why? These folks think that **Trump** will fail in his bi-partisan efforts to make us great again and "this fear could put a damper on stock market growth." The real damper will be when economic reality sets in and we have a huge sell-off on Wall Street. **Michael Snyder** again shows that central banks have purchased **$15 trillion** in stocks and bonds ($3.6 trillion just in 2017 so far!), and the **Swiss National Bank** has more **Facebook** stock than Zuckerberg! Wall Street is more of an institutional casino than a real marketplace or indicator for the economic health of our nation. As I mentioned in my **May** newsletter, the **Fed** (and central banks) are propping up the stock market to provide a **wealth effect** and help pension funds find yield and so on. But according to **Jim Rickards** he says "we have the set-up for a **major stock market correction** beginning this summer."

"At some point, probably sooner than later, the reality of central bank impotence and looming recession will sink in and stock valuations will collapse. ***The drop will be violent, perhaps 30% or more in a few months. You don't want to be over-allocated to stocks when that happens.*** *This analysis applies to more than just stocks. It applies to a long list of risky assets including residential real estate, commercial real estate, emerging markets securities, junk bonds and more. It only takes a crash in one market to* ***spread contagion*** *to all of the others."*

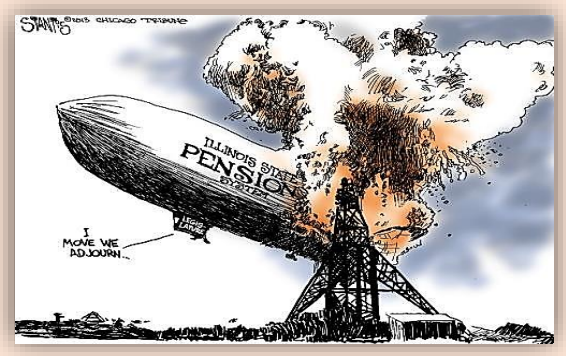
This risk-off sentiment is beginning to catch on. The broad **Russell 2000 Index** has dropped **2.2%** in **May** and has sharply declined since **January** when it experienced peak bullishness. This index now has more short positions since **2011,** and corporate insiders are also selling off. As **Rickards** says, a **30%** drop in the all-time **Dow Index** would be a *whopping* ***6,420*** *points* today, and this **risk-off contagion** will spread to all other sectors of the bubble economy. As noted, stocks, bonds and real estate bubbles will be exposed. As seen in **these charts**, **real estate** is in a $15 trillion bubble and **auto loans** and **student loans** are also facing major defaults in those sectors. A real mess.



