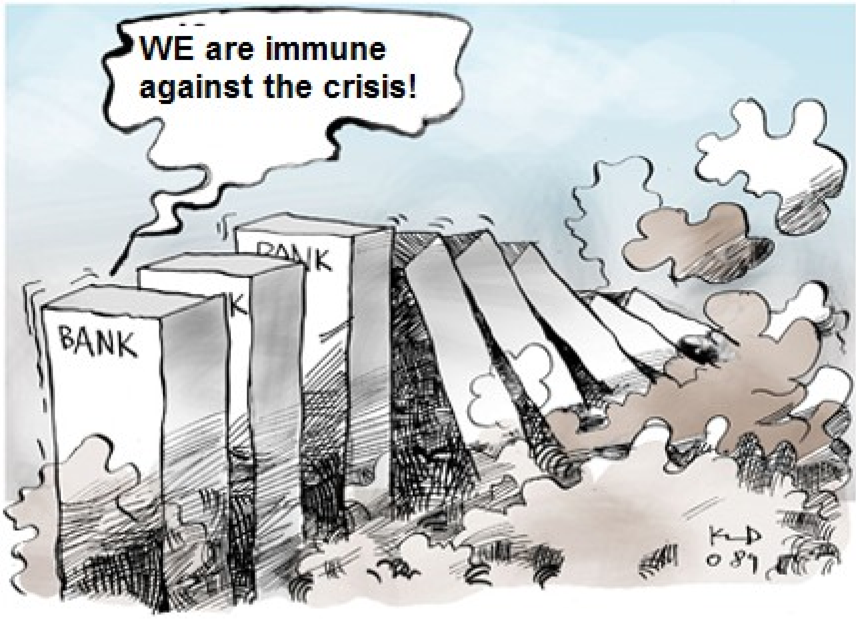
Amanita Investor's Guide 2009: The last tango on the Titanic



Everyone said, it doesn't work that way.
Then someone, who didn't know that, simply did it.

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1. Big picture: crack-up boom ahead

The essence of this report could hardly be more dramatic, in order to increase its credibility I'd like to start with a short review of previous forecasts:

(1) The first public call right at the beginning of my career was subject of a press release in the 2nd half of 1999 published by many (Austrian) newspapers, warning of the biggest stock market crash since 1929. This warning was mostly ignored but the terrible bear market 2000-3 (started a few months later than expected) slashed technology indices by 80-90% and more.

(2) In late 2000 I wrote that gold (the classical inflation barometer) should bottom out in early April or early May 2001 and start a monster bull market for many years. In April 2001, just after the April 2nd, 2001 bear market bottom (triple bottom) I predicted gold would soar to $1000 by 2007. The main reaction to this call was a lot of disbelief since gold was in the $200s after a 21-year bear market. Gold did take out the $1000 level in early 2008.

(3) The US recession from March to November 2001 was nailed almost to the month, the official call was for a recession to start in the 2nd quarter of 2001.

(4) In an article in the free area published in late 2001 I projected the ideal month for the ongoing bear market in stocks for October 2002, which came true in the US indices. In late 2001 the general consensus was that the bear market had ended after 9/11.

(5) When oil was still trading in the $30s at the beginning of the century I forecast that oil would quickly explode to $100-$200 a barrel, at a time when most analysts expected oil to go back to $10.

(6) In 2005 I warned with Jupiter-Pluto depression cycle[1] (the conjunction of these 2 planets) in December 2007 a very serious recession or even depression would be due – we now know this call did hit the bull's eye. Is it just a coincidence that accord-

[1] http://www.amanita.at/e/reading/e-0512-juplu-dep.htm

ing to the NBER the US economy started its recession exactly in December 2007… decide yourself. Actually the US already started a weak recession (GDP shrinking by 1-2%) in 2006 but in late 2007 the economic downturn became so serious that even the heavily massaged data could no longer hide the truth, now we are around -4%.[2]
Meanwhile the biggest economic crisis since the 1930s is publicly acknowledged and the mainstream scoffing at the depression forecast was put right.
Conjunctions of Jupiter occur every 12-13.5 years on average (deviations because of the eccentricity of Pluto's orbit), every 2nd conjunction every 25 years is more grave (last instance: the early 1980s). Every 4th is outright terrible, this is the 50.4 year depression cycle[3]: 1720 South See bubble depression - 1763 Amsterdam – 1816/17 – 1857 – 1907 – 1957/58 weak – 2008.

(7) In the Amanita Investor's Guide 2007 released in December 2006 I warned on many pages of the looming collapse of the biggest real estate bubble in history. As a matter of fact, the real estate market topped out about 2 months later in early 2007 and has faltered in the past 2 years.

