Certified Gold Exchange, Inc.

Views and Analysis on the Economy and Precious Metals

ORE-VISION

A QUARTERLY NEWSLETTER

1st QTR 2007

VOLUME 22, NO.1

First Inflation Then Deflation? - Financial Crash

Christopher Laird

With gold up over $20 on Wed, it looks like $700 is around the corner. So then, if a big gold surge is around the corner, one may ask, what is a longer term prognosis for not only gold but financial markets? Answer: first inflation and then deflation.

Right now, the world is inflating like mad. Money growth in most of the major world economies is near or exceeding 10% a year, and China is the biggie at 18% plus. That, combined with historically low interest rates is causing huge finance and asset bubbles. Central banks are way behind the inflation/interest rate curve right now, and are basically stuck in that rut because if any of them combat inflation by raising interest rates, they find their currencies strengthen, and lose market share.

Inflation resides in financial markets now

One could ask, aside from commodities and oil, where is the inflation going? Well, much of the answer lies in stock and financial bubbles right now. Now, people are concerned about inflation rearing, and the economies world wide are 'talking' about inflation - thereby warning of higher interest rates, and talking interest rate expectations up.

But, in fact, what is happening is that:

- Central banks are merely talking of inflation worries, but are not really acting, only using baby step and relatively meaningless interest rate hikes of .25% a shot. Japan is the worst in this regard.
- Central banks everywhere are way behind the inflation curve. So, asset/finance bubbles keep rising. But, the majority of the inflation is finding its way into financial bubbles like stocks.
- Gold is reflecting this inflation by rising in all currencies

Currencies co debasing

In effect, currencies are debasing competitively - with Japan and China leading the way. Now people are saying that the Chinese Yuan/RMB is rising, but that is only relative to other currencies. What is happening in fact is there is a great deal of already existing Chinese currency undervaluation. China's interest rates are similar to the US, but are way to low to stop their emerging stock bubbles.

Continued on page 3

Is The Fed Finally Losing Its Credibility?

Peter Schiff

With Wednesday's data release that showed that the increase in "core" CPI in January was higher than expected, the price of gold soared by over $20 per ounce to just shy of $680 per ounce, a new nine-month high. As this is the reaction that most market watchers would have expected, it is not surprising that these movements failed to inspire much interest. After all, gold is an inflation hedge, so any sign that inflation is worsening should be positive for gold prices. However, what is surprising is that this is one of the few recent occasions when the gold market has actually behaved logically in this regard. Could it be that some whiff of sanity has arrived on Wall Street?

Continued on page 2

Also Inside This Issue:

Is The Fed Finally Losing Its Credibility?

Continued from page 1

Over the last few years, the price of gold has typically declined following larger than expected jumps in "core" consumer prices. These counter intuitive movements have been explained by the market's anticipation that the Fed would react to higher inflation with additional rate hikes.

Since higher interest rates are typically bearish for gold, the metal has dipped on signs of elevated inflation. However, Wednesday's $20 surge indicates that something meaningful may have changed.

My guess is that the market is calling the Fed's bluff. Gold investors may have finally concluded that when it comes to fighting inflation, the Fed is all bark and no bite. Despite the tough talk, many are now convinced that Bernanke will not risk pushing the U.S. economy into recession in an effort to contain inflation. With the sub-prime mortgage market unraveling, the last thing the Fed wants is to add kerosene to the fire in the form of higher interest rates.

If gold investors now believe that the Fed will tolerate higher inflation, then any signs of heightened inflation can now be seen as purely bullish for gold.

This is an extremely significant development with profound implications for U.S. financial markets, particularly long-term bonds, the housing market, and the entire U.S. economy. If investors are finally wising up to the Fed's bluster, a run on the dollar can not be too far off. To maintain international confidence in our currency, the Fed must be credible in its resolve to fight

Continued on page 4

CALM BEFORE THE STORM?