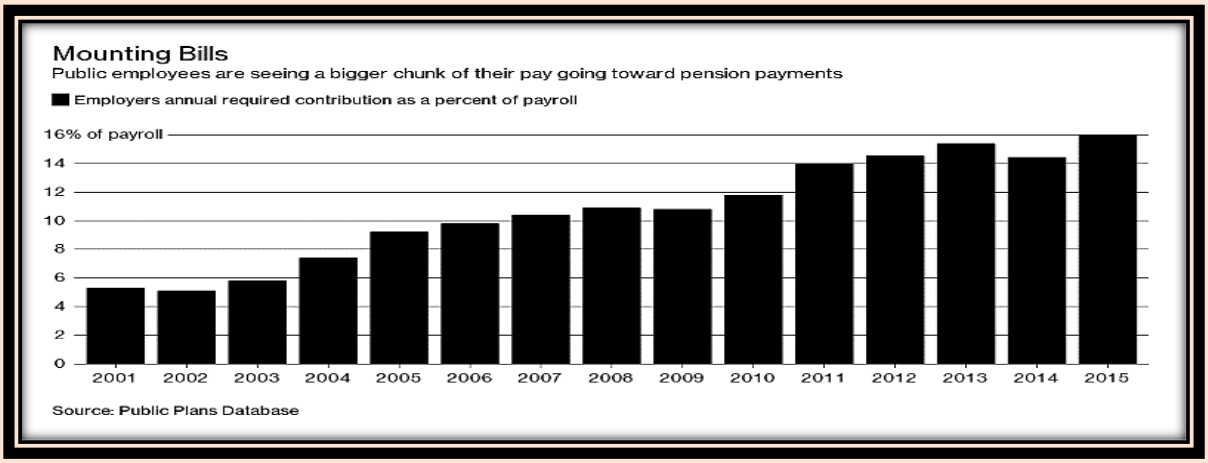




Pension Fund Crisis Update: *Illinois is Broke!*



And speaking of debts, it is time for another quick update on the People's Republic of Illinois. Why is this story important? **Puerto Rico** is a US territory and has filed bankruptcy-like proceedings in a federal court, and this is setting a ***precedent*** to enable states to have debts restructured. **Puerto Rico** got into trouble back in **2006** when federal tax breaks ended and businesses left and along with a percentage of their population. In the case of **Illinois** it is a classic case of Democrats controlling the legislature for **40** years and gaming the system by union thugs and cronyism. The state has **$130 billion** in unfunded pensions, **$15 billion** in unpaid bills and their leftist legislature has not passed a budget in *three years!* Public employees are seeing their "contributions" rise as **seen below**:



Illinois is up against a hard budget deadline on July 1st, 2017. Illinois credit rating has been downgraded eight times in two years and is nearing **junk status**. What is the solution? The **Socialists** in charge have imposed a crushing property tax increase (with more people fleeing than any other state), and a host of new taxes like a **20%** levy on fees earned by investment advisors. And so guess what? These people are leaving too! **Doug Casey** says that the government sees you as a milk cow, and eventually a beef cow. But people don't have to stay and be a ***steak dinner***! The Republican governor is **Bruce Rauner** and he simply can't get these cow-milkers and butchers to act responsibly. He has proposed a plan that incorporates property tax relief, spending caps and even *TERM LIMITS*, but he is unlikely to get any cooperation from **Obama's** fellow progressives in Springfield. You can see the debacle HERE and HERE and HERE. So what will happen in the next month or so? I guess we will find out and **all state budgets** in the **US** are also **under water** and sinking fast. And this brings us to the other failed state down in **Caracas** that is experiencing the horrors of **Socialism** *in real practice.*

A Socialist Nightmare and *Media Black Out!*

What is going on in Venezuela is almost too hard to fathom. It has become the murder capital of the world, food is scarce and people are starving and eating garbage, there are no medical supplies and even toilet paper is difficult to find. An oil-rich OPEC member has been looted by the cronies in **Caracas**, and yet there is **a virtual media black-out** in the **US**. According to the **Media Research Center** out of approximately *50,000 evening stories* in the alphabet media (ABC, CBS, NBC) *there has only been **25** that covered this humanitarian crisis in the past four years!* Among these **25**, the word ***Socialism or Socialist*** was never used. It is simply bad press for the leftist media. **Stephen Moore** at **The Heritage Foundation** has the right idea. "I often say only half-jokingly to students on college campuses who are all in with **Bernie Sanders** that if they think socialism is such a wonderful economic model: How about a one-way ticket to **Caracas**?" An excellent idea don't you think?