(8) In 2007 I wrote that the ingress of Pluto into Capricorn in 2008 would lead to nationalizations, and I have to admit that even I was caught by surprise by the speed of nationalizations in 2008.

(9) In late 2007/ early 2008 I warned repeatedly of the bursting of the (Asian) stocks bubble, especially in China & India – exactly at the top.

(10) For years I have been projecting the biggest economic crisis in the history of capitalism for 2012/13, including hyperinflationary state defaults, closings of exchanges around the globe and the end of the capitalistic system as we know it. I see absolutely no reason to change that prognosis in spite of the *disinflationary* tendencies in 2008 (it's certainly not correct to speak of deflation), in contrast I increase the official likelihood for this scenario from P=80% to P=90-95%.
While there is no real change in the big picture, the details on the road to hell have to be adjusted, the path is more volatile and somewhat different than expected. To my knowledge, no one did completely & exactly foresee the incredible events in 2008 – probably people would have rung the funny farm for this forecaster… The better forecasts including the Amanita outlook were at least correct in some major points. The disinflationary push expected for 2009-10 did already manifest in 2008-9, one year earlier than expected. This topic was discussed in the protected area in the past months, and this report offers a lot of new insights…

The essence of this Amanita Investor's Guide 2009 is again against the general consensus: sentiment surveys confirm that people expect immediate Armageddon and crash prophets of all sorts make it to the headlines. In contrast, I project the very last boom in the capitalistic system for 2009-12 (especially from mid-2009 through mid-2010): a crack-up boom triggered by exploding government expenses because of the largest stimulus packages in the history of capitalism.

- Obama plans to spend another 10% of the true US GDP (which is less than $10 trillion) for 2009-10. Taking all other decisions into account, we arrive at a US bail-out amounting to a mind-boggling $8.5 trillion (= around 90% of true GDP). Compare that with 40% of the GDP that the entire WW2 did cost the US over 4 years.
- China has announced a bail-out of more than 60% (!) of the GDP over the next years (around $2.2. trillion).[4] The Chinese government knows very well that the revolutionary forces in China are strong and it will be overthrown once the economic

[2] http://www.shadowstats.com/alternate_data

[3] http://www.lycos.de/startseite/geld_boerse/geschichte/14.html

[4] http://www.manager-magazin.de/unternehmen/artikel/0,2828,592193,00.html

expansion comes to a halt. In addition China still has a large financial scope, in contrast to most other countries. Quarreling Europe so far has only guaranteed 1.5% of the GDP but you can bet much more is coming.

One should not underestimate the impact of these giant economic inputs, depending on the country and the exact labeling up to 90% of the GDP are pumped into the economy within a short period (and the odds are that's just the beginning).

Paradoxically, when inflation reaches 20-50% (1-2 year before 'game over'), the crack-up boom will accelerate dramatically because people are realizing that the value of money is melting away like snow in the spring sun. There are only two solutions: either consume or invest the money (mainly in precious metals). The latter will hardly be possible for several reasons: first only a small share of the population is actively engaged in the markets, second precious metals will no longer be available (in larger quantities), and third every investment is risky, you can never be sure that you are really protected against inflation.

That's why the primary escape will be to buy consumer and investment goods and the ensuing crack-up boom (that might be the largest boom in the history of capitalism) is the sure sign that everything will collapse soon thereafter. People will be forced to withdraw their savings and buy everything they get, in times of just-in-time production with low inventories that will entail empty shops very fast. The pattern of bursting bubbles is almost always the same: in the 6-12 months before the begin of the collapse the biggest gains are achieved – and the capitalism bubble should burst the same way, euphoria before death…

In crisis-shaken Hungary we saw the first signs of a crack-up boom in 2008 because people were fearing for their money. In the hyperinflation in Germany 1923 house wives were impatiently waiting for the postman to bring the money, and the sum received was immediately spend before prices were going up. A crack-up boom is the last meal, the golden shot for the liquidity dope heads, the last tango on the Titanic…

While I still proceed on the assumption that the capitalism bubble bursts in 2013, I don't want to give you the impression of false security: there is no doubt that the fundamental situation is so bad that a collapse can happen at any time. If the illuminati (a kind of secret world government) decide to pull the plug today, then tomorrow everything is over.