Puru Saxena

CURRENT SITUATION - Everything seems to be going well in the financial world and the investing public is busy doing what it does best - bidding up stock prices after a big rally. Today, there is no regard for risk with the investors' greed being stoked by the mainstream financial media, which claims that the US economy is in a sweet spot due to reasonable growth and low inflation (as measured by the bogus official statistics). In all fairness, the bulls have plenty to cheer about. After all, the long-term bond-yield in the US is still relatively low, the price of oil has taken a tumble and global stock markets are flirting with their record-highs. So, I ask myself whether we should join the herd or is it time for caution?

My observation is that dark clouds are gathering over the horizon and this is the time to be on guard. In fact, we may be experiencing the proverbial calm before the storm. Bearing in mind the recent developments in the Middle East, I suspect that a geo-political disaster is around the corner. I hope I am wrong but it increasingly looks as though either Israel or the US will attack Iran over its "nuclear program". I had first forecast this in August 2005 and believe my fears will be validated in the near future. Over the past few weeks, Washington has increased its rhetoric over Iran's "nuclear program" and dispatched the USS John C. Stennis and USS Eisenhower aircraft carrier groups to Iran. This is an ominous development and suggests that we may be at the brink of another war.

History has shown that all major bull-markets in commodities have coincided with rising political tensions and war (Figure 1). In other words, whenever shortages in natural resources caused prices to rise, nations did everything in their power to secure their share.

The commencement of the current commodities bull-market coincided with the invention of the "War on Terror" and we have already witnessed attacks on Afghanistan and Iraq. In my opinion, we are currently in the early stages of a new war-cycle as the US desperately tries to secure its future energy supplies. Previously, Iraq was accused of developing weapons of mass destruction and now Iran is being targeted along the same lines. So, if you are in the camp, which believes that the US is genuinely worried about Iran's "nuclear program", you have to wonder why then does the US not attack North Korea? The answer to this question lies deep within the earth's crust!

There is no doubt in my mind that the US is extremely interested in Iran's oil and the ongoing "War on Terror" is really about dominating the resources in the Middle-East. You must understand that the US is highly dependent on foreign oil (it imports 13.8 million barrels of oil daily) and with China and India now using up more oil than ever before, the US is using its military prowess to secure its future energy supplies. It is interesting to note that Iran is the 6th biggest oil exporter and ships out 2.39 million barrels of oil per day (Figure 2). Furthermore, Iraq exports 1.82 million barrels of oil per day. So, you can see why the US is so interested in bringing about a regime change!

At present, the financial markets have not factored in a military conflict in the Middle East, making them especially vulnerable to turmoil. Therefore, if there is an attack on Iran, we may get sharp knee-jerk reactions in the capital markets. Under such a scenario, emerging-market assets would be the most affected. In fact, stock markets will probably suffer across the board and the price of oil will appreciate sharply. If Iran's response is muted, the spike in the oil-price may be temporary. However, if Iran decides to stop its exports and disrupt the flow of oil through the Straits of Hormuz, the price of oil could easily reach $100 per barrel. This outcome would be a catastrophe for the energy-dependent global economy.

In addition to this, safe haven assets such as government bonds, gold and oil will thrive. If my assessment is correct, gold and energy stocks may end up appreciating significantly whilst the general stock markets decline. Accordingly, we have reduced our exposure to the emerging-markets

Continued on page 4

First Inflation Then Deflation? - Financial Crash

Continued from page 1

Japan of course is case number one of a way out of balance interest rate, having a now 'higher' rate of .5%. Low interest rates keep currencies low. Those paltry interest rate hikes by Japan do little to quell the Yen carry, since the other nations are having to raise in tandem anyway, or raise more. With Japan so intent on a weak Yen, Yen carry has little reason to fear more significant interest rate hikes by Japan.

The US currency is being kept higher than it should relative to our trade partners by them. The trouble is, if the US were to allow it to drop much, we would have a bond collapse.

What is happening is that, while central banks talk tough on inflation, there is little meaningful action to quell things - and in particular, those things are stock and finance bubbles. They are locked in a competition to keep their currencies low, and all have excessively low interest rates.