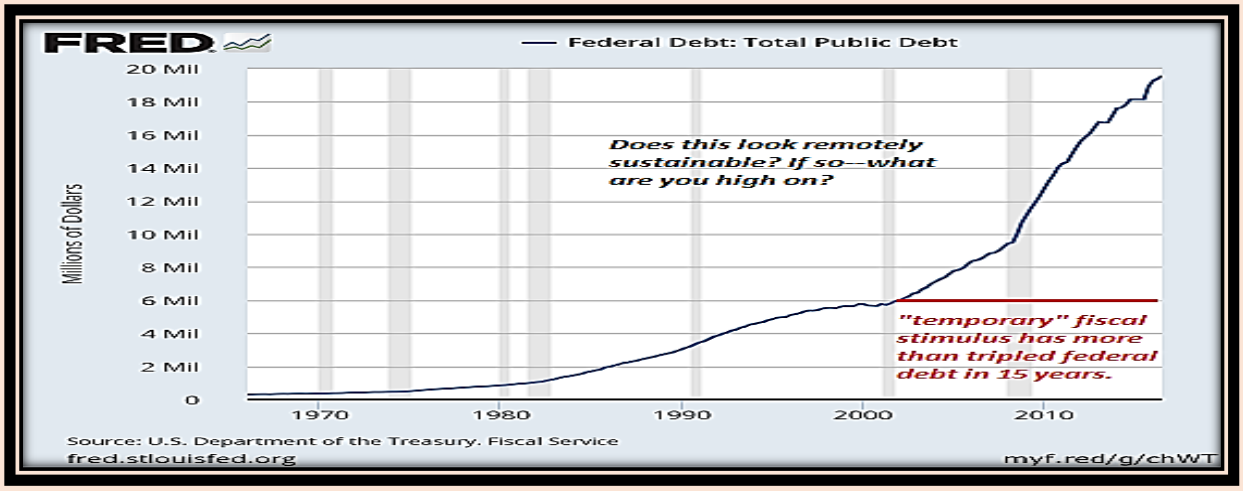
Declared **Socialist Bernie Sanders** (who hung a *Soviet flag* in his mayor's office in Rhode Island), bragged that leftist regimes in **Latin America** have it much better than the **US**. In **2011**, he wrote, "These days, the American dream is more apt to be realized in South America, in places such as Ecuador, **Venezuela** and Argentina." Uh huh, **Comrade Sanders**. And we are sending you that one-way ticket asap. But he is not alone. Nobel Prize-winning economist **Joseph Stiglitz** praised the "positive polices" in health and education of the Chavez politburo in **2007**. Let us remember, of course, that notable **Socialists** and crack pots like **Obama** have also earned a *Nobel Prize*. Exposing what ***shameless hypocrites*** progressive liberals are, it appears that **Comrade Sanders** made over a $1 million dollars last year, and according to the **IRS**, the *top 1%* have an adjusted gross income of $465,626 or higher. So it turns out that ole Bernie is actually a capitalist after all, and a member of the evil ***1%*** while he peddles his working-class ideas to dumbed-down little snowflakes in the **US**.

Venezuela is a modern example of Orwell's classic *Animal Farm*. Just like **Castro** did to **Cuba.** Incite the politics of greed and envy, class warfare, social justice, or whatever, and then collapse the current system and create an **even *more* corrupt hellhole**. It really comes down to ***Collectivism vs Individualism***. There are no Group Rights, only individual rights and the principles of free markets, as noted here by **Paul-Martin Foss** at **The Mises Institute**. He correctly associates **central banking** with creeping **Socialism**. These two evils always go together, and I will address **this below**.

"Anyone who claims to stand for free markets, free trade, and limited government but who attempts to defend the existence or importance of the Federal Reserve or central banking is a liar. Either you support free markets and freedom of pricing or you support central bank price-fixing and creeping Socialism. There is no third way or middle road — Socialism and the free market are mutually incompatible. A little bit of Socialism in the form of price-fixing is like a little bit of gangrene, if left unchecked it will eventually infect and kill the whole."