I see 3 main stages since the ingress of Pluto into Capricorn in 2008:

1. <u>2008-2012 state-controlled economy, protectionism, corporatism, crack-up boom, wave of bankruptcies, hyperinflation, state defaults, riots:</u>
   The state is gaining more and more importance, the nationalizations in 2008 were just the beginning. All these bail-outs are by no means a spontaneous and unplanned emergency aid, in contrast everything is on track to create the fascist-communist New World Order (NWO) with omnipotent governments (and the illuminati control the governments).
   At the same time trade barriers are erected (protectionism). The political riots are getting more and more frequent and violent, a new war of similar importance as the Iraq war 2003 may break out, although this is not the time for world war (yet).
   Corporatism means that the different interests within a society (e.g. industrial relations) are negated or are subject to 'gleichschaltung', this is the core of totalitarism. There is a wonderful quote of Mussolini, the creator of modern fascism, "*Fascism should more properly be called corporatism because it is the merger of state and corporate power*." This is the essence. Mussolini was a socialist to the tips of his fingers, and German fascism was correctly labeled "National Socialism". The term fascism was mainly used by socialists who wanted to distract from the similar ideological base. Regardless of the propaganda from the brainwashed political science and mass media, fascism has its roots in the radical left. That's why the ongoing fascist re-modeling of the Western society is not recognized: everyone is looking to the right but the danger is coming from the left. Webster Griffin Tarpley has

explained well in his book that the messianic leadership cult centered on Obama bears the classic characteristics of fascism. However, it's probably unique in history that peaceful Obama critics were already arrested before (!) Obama was even elected president (as documented by Alex Jones and others). Obama is planned to be the door-opener for global fascistic socialism, but this won't be recognized before 2011-12. A bold prediction: the Bush haters will pray for the return of Bush as the lesser evil. Still, Obama might be assassinated in 2012, he is nothing but a tool for the powers that be. After this event national emergency is declared and FEMA takes over the country, this marks the transition from "government economy" (stage #1) to war economy (stage #2).

2. <u>2013-17 war economy, hardship economy</u>:
   The hyperinflation and the state defaults lead to the total collapse of the economic and political system, followed by wide-spread riots, wars and civil wars. The situation should be somewhat better in Europe than in the US but the crisis is global by nature and there are no 'natural' places to hide. While the government-controlled communist economy is already in the making, the coming war economy is not a topic (yet). Around 2015 I expect the highest martial activity on the planet between WW2 and the year 2100. 2020-2033 should be very peaceful.
   A war economy is usually characterized by the market forces being disabled to a large extent, e.g. replaced by ration stamps and government controlled prices (accompanied by a black market, of course). Closed exchanges are much more likely than before because this time the financial markets are not just a symptom but the core of the problem. Unfortunately, the main challenge in the war years 2015 +/- 2 years will be to live well, or even to live at all in some areas. Many cities will be heavily impaired by the massive unrest or civil wars, everyone who is able will escape to rural areas.

3. <u>around 2020 restart of the system</u>: The start of the current capitalistic system is dated back to 1775/76, in 1776 Adam Smith published „Wealth of Nations". and the US & and the dollar were founded in 1775/76. Pluto as the symbol for money, power, transformation & death was in late Capricorn at this time. Capricorn is the sign of (political and financial) structure. Almost exactly one Pluto cycle of 246.8 years earlier the first exchange opened, in 1531 in Antwerp. 5 Pluto cycles before was the most important moment in the financial history of the 1st millennium: at the end of the 3rd century the Roman empire experienced a hyperinflation (silver in coins reduced to zero), again Pluto was in the 2nd half of the sign Capricorn. In 301 AD emperor Diokletian fruitlessly tried to curb inflation with price controls (it was forbidden to rise prices under the threat of a penalty of death).
   Pluto from mid- to late Capricorn has, in full accordance with astrological theory, a strong connection to a resetting of the financial system. The next time Pluto will travel that degree area in 2015-2020, that's when the next reset of the system is due. In 2020-23 the next secular booms starts in a new system, hopefully not the New World Order which is nothing than a blend of an Orwellian police state and Hitler-/ Stalin-style dictatorships, with the additional feature that every citizen is chipped and every step is monitored by the system.

What to expect until 2020? In the preferred scenario I see a 30/30 outcome (30% unemployed, 30% GDP decline in real terms), for the US 50/50. The depression in the 1930s was about 30/30 in the US but it's very unlikely that this 'favorable' outcome repeats. In the alternate scenario be prepared for 50/50 for Europe and even 70/70 for the US. We are correcting at least one cycle/ wave degree higher than 1933 (more likely even more degrees, correction of the civilization uptrend of the past 5,000 years) and the recent bubbles were light years bigger than 80 years ago.

According to Williams' data, US unemployment already rose to 14% in 2003 at the end of the contraction, meanwhile we have soared to more than 16%. The broadest BLS definition (that is still underestimating true unemployment) has climbed to 12%. Even in the official data there are major differences between the US & Europe[5]: while in the US official unemployment is back to the level of 1994, official European unemployment is barely 8% and thus considerably lower than 1994 (10-11%). And the European unemployment rate dropped to a fresh new low in 2007-8 while the US rate never fell back to the level of the boom year 2000.