This means that a great deal of all that loose central bank money of roughly 10% or more money growth world wide a year is finding its way into stock bubbles.

Of course, gold is up significantly in the past years, and commodities as well. But actual inflation in the EU, Japan, and the US - at least on paper is roughly in the 2% range. So where did all that excess CB money go? Into stocks and financial markets, and since borrowing is so cheap now, you can add a great deal of leverage back of all that new money every year.

With such an easy money machine, how can stocks not go up? For example, consider that there is a stock boom in China, where the Shanghai exchange for Chinese people rose 140% in the last year. Valuations of Chinese stocks are at a PE of roughly 40.

Of course the, US stocks continue to rise without end. Again, there is so much easy money floating around that investors can borrow cheap Yen in the ridiculously low Yen carry trade, and invest in all the 'Hot' markets with their borrowed hot money.

The question then arises, what is the evolution of all this?

First, inflation is finding its way into markets of all kinds, made worse with leverage. That situation will not be stopped until Japan raises interest rates to calm the Yen carry trade. Japan acts as a de facto central banker to the world with a virtual zero .5% rate. But it is not only Japan, the worst easy money offender of all, but other central banks of any significance are all way behind the curve with interest rates in the range of 3 to 5.5% (overnight rates). This is highly simulative and keeps their currencies low and stock bubbles rising, two things economies like.

Finance bubbles will continue to inflate until a crash

However, at these interest rates, there is no hope of slowing the stock bubbles of the last several years. This whole mess, of ever-increasing stock bubbles fed by easy money started with Japan after its stock and real estate crashes of the early 90's. They dropped their interest rates drastically to literally zero, and have not been able to get their economy off that easy money drug.

Then, the US created its own version of an easy money drug habit after the Tech crash and 911, dropping our interest rates to virtually 1%, and caused our real estate bubble. That caused a consumption boom here, and China then found its way into big trade growth/surpluses, stock and real estate bubbles. Basically, all this easy money from Japan and the US is sloshing around the globe causing asset and finance bubbles.

Continued on page 5

Greenspan Warns of Likely U.S. Recession

HONG KONG (AP) -- Former U.S. Federal Reserve Chairman Alan Greenspan warned Monday that the American economy might slip into recession by year's end.

He said the U.S. economy has been expanding since 2001 and that there are signs the current economic cycle is coming to an end.

"When you get this far away from a recession invariably forces build up for the next recession, and indeed we are beginning to see that sign," Greenspan said via satellite link to a business conference in Hong Kong.

"For example in the U.S., profit margins ... have begun to stabilize, which is an early sign we are in the later stages of a cycle."

"While, yes, it is possible we can get a recession in the latter months of 2007, most forecasters are not making that judgment and indeed are projecting forward into 2008 ... with some slowdown," he said.

Greenspan said that while it would be "very precarious" to try to forecast that far into the future, he could not rule out the possibility of a recession late this year.

The U.S. economy grew at a surprisingly strong 3.5 percent rate in the fourth quarter of 2006, up from a 2 percent rate in the third quarter. A survey released Monday by the National Association for Business Economics showed that experts predict economic growth of 2.7 percent this year, the slowest rate since a 1.6 percent rise in 2002.

Greenspan also warned that the U.S. budget deficit, which for 2006 fell to

Continued on page 6

Is The Fed Finally Losing Its Credibility?

Continued from page 2

inflation. If our foreign creditors decide that "Helicopter" Ben is more concerned about keeping housing prices up than he is about keeping consumer prices down, they will rush for the exits.

I think we are fast approaching the time when the markets will actually force the Fed to show its cards. If gold prices continue to surge (up another ten bucks so far this morning,) and long-term interest rates finally follow suit, the Fed will be forced to make a very uncomfortable decision. It will either have to raise rates aggressively, and let the economic chips falls where they may, or fold its hand by leaving rates unchanged. Either way, we are in big trouble.