Central Bankers and *The Evil Eye of Sauron*

The above quote is spot on. Did you know that the ***Fifth Plank of the Communist Manifesto*** in **1848** calls for the "Centralization of credit in the hands of the state, by means of a **national bank** with state capital and an **exclusive monopoly**?" This is precisely what we have with the **Federal Reserve System** in the **US**, and I cover this in my book. Folks, there is no third way or middle road in this matter, and our **Fed** policy is intent on destroying our financial futures. The **Bible** says that "the *love* of money is *the root* of all sorts of ***evil***…" (1 Tim. 6:10). In the ***Lord of the Rings*** trilogy, the **Evil Eye of Sauron** is depicted as an all-seeing eye that controls the middle-earth in a cosmic battle between good and evil. The **central planners/banksters** in the world pretend to have **god-like powers** to manage multi-trillion dollar economies. Attributes like *omniscience* (all-knowing), *omnipresence* (all-seeing) and *omnipotence* (all-powerful...like the *Wizard of OZ*). The **Fed** is always portrayed as a civic-minded institution dedicated to helping the average guy to create full employment and price stability, etc. ***What a colossal fraud!*** Central banksters represent a crime syndicate and cartel to rig capital markets, loot nations, enrich their **plutocracy** and flatter themselves with their self-importance. Their *only* function is to print money out of thin air (with interest). The **Bible** says that *"money is the answer to everything"* (Eccl. 10:19). This is their motto. Their creed and mission. **Just look at this chart**. The **comment below** is from **Societe Generale** strategist **Albert Edwards**:



"***I believe the US Fed has created another massive credit bubble that will, when it bursts, lay the global economy very low indeed.... The 2007/8 Global Financial Crisis will look like a soft-landing when the Fed blows this sucker sky high***. *The seeds for that debacle have already been sown with the Fed having presided over one of the biggest corporate credit bubbles in US history.* ***All that is needed now is for the Fed to sprinkle life-giving rate hikes onto these, as yet dormant, seeds of destruction***."

As a regular reader of my newsletters you know the *utter contempt* I have for this criminal class. It was Austrian economist **Friedrich Hayek** who wrote *The Fatal Conceit: The Errors of Socialism* in **1988**. In this book, he argues that **central planning** is profoundly mistaken on logical, factual and practical grounds (since we are all mere mortals). The **fatal conceit** is that "man is able to shape the world around him according to his wishes." We are currently watching the **Fed** – and all of the central banks of the world – fall into this **social engineering motif**. The financial press *respectfully* and *reverently* awaits the latest oracle form the sacred temples of finance. The financial press *never* asks an embarrassing or challenging question to the lords of finance. This would be disrespectful to the *extreme* (and might even end your career or life). But who elected these people to guide our financial destinies? A **plutocracy** means a "rule of the wealthy" and this defines the **banking class** and their **sycophants** among the connected **political class**. As noted by **Albert Edwards**, the 1,000 academics at the **NY Fed** are toying with raising rates and this will result in ***the seeds of our destruction***.

The above chart is from **early 2016** when the central banksters bought a mere **$1.5 trillion** in financial bubble assets. As I noted earlier (p. 8), the central banksters have now bought ***$3.6 trillion*** so far in **2017**! Yes, things are really getting serious…and the **Fed** is floating the idea that they want to *sell off* their $4.5 trillion balance sheet? What joke, and who would buy?? More at THIS LINK.

Let me defer to Jim Rickards again. At THIS LINK he explains that the Fed is trying to raise rates in 2017 because the **Fed** is "desperate to catch up with the fact that **Bernanke** skipped a whole [rate hike] cycle in 2009, 2010 and 2011" and now the academics in **NY** are "…actually tightening into weakness." This is not good folks. It is time for a **risk-off** strategy. **James Quinn**, who writes the insightful blog *The Burning Platform*, recently made this comment with respect to geopolitical risks, financial risks and **the sheer mountain** of unsustainable debts and financial instruments today:

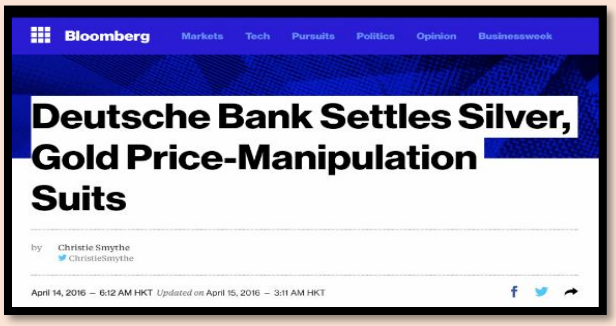
"The level of global disorder hasn't been this high since the 1930s. There are dozens of potential flash points capable of producing a cascading crisis which could blow up the world. ***The highly touted establishment mantra of globalization has produced an interconnected web of trillions in global debt, with one quadrillion dollars of indecipherable derivatives layered on top, all dependent upon the sustenance of insolvent mega-banks and bankrupt nation states. The only thing keeping this global Ponzi scheme alive is the unfounded belief in the brilliance of central bankers and corrupt politicians.***