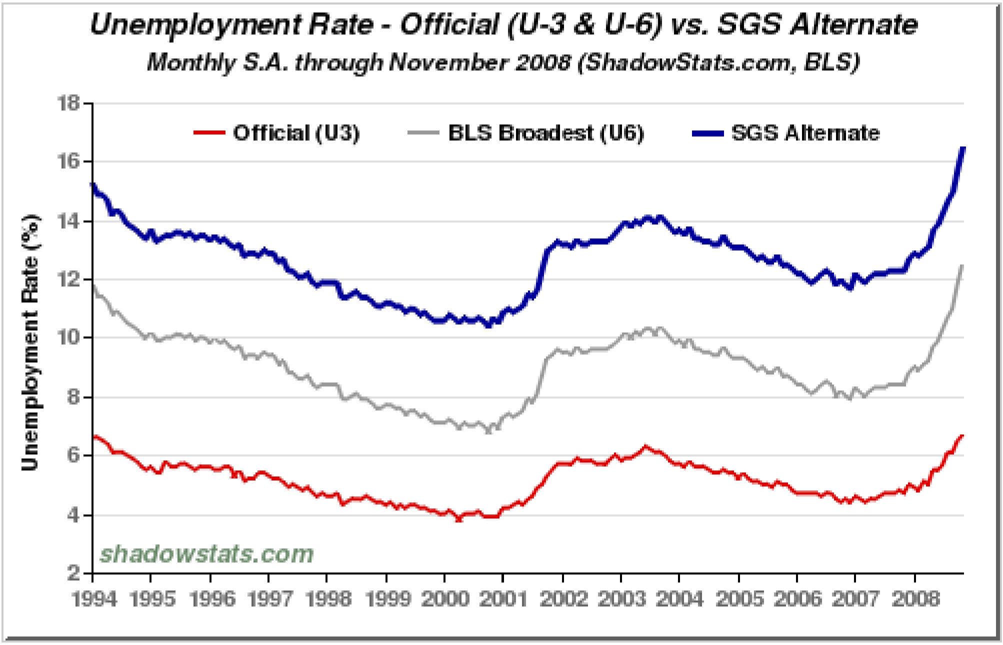

illustration 1: US unemployment rate

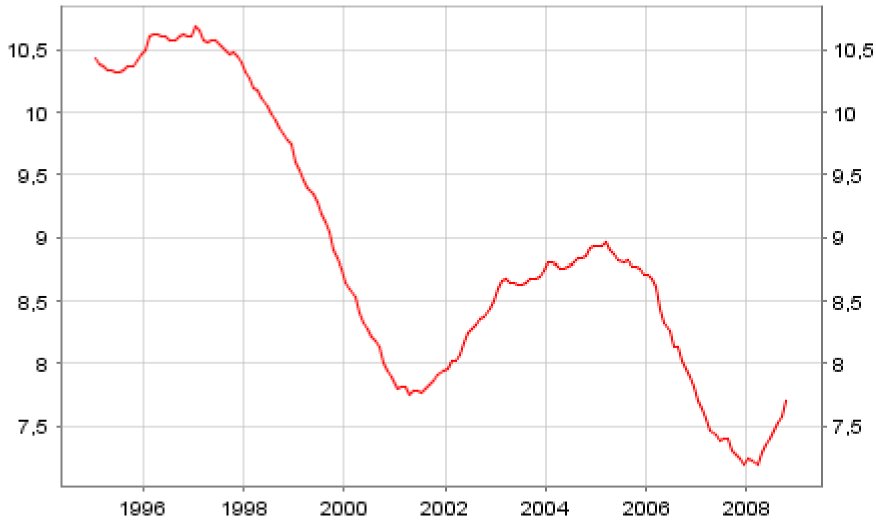

illustration 2: European unemployment rate

[5] http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=132.STS.M.I4.S.UNEH.RTT000.4.000

http://www.ftd.de/politik/deutschland/:Im-Wahljahr-Regierung-frisiert-Statistik-f%FCr-Arbeitslose/442995.html

2. Forecasting liquidity, money supply & inflation

Since 2006 I have been projecting that liquidity is getting more and more important and that everything but bonds (stocks, commodities & euro against dollar) is increasingly dictated by liquidity. In 2008 this ‘liquidity convergence’ has indeed accelerated remarkably and the inter-market correlation has moved up a lot.[6] The average correlation coefficient over the past 180 trading days in the some 30 markets - DX/JY (currencies) & US/TY/ED (bonds) excluded – is r=82% and thus r^2=67%. This means that about 2/3 (!!!) of the price movement of the futures in the past 9 months are liquidity-driven synchronization and only 1/3 are determined by each market. It is absurd but this applies to markets that have got absolutely nothing in common, e.g. SPX, gold, live cattle & cotton. Since August the synchronization has even become more pronounced.