If the Fed does the former, stock and real estate prices will fall, dragging the economy and the dollar down with them. If it does the latter, the dollar will collapse, long-term interest rates will soar, causing stock and real estate prices to plunge, and pushing the economy into recession. It's the ultimate catch-22. When it comes to the Fed raising rates, we're dammed if they do and dammed if they don't.

On a somewhat related note, the current Wall Street bull market hype ignores the fact that all the major stock market averages are underperforming the price of gold. For example, year to date, while the Dow is up about 1.5%, the price of gold is up about 8%. Going back to January of 2000, while the Dow is only up about 15%, the price of gold price is up 150%, literally ten times as much.

Even if you compare the Dow to gold

Continued on page 6

CALM BEFORE THE STORM?

Continued from page 2

and our managed-accounts are now heavily invested in oil and precious metals.

PEAK OIL

Our planet is rapidly approaching its oil-production peak. In fact, some leading geologists argue that we are already past that point.

It is important to understand that oil-production follows a bell-curve (Figure 3). This is true whether we are talking about a particular oil field, a nation or the planet as a whole. Once more than 50% of the reserves are depleted, the rate of oil production enters a rapid and irreversible decline.

Today, several oil-provinces around the world are producing significantly less oil when compared to their record-production levels. Despite phenomenal breakthroughs in technology, these regions have failed to sustain their record-high output levels and this is proof of the concept of peak-oil.

If we look around today, the US is past its peak, the North Sea is in decline, Indonesia is struggling and even Mexico has announced that its largest oil field is past its peak-output. Although these regions still have massive reserves, the rate at which they pump oil out of the ground on a daily basis has entered a serious and permanent decline.

In the recent past, non-OPEC nations increased their production and managed to compensate for the declining output levels elsewhere in the world. However, when you take into account the fact that these countries are also faced with geological limitations, it becomes clear that unless we discover gigantic oil fields very quickly, our world will find it extremely hard to keep up with rising demand.

When discussing "peak oil", it is also important to mention that over the past 35 years, we have discovered just one gigantic oil-field anywhere in the world! For sure, there have been some discoveries in different parts of the world but only a single world-class oil-field has been discovered in over 3 decades; Kazakhstan's Kashagan Oil Field in the Caspian Sea. This is despite all the technological achievements over the same period. In other words, unless we have been incredibly unlucky and there is indeed a jackpot waiting to be found, this is not a healthy sign.

To complicate matters further, demand for oil continues to grow rapidly. At present, our world consumes roughly 84 million barrels of oil per day. If current growth rates continue, Asia's demand alone will increase from 22 million barrels per day to approximately 40 million barrels by 2020.

According to the US Energy Information Agency, global consumption is projected to increase to 103 million barrels per day in 2015 and 119 million barrels by 2025. In order to meet this explosive demand, global production must increase by 45% - about five times the maximum annual output available from Canada's oil sands.

So, you can see that our world faces an imminent energy crisis, which may cause an escalation of resource wars over the coming years. Normally, I do not like to make bold forecasts but I can say with confidence that the era of cheap oil is over. Moreover, I also suspect that things will get a lot worse on the geo-political front before we return to a period of world-peace.

Article by:
Puru Saxena
February 28, 2007
Email: puru@purusaxena.com

First Inflation Then Deflation? - Financial Crash

Continued from page 3

Easy money regime we are stuck in

The EU and other nations also dropped their interest rates in that period drastically. In effect, what has happened world wide is an ultra easy money regime everywhere that is behind inflation, and these rates are now so carefully choreographed that the currency exchange rates are locked in a synchronism of simultaneous devaluation, or what could be called competitive devaluations in effect - and driven by Japan's and China's lead. Gold reflects this by rising in all currencies for the last several years.

Japan is hooked on virtually zero rates just to stay out of deflation. And China is hooked to a way undervalued Yuan/RMB. They are so dependent on export growth to employ millions of new Chinese every year in its manufacturing boom. China cannot afford to just stay even in employment, its jobs must grow by huge numbers every year or they risk a catastrophe of angry unemployed 800 million rural peasants who are increasingly restive due to an income gap compared to the cities.