<u>Here then, is precisely what he is referring to in this graphic provided at THIS LINK.</u> You don't have to click or open all of my hyperlinks in my newsletters. I provide these for documentation as I research and write my tedious monthly newsletters. But this is one that you ***really should click*** to fully appreciate what we are all warning you about. All is not well in the world, and this is not going to end well for any of us. *Those green towers are pallets of US dollars!* **Oh my.**

This above/inverse pyramid of "All the [paper] money and financial assets in the world in $100 dollar bills" purposely starts with the *most risky* financial assets in the world and works its way down to the very tip of **gold and silver** as *the safest* asset classes. You can see the **gold** valued at **$6 trillion**, but the ***mere $20 billion*** in available above-ground **silver** for investors is *actually too small to see!!*

<u>I will address this issue in a moment</u>. As mentioned earlier (p. 5), **Paul Singer** cautions that the only thing holding up the financial/monetary system today is **"confidence"** and this *false confidence* (or widespread ignorance and *Group Think*) can be "lost in a very abrupt fashion" and cause calamity in markets and financial institutions. Yes it can. At this point the **Fed** has lost <u>all credibility</u> as an institution 'mandated' to protect our financial futures. Can the **Fed** even be *reformed?* **The Mises Institute** has outlined **six** major reforms at <u>THIS LINK</u>; that include auditing the **Fed** and our alleged *gold holdings* at Fort Knox (a relentless **Ron Paul** campaign issue), and *repealing* the tax on gold and silver that is real money! Amen? At the recent/annual **2017 Strategic Investment Conference, Dr. Lacy H. Hunt** concluded; "Either **central bankers** have gone **completely mad** or they'll someday be hailed as **geniuses**. I find myself in the **'mad' camp** and I hope I'm wrong." Sorry Doc. The fatal conceit of financial social engineering must *ALWAYS* fail. **And time for risk-off sentiment**.

Precious Metals: The *Risk Off Asset Class*



Now, before I address the ultimate risk-off assets of gold and silver, up against that dangerous **paper pyramid**, we need to also address *the very latest rigging scandal* by the **evil banksters** against the honesty and kryptonite nature of the gold and silver markets. What am I talking about?

Back in April of **2016, Deutsche Bank (DB)** in Germany got busted for rigging gold and silver pricing. At this time they struck a deal and ratted on five other banskters engaged in this fraud. Those court cases are now being heard in a **NY** court, and the heat is getting hotter for the criminals. More recently, on **June 2nd**, a junior trader for **DB** in their Singapore office has been busted in a federal court in **Chicago**. A **Mr. David Liew** (only 27) was charged with rigging gold and silver through a process known as "spoofing" (I think *lying* would be appropriate). According to **THIS REPORT**, this little weasel was doing the bidding of **DB** until last year, and plead guilty to bogus trades from **2009 to 2012**. According to USC Title 7, Sec 6c(a), 5(C) a disruptive practice "is of the character of, or is commonly known to the trade as, "spoofing" (bidding or offering *with the intent to cancel the bid* or offer before execution)." In other words, **DB** traders (and the others) pretend to be honestly engaged in gold/silver bids, but their intent is to deceive, and more importantly, suppress the price discovery for metals. This is also known as a "**naked short**" and this writer states, "Essentially, the trader is merely selling (say silver) short to a hypothetical buyer who does not desire to own any silver and *has no intention* of receiving any silver to cover the transaction. The trade is basically a 'phantom' trade." This is what goes on at the paper futures exchange in **NY** at **Comex** (Crimex), and regulators have been looking the other way….**until very recently**, and this is something you have to hear.