What does that mean? Without doubt, these are the first signs that the financial markets fall apart, they are working less and less efficiently. The destruction of the financial markets started with the foundation of the Plunge Protection Team (PPT) in 1988, at the end expect exchanges to be closed in 2012/13 (a 25-year Jupiter-Pluto depression cycle later). If this trend continues, forecasts for each individual futures market are becoming less and less necessary, you know almost everything if you know liquidity (bonds are a separate story).

The fiat money Ponzi scheme since 1971 only works as long as it is producing bubbles all the time (data from shadowstats.com):

- In 1980 the commodity bubble burst and US$ inflation plunged from 14.8% to 3.3% (by 11.5%) in 38 months.
- In 1990 the Japan bubble burst (stocks & real estate), the CPI fell from 8.6% to 5.1% (by 3.5%) in 16 months.
- In 1997 the Asia bubble burst, the CPI dropped from 8.6% to 7.7% (by 0.9%) in 10-15 months.
- In 2000 the stocks bubble burst, the CPI plunged from 10.0% to 7.5% (by 2.5%) in 18 months.
- In 2007 the real estate bubble burst (actually also the financial & BRIC stock market bubble), the CPI so far declined from 13% to 9% (by about -4%).

[6] http://www.mrci.com/special/correl.htm

- In 2010 (perhaps as late as 2013) presumably the oil bubble is ready to burst, the result of the crack-up boom.
- In 2013 (perhaps as late as 2017, depending on the definition) the „government bubble“ caused by Pluto in Capricorn is poised to burst (bubbles burst primarily in the years ‚0', ‚3' and ‚7'): the government bubble should build up over 5-10 years and be the final bubble in the fiat money Ponzi scheme, dwarfing everything seen before in the history of capitalism. Because government expenditures are almost identical with inflation, this should also be the top of inflation and the inflation markets (especially precious metals & commodities, secondarily equities). The focus of the coming bubble will likely be on the monetarized precious metals (gold, silver, platinum) and the agriculturals because of the challenge around 2015 to have enough to eat. Around 2013-17 governments may have more influence on the economy than a communist government…

We are able to detect interesting patterns:

- Every bubble has to be larger than the previous one (otherwise the Ponzi scheme collapses)
- After the bubble collapse there is a short disinflationary period before the next bubble builds up.
- The disinflationary time is getting shorter and shorter on average.
- The bubbles burst in 2007 are a premiere because this is the first time unrelated markets (real estate & stocks in different countries) topped out together and started to falter.
- The bubbles emerge and burst faster and faster, until 1997 we had a 10-year cycle. In the past decade there was an acceleration, the next shoe to drop are bonds, this is without doubt the biggest bond bubble in history.

What are the current data for liquidity & inflation? An excellent rule of thumb is that the combined inflation (consumer price inflation & asset price inflation) is the broadest money supply M3 minus GDP growth. According to this formula, current euro inflation is 10-11% (M3 growth almost 9% and the GDP shrinks by about 1-2%), in the US even more (M3 growth the same but the GDP shrinking by about 4%).

Central bank money M0 is approaching an annual growth of +100% (all-time high):