China has 50,000 violent demonstrations a year by these people. Why do you think China is so resistant to letting their currency rise?

So, China and Japan are both locked into ultra easy/cheap money regimes.

Excess trade generated reserves make it worse

Now, Asia is finding that their excess foreign reserves must be also employed somewhere, and they have to sterilize those reserves into local currency. Most of that money finds its way into their local financial markets, and is used to speculate. This machine then causes endless asset and finance bubbles.

So, using China and Japan as an example, we see that by having undervalued currencies they increase exports, which increases excessive trade surpluses, which forces them to sterilize money into local currencies, or to just accumulate US bonds, for example.

The bottom line here is that every major economy is inflating madly, and afraid not to, lest their currencies increase in value compared to the other inflators. That money finds its way into asset and finance bubbles through either monetary inflation and or borrowing easy local money which just amplifies the whole thing.

In short, the world economies are locked into easy money and finance bubbles. Inflation then finds its way mostly into stock and finance bubbles (right now).

Gold in this situation

Gold is being affected bullishly in two ways by all this. First, as nations inflate their money supply at 10% globally, gold will find a related increase in all of these currencies. That is happening for the last several years.

Second, the ultra easy money is finding its way into every financial market, and that includes commodities. There is a whole lot of speculative money back of the commodity market, and yes, even gold.

The evolution

The evolution of synchronized easy money world wide will be first increasing finance/stock bubbles and then, when these let go, a great destruction of paper wealth in a gigantic finance/stock crashes. These will likely be synchronized world wide.

That destruction of paper wealth will be highly deflationary. First, as stock prices drop, for example, the valuations will drop like a stone, and trillions of dollars of paper money will literally disappear like smoke.

Since interest rates are already so low, central bankers will have a very hard time trying to drop interest rates low enough and fast enough to stay ahead of the emerging financial crash.

Continued on page 6

Greenspan Warns of Likely U.S. Recession

Continued from page 3

$247.7 billion, the lowest in four years, remains a concern.

"The American budget deficit is clearly a very significant concern for all of us that are trying to evaluate both the American economy's immediate future and that of the rest of the world," he said via satellite at the VeryGC Global Business Insights 2007 Conference.

Greenspan also said he has seen no economic spillover effects from the slowdown in the U.S. housing market.

"We are now well into the contraction period and so far we have not had any major, significant spillover effects on the American economy from the contraction in housing," he said.

Article by:
Associated Press
February 26, 2007

Is The Fed Finally Losing Its Credibility?

Continued from page 4

starting from the Dow's October, 2002 low of about 7,200, the Dow is up about 75% verses 125% for gold.

Call me crazy but how can we be in a bull market if investors are making more money owning gold than owing stocks?

Article by:
Peter Schiff
February 23, 2007

First Inflation Then Deflation? - Financial Crash

Continued from page 5

They will not be able to stay ahead of collapsing demand this time, as the US did after 911 with its interest rate drops that just barely staved off a deflation here. We will explain why.

Easy money fails this time

Using mass printing of their currencies will fail to stave off a massive drop in demand economically, Japan found this out in the 90's. Even if ultra cheap money is pushed out, there will be massive layoffs world wide, in China in particular, but of course in the US as well.

Every major economy will face huge simultaneous job losses. Once consumer confidence is hurt enough, even offers of free money (borrowed) will fail to attract buyers back into the economy because prices will start falling, and even at zero rates, people don't want to buy something now, if they see prices dropping. This is what Japan found out.

The end result is a huge world depression.

Gold in this

Initially, commodity stocks will collapse. Gold will be dragged down with them. But, since gold is also money, it will not suffer the fate of commodities, because its value will rise relative to real things as prices drop. Initially, gold will drop in price, but real goods and things like housing will drop far faster because these are not as fungible (tradable for like kind - or better put are not transportable and useful as money) hence gold will retain or increase its **value in real goods** even if the nominal price in currencies falls.