In a recent article (June 5th) by silver analyst **Ted Butler** brings our attention to a new appointment at the **CFTC** (futures regulators) of **James McDonald** as the new **Director of Enforcement** in April. Why is this important? This is the agency to police the *fraudulent futures market like* **Comex,** and this young attorney that helped nail **David Liew** and the **CFTC's** own website says that "Jamie McDonald's appointment as the Director of the Enforcement Division is ***a signal*** to those who may seek to **cheat or manipulate** U.S. markets that there will be no pause, no let up and no relaxation in the **CFTC's mission** to enforce the law and punish wrongdoing," This is extremely encouraging for patient **silver** investors in particular. Here is **Butler's** conclusion on the matter.

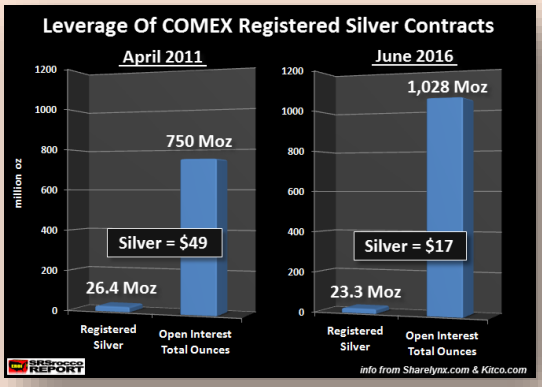
*"**McDonald is no dummy**….There is little doubt in my mind that the announcement is a "shot across the bow" for the institutional manipulators, like JPMorgan and Bank of Nova Scotia. **He is taking a bottoms up approach – getting smaller traders to turn on larger fish up the food chain,** when he could just as easily use the COT data to prove the manipulation. And he is doing so for very good reason, namely, because the CFTC can't come out and admit they blew it for three decades. **They have to find another way – pretending to go after little fish is a way of telling the big crooks that the jig is up."***

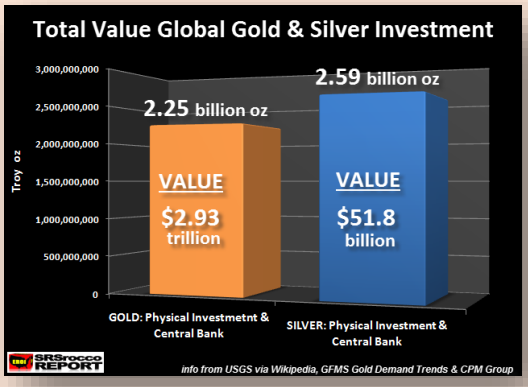
As **Butler** relates, this young attorney has a track record of busting white-collar crime in **NY**, and this is exactly what we have been waiting for! In his June 22nd article **Butler concludes thusly:**

*"**My suggestion is still that McDonald privately order JPMorgan and a few other big silver shorts not to add new shorts ever again. This will break the perfect trading record and end the manipulation immediately**. Will the agency and **McDonald** find the courage to do so? Time will tell, but the clock is ticking. **Although he's only been in office for a bit over two months, there have already been two incredibly blatant price takedowns in silver (as I just described above) on McDonald's watch. The way to end a rigged game is to go after the riggers, not to pretend the game isn't rigged**."*