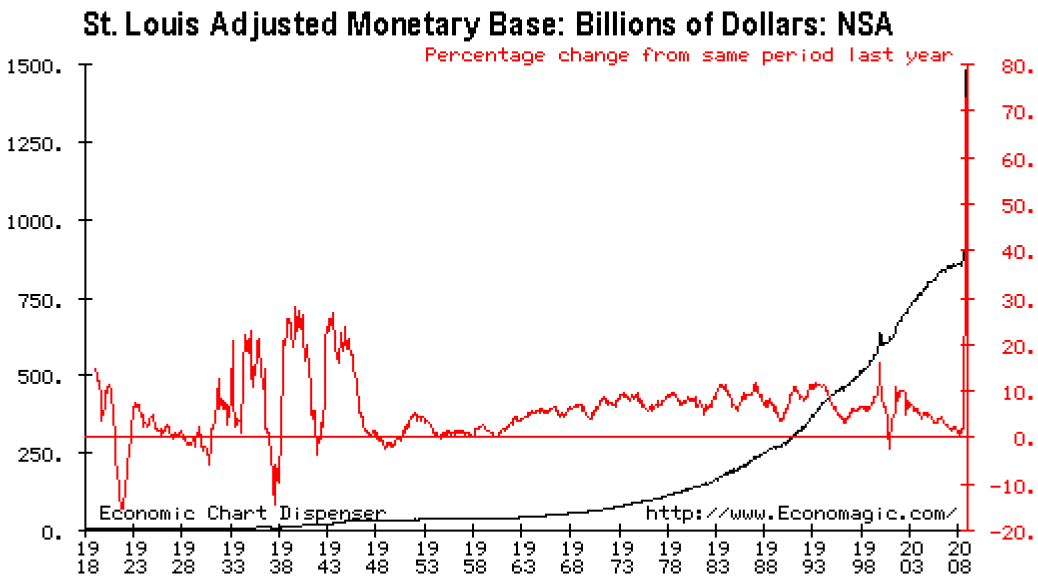

illustration 3: US monetary base (M0)

The drawback of the crack-up boom is, of course, the globalized default of states and the hyperinflation as the collapse is postponed with the printing press. Actually the structural inflation of the past 35 years (we have experienced more inflation since the closing of the gold window in 1971 than in the thousands of years before) is already a sign of a bankrupt system – which 99.9% of people don't realize.

Let's analyze the US numbers: in 2007 both federal expenditure and revenue were in the magnitude of $2.5 trillion, the deficit of $380 billion was 4% of the true GDP of some $10 trillion (the official numbers are considerably higher). In 2008 the US already spent $3 trillion, in 2009 it will be much more: government expenses will most likely grow by a huge 30-70% to 3.5-4.5 trillion, the deficit grows to $1-2 trillion, that's 3-5 times more than before. The entire stimulus package amounts to $8.5 trillion[7]. Alone in the 2 months October – November 2008 a deficit of $408 billion was amassed, more than in the entire year 2007. If we extrapolate these numbers we arrive at a deficit of $2.5 trillion (25% of GDP), a rise of government expenses by +100%... Since growth of government spending is more or less equal to inflation, a US$ inflation of 30-50% is almost guaranteed, in Europe it's supposed to rise to 20-30%[8] (sure the official numbers will show something different).

Money supply FTTM (Fed & Treasury Money) which includes all government expenses has exploded to $4 trillion in the past months, the growth rate being more than +100%:

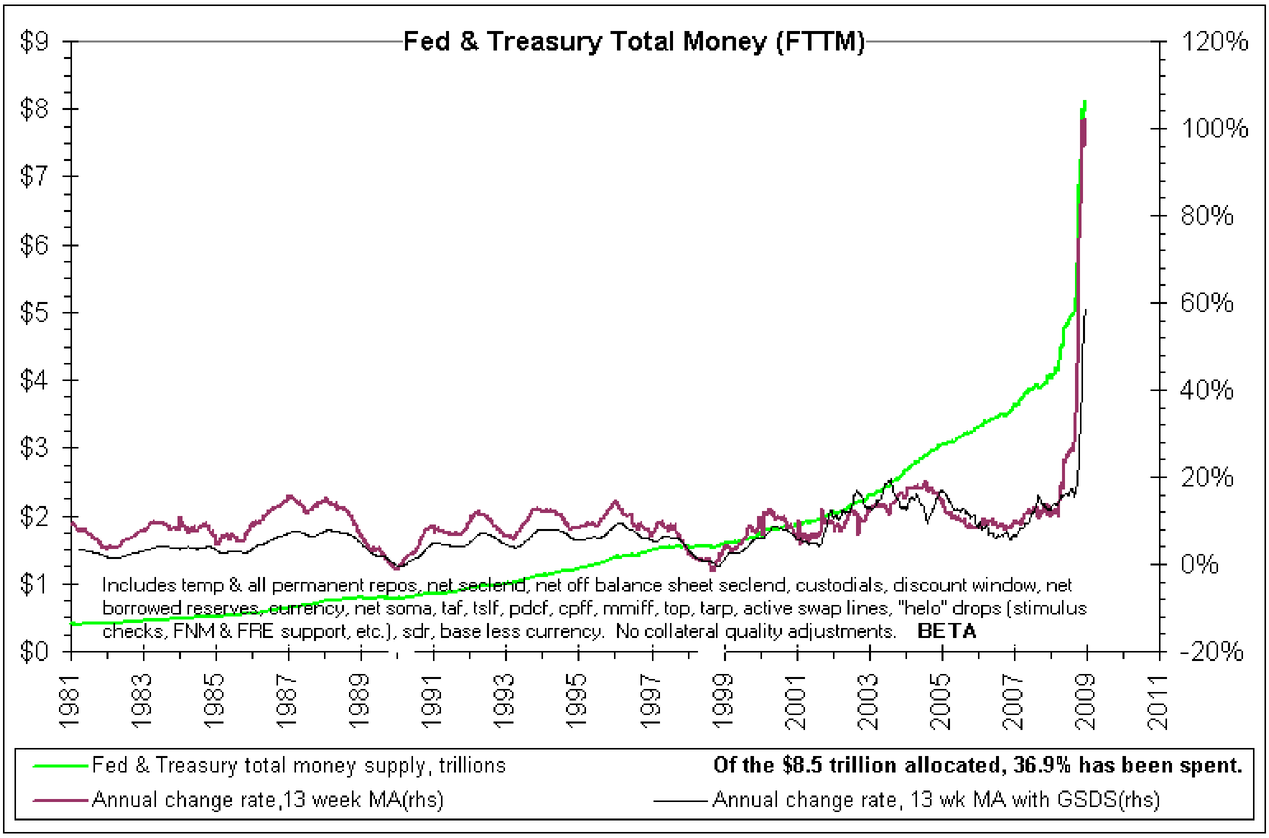

illustration 4: money supply FTTM

[7] http://www.globalresearch.ca/index.php?context=va&aid=11376

[8] http://www.ftd.de/politik/international/:Rettung-des-US-Finanzsystems-700-Milliarden-Ha-Es-sind-8500-Milliarden/444083.html

Estimates of true US consumer price inflation have fallen back from 13% to 9%, the official CPI is understating inflation by about 8%:[9]

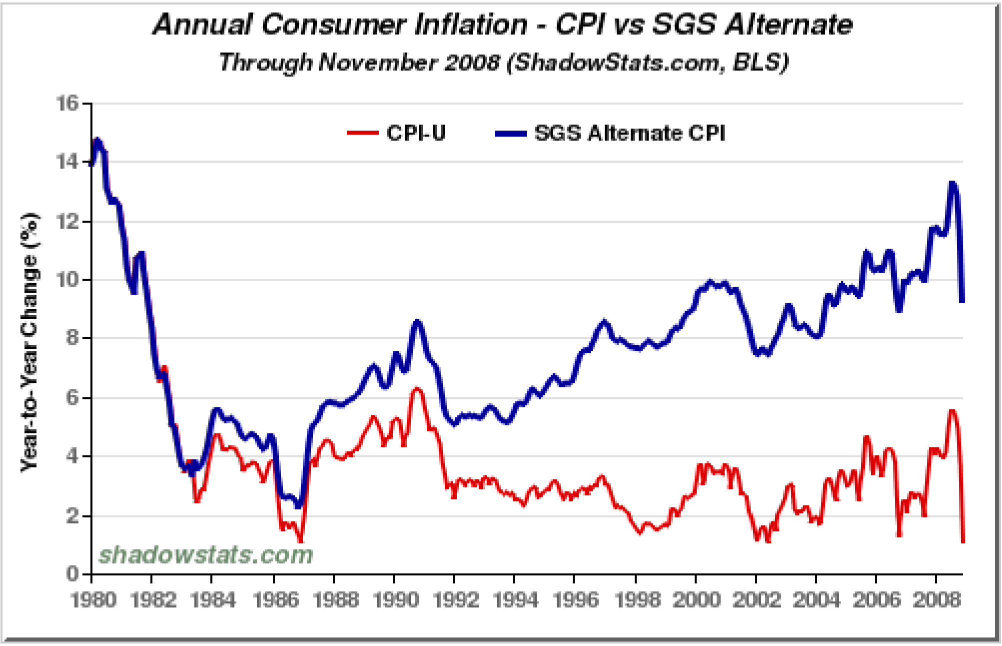

illustration 5: US consumer price index CPI

The surprise of the year 2008 was that the disinflationary push expected for 2009/10 coming one year early. That's why I have studied in the past months how the major pullback in all markets starting in July 2008 due to reduced growth rates of liquidity/ money supply/ inflation (the 3 are not identical but closely related) could have been predicted.

Fortunately, the research was successful. I have found out that the combination of several astrological factors delivers great results. In general, I use a lot of different prediction methods (astrology, fundamental analysis, technical analysis, cycles, wave counts and so on), the weight is derived strictly empirically, i.e. no method is used for 'ideological' reasons – but only when and as long as it works. The interesting phenomenon is that in difficult times astrology is becoming more important, and this was also the case in 2008. I go on the theory that astrology will be much more dominant than usual in the next 5-10 years. The 4 key factors:

1. the well-known Bradley siderograph: harmonic angles (60°, 120°) are assigned a positive value, difficult angles (90°, 180°) a negative value, the sum is the Bradley chart as you know it. Below please find the chart over more than 150 years, the all-time low was set in 1931 in the middle of the depression. The 2nd lowest value was in 1875, shortly after the crash of 1873 ("Gründerkrach" starting in Vienna, Austria). The 3rd lowest value is 2010 – isn't it very interesting that the two historic models for the current crisis are exactly 1931 and 1875? The reason for the low value 2010: there are massive tension aspects (T-square, partly even grand cross). Deep lows (+/- 1 year) mean crises for the world. By the way, the Bradley low of the past 500 years was in the 1640s, at the end of the 30-year war (1618-48) and shortly after the bursting of the first speculative bubble in history (1637 Tulip mania in Amsterdam).