Gold will fare well relatively in real terms, but could drop nominally in price. (precious metals) Commodities will collapse to historically low levels- on the order of 80% in price if there is a depression of the like I am discussing.

Between now and the depression/stock collapse

Of course, we are somewhere between this collapse and a now rising gold price. What will happen is gold will continue to rise drastically in the future until this stock/financial collapse happens. World central banks will continue to do competitive devaluations (they are basically doing that now through inflation) and that inflation is finding its way into finance and stock bubbles.

At some point, the collapse will happen, and at that point you will want to have actual physical gold/precious metals.

Paper gold will take a big hit. While paper gold can evaporate, a gold coin will not. All that could happen is its currency price might drop. But the thing won't disappear like smoke, as most financial assets and many paper gold vehicles will - leveraged paper or ETFs that are not actual physically vaulted but are more like price trackers. Money will flee these price tracking ETFs. And, ETFs have made a huge stamp on the gold / metals markets now.

One Key to surviving

In this crash scenario, you will have to do several things.

In a deflationary situation you must not have debt.

Continued on page 8

Not Much Left to Protect

Peter Schiff

This week, during his testimony before the hostile Senate Banking Committee, Treasury Secretary Henry Paulson sought to justify the Bush administration's China policy. Predictably, the unmoved senators responded with threats of tariffs should China continue to restrain the yuan, and warned of the negative consequences of restricted access to American consumers. Needless to say, China need not lose any sleep over this bombastic posturing.

For much of the 19th and early 20th centuries, U.S. tariffs on imported goods were common, and in fact were the Federal government's primary source of revenue prior to the imposition of the income tax in 1913. Tariffs were the central political issue of the time, pitting the upper and lower classes against one another. At the time, because tariffs had the effect of making consumer goods more expensive, working and middle classes largely opposed them. Industrialists argued that tariffs were needed to protect nascent American industries from more mature foreign competitors. (Ironically, today's battle lines have shifted completely, with business opposing tariffs and workers supporting them.)

However, protective tariffs against Chinese goods today would have little benefit as there are so few industries left to protect. If tariffs caused the price of Chinese goods to rise substantially, there are few American made substitutes available to fill the low cost void. The real winners would be other foreign manufacturers that would gain competitive advantages over China. Therefore, politicians will derive scant benefit from the support of tariffs.

The only loud cries for tariffs are coming from organized labor, in theory to gain protection from lower paid Chinese workers. However, significantly higher prices at Wal-Mart will be experienced viscerally by lower and middle income Americans (ironically including most rank and file union members), who will then be inclined to vote with their pocket books. Therefore, the political risks in supporting tariffs guarantee that that they will not be imposed.

In reality, rather than protecting American jobs, tariffs on Chinese goods would help destroy them even faster. Significant increases in the price of Chinese goods would increase the cost of consumption, causing Americans to either consume less or go even deeper into debt to avoid doing so. While in the long run less consumption would be a positive development, tariffs are not the best way to bring it about. In the short run however, the result would be higher consumer prices, increased unemployment and recession.

The domestic risks to the imposition of tariffs pale in comparison to the risks of Chinese retaliation. To inflict maximum damage, the Chinese need not consider similar tariffs on our goods, but could instead refrain from currency intervention sending the dollar into a tailspin and interest rates and consumer prices soaring.

Tariffs may be the final straw in helping the Chinese to discard their current policy of vendor-financing American consumption. They might actually see the senselessness in exporting goods on credit to over-leveraged, non-productive customers. If they do, they will drop it like a bad habit.

The bottom line is that America threatening China with tariffs is the equivalent of a bank robber turning his pistol on himself and threatening to pull the trigger. Since there is little likelihood of America committing economic suicide, there is no reason to waste any time worrying about what might happen if we did.

Article by:
Peter Schiff
February 2, 2007

U.S. Stocks Slip on Mortgage Concern; New Century Extends Drop

By Michael Patterson

U.S. stocks fell after New Century Financial Corp.'s announcement that it will stop making home loans deepened concern that mortgage defaults will hurt the financial industry, overshadowing an unexpected drop in the jobless rate.