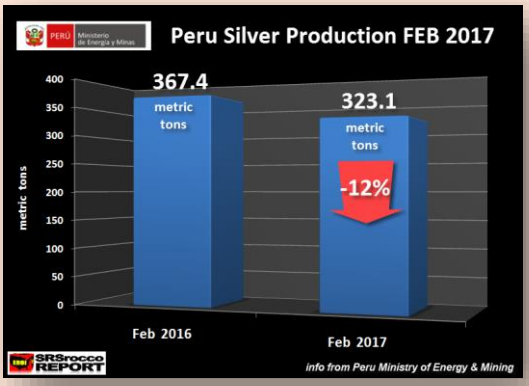
What Ted is saying is that we have a new sheriff at the CFTC. Other writers have picked up on this information, and I will be reporting on this each month as we take down one criminal bankster after another. **DB** was fined a *paltry* **$38 million** last year, and the **Dodd-Frank Bill** to punish the banksters is a joke. Below is the amount of paper contracts against actual physical gold at the futures exchanges. **On the left** it is now ***233*** paper (spoofing) contracts for every ounce of gold! The chart **on the right** indicates that $7.8 billion was "traded" in gold in **2016**, or *76 times annual production!*

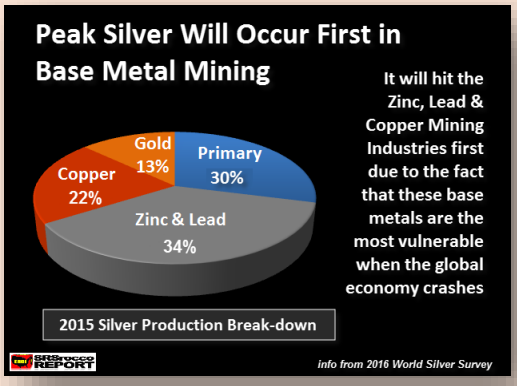
The above charts on gold is the same data that **Jamie McDonald** is seeing, and it is ***high time*** to put the **big banksters** on notice that – *the jig is up!* I have written the **CFTC** before, and I encourage **you** to do the same at this critical moment to support **this new director**. **The chart below** on the left reveals the same activity in **silver** – if not worse. I think it is *577 paper contracts* against a silver oz.



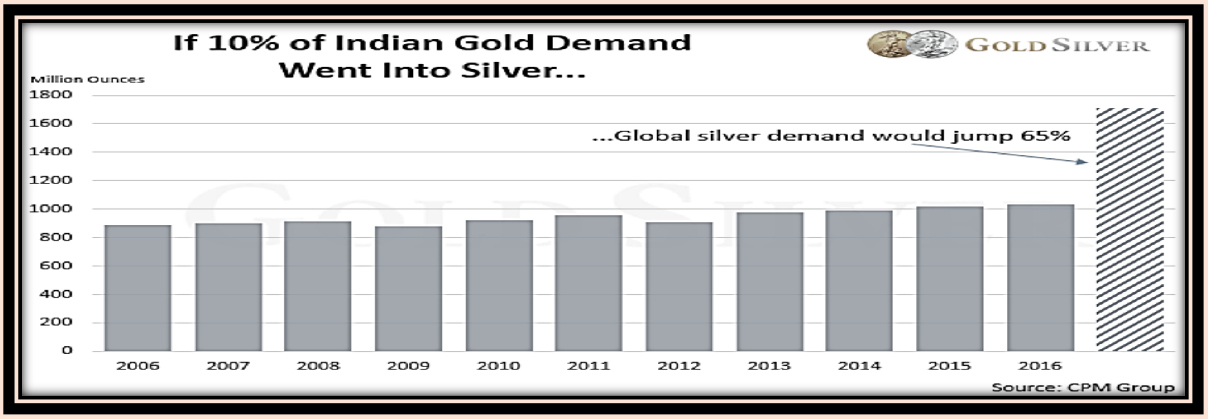


The chart above (on the right), represents the total amount of investment in **gold and silver** in the world. There is almost **$3 trillion** in gold and **$52 billion** in silver. As we saw in the graphic inverse pyramid (p. 13), the actual amount of silver available for investment is ***less than $20 billion today***, and silver is trading at a **75:1** ratio with gold (16:1 is normal, and 9:1 is historic). In addition to the tiny market cap for **silver** we also have **scarcity** on the supply side. Both gold and silver reached **peak production in 2015**, and you never hear about this. As seen on this **chart on the left, Peru** is a major supplier and production is dropping year-over-year. The **chart on the right** indicates that silver is a by-product of **base metal mining**. What does this mean for **silver**? There are very few primary silver miners (30%), and most of the silver we get today is from mining zinc, lead and copper. **Silver** is the leading industrial metal with more applications than any metal in history with **55%** of silver used in industry and **36%** in jewelry and *only **11%*** available for **investors** in the world.