New Century tumbled for a second day after the mortgage lender said it's in talks to replace credit lines revoked by its backers, spurring speculation the company will soon go bankrupt.

Federal Reserve Governor Susan Bies said regulators are concerned about ``payment shock'' in mortgage loans made to borrowers with weak credit histories whose payments surge after a low introductory period.

General Electric Co.'s U.S. mortgage unit said it will cut 20 percent of staff as it curtails lending. ``A lot of people are looking at what's going on with the subprime lenders,'' said Sean Clark, who oversees $1.2 billion as chief investment officer at Clark Capital Management in Philadelphia.

``The concern for the market is, if the major lending banks begin to rein their lending practices in, it could have a broader impact throughout the rest of the economy.''

Weekly Advance
New Century fell 49 cents to $3.38, adding to its 25 percent slide yesterday. Merrill Lynch & Co. analyst Kenneth Bruce wrote in a report today that New Century will likely be liquidated, with little value left for shareholders.

Article by:
Michael Petterson
March 9. 2007

New Century Gets Default Claims, Says It Lacks Cash (Update6)

New Century Financial Corp., the nation's second-biggest subprime lender, said today it doesn't have the cash to pay creditors who are demanding their money now, increasing speculation that the company will go bankrupt.

Shares of the Irvine, California-based company, already down 90 percent in 2007, lost half their remaining value in pre-market trading. New Century said in a federal filing it doesn't have funds to give to lenders including Morgan Stanley, Citigroup Inc. and Goldman Sachs Group Inc. The creditors want New Century to repurchase all outstanding mortgage loans they financed.

Bad U.S. subprime mortgages are at a seven-year high, forcing more than two dozen lenders to close or sell operations. Their woes may contribute to more than 1.5 million Americans losing their homes and 100,000 people losing their jobs, according to real estate executives, economists, analysts and a Federal Reserve governor.

Article by:
Yalman Onaran & Bradley Keoun
March 12, 2007

The Outstanding Public Debt

National Debt:
8,838,402,827,571.79
The estimated population of the United States is **301,167,411**
US citizen's share of this debt is
$29,347.14
The National Debt has continued to increase an average of
$2.02 billion per day
Business, Government and Financial Debt exceeds
$45 Trillion

First Inflation Then Deflation? - Financial Crash

Continued from page 6

The typical argument that the government will inflate like mad will likely not work, and prices will drop for the reasons I put up above, namely people won't borrow/spend if prices are dropping, even at zero interest rates.

You will need enough cash type assets (that includes gold bullion in your possession) to survive a loss of income. No matter how you slice it, in a depression you will either lose your job or your income from investments or your savings if they are all in stocks and such. You need to be positioned already in cash type assets in the stronger currencies.

Bonds can be good in this situation since interest rates will drop drastically, that is if you buy these bonds beforehand. However, right now there is a slightly rising interest rate environment. That does not have to stop you from buying bonds now, just be aware of that. Buy quality sovereign bonds (as if there are any, but find the better ones).

Eventually, bonds have risk due to default risk by governments as their tax base collapses and public benefits skyrocket. Bonds are a short/mid term solution to get some income.

Have a paid off residence, or real estate. If you have a paid off residence in a cheap area, and at least a little income and are thrifty you may survive fine. That and some savings will help cushion you for years. All you would have to pay is some property taxes and utilities.

It is far better to have a paid off residence than money in the markets - at least that box is checked off - you have no mortgage payments or rent.

Cut all expenses. You can cut most of your monthly expenses right now. There are many sources of waste in family budgets of all levels. Learn to be super frugal now, not when you are on the verge of starving or losing your home!

Drive old vehicles, not new expensive ones.

If you do all these things, your peace of mind will rise immeasurably, even before such a crash. And, if it commences, you will not be afraid of it.

Article by:
Christopher Laird
February 22, 2007