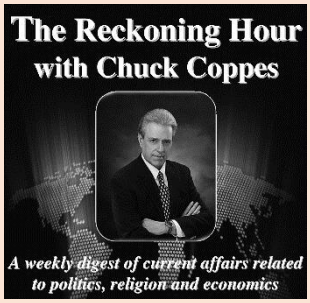




According to the latest from **GATA**, the people in **India** buy so much gold each year that it has created a ***trade deficit*** and they have slapped a **10%** tariff on gold, and effective **July 1st** a new Goods and Services Tax (GST) of **3%** will go into effect. The **Indian** people buy **$25 billion** in gold each year, and it is estimated that the average family has **two kilos of gold** (*70 ounces*), and collectively the **Indian people** have ***20,000 tons of gold!*** This is more than the **US** and **EU** combined. Why is this important? Again, ***$20 billion*** buys all the **silver** in the world and **here** is what this really means:



What this chart is saying is that if just 10% of Indian demand switches into silver we see a major jump in real price. I ask, what if the **Indian** people go for ***50%?*** Why not ***100%?*** When this kind of demand hits the **West** we will see **physical delivery defaults** (*force majeure*) as the above paper derivative charts reveal at Crimex and London, etc. All these factors are very bullish for **silver**.



Summary & Conclusion. Let me make some final observations about **gold and silver** in my conclusion. Recently **Jim Rickards** sent a comment on his Twitter account, and he observed, "Today, if you backed U.S., China, ECB, M2 money supply 100% with their **gold**, the implied nondeflationary price = ***$67,000 per oz***. Just sayin'." That is what he is just sayin'. **Jim Rickards** is an expert on the coming monetary reset that will *reprice* gold and silver, and a recent interview on **Greg Hunter** even suggests that **silver** could hit ***$600/oz.*** by next year – CLICK HERE and listen at **15** minutes. **Silver** and gold will prove to be **the ultimate risk-off assets** to possess as we go forward. If my firm can assist you with physical delivery/storage of precious metals, or transferring qualified retirement plans into a **Precious Metals IRA**, let me know or CLICK HERE for more information. I also invite you to listen to my **monthly podcast** available from my websites that feature other interviews that I do on a regular basis. Within the next few weeks I will have an update on the **metals market** that I will also link in my **July newsletter**, so be looking for that and thanks for your feedback.

To summarize, this is not the same country that we grew up in the **1950s**, and the changes are *not* for the better. **The new normal** of sub-standard wages, exported jobs in a global economy, massive debts and leverage in every corner of the public/private sector, culture wars that favor the hard Left and godless multiculturalism has altered the landscape of the **US**. America's decline is more of a **moral issue** than an economic issue. **Trump** has inspired us and released the animal spirits into our irrational markets, but our greatness is not measured in material things. **Jesus** said that "man shall not live by bread alone," but by **His** word and instruction found in the **Bible** (Mt. 4:4). "The law of the Lord is perfect, refreshing the soul. The statutes of the Lord are trustworthy, **making wise the simple**" (Ps. 19:7). This is the **wisdom** we need in this non-critical thinking era.

Concluding, I wish you the best in these uncertain times. What the **central banksters** are doing is *completely mad* and their **confidence game** will catch up with them, but as Michael Lebowitz stated, "Rationality will prevail as it always has throughout human history and those on the right side of it will be **rewarded appropriately**." Choose your side carefully and be rewarded.

Until Next Time, Your Messenger from Pinetop

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