[9] http://sdw.ecb.europa.eu/home.do?chart=t1.2, http://www.nowandfutures.com/key_stats.html, http://www.shadowstats.com/alternate_data

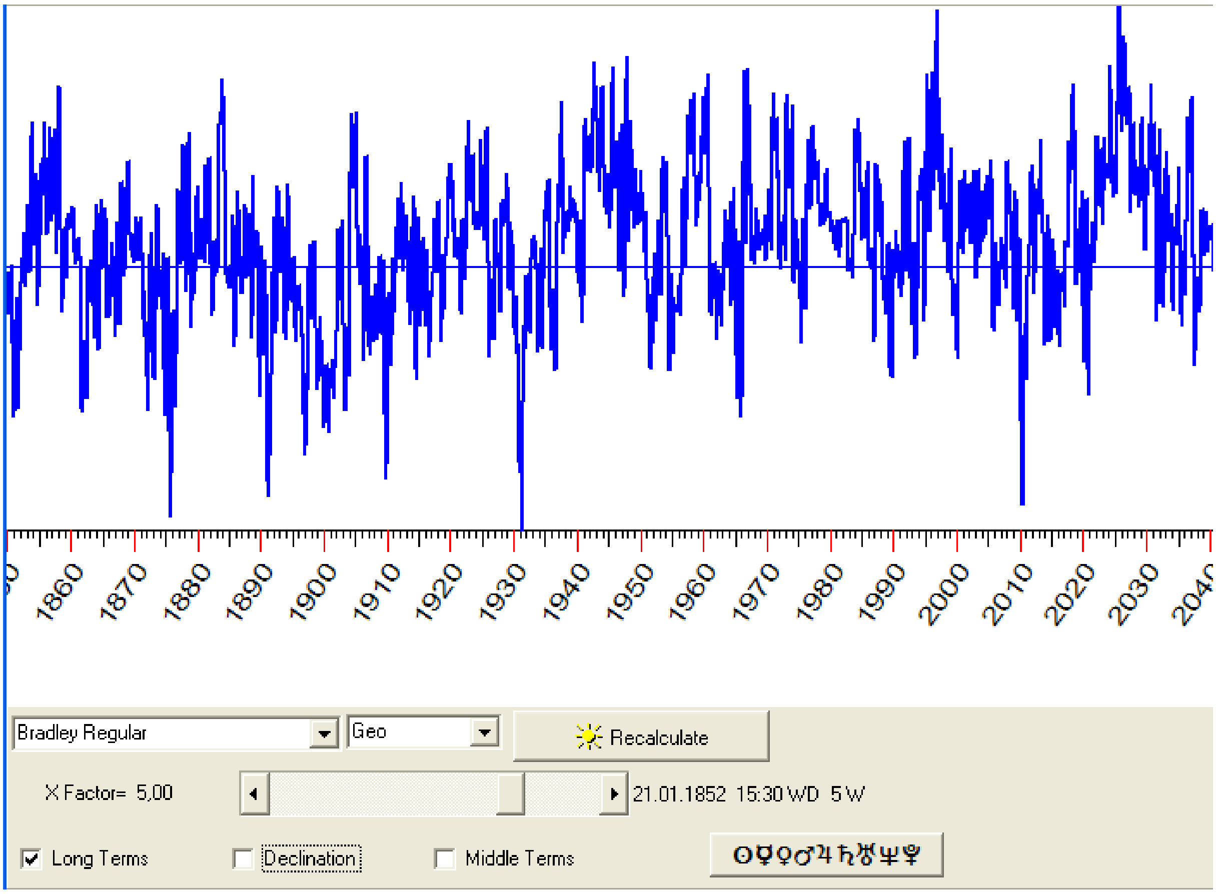

illustration 6: Bradley siderograph 1850-2040 (created with the „Market Trader“)

2. the CIE-Index by Ganeau:[10] this is the improved version of the CI index by French astrologer André Barbault. Barbault was annoyed that he did not foresee the outbreak of WW2 and so he constructed a model that summed up the distance in degrees between the planets (and Ganeau somewhat changed the formula).

The CIE has 3 distinct lows in the past century: near the outbreak of WW1, the outbreak of WW2 and in 1980-81 when the world was shaken by Middle East wars and the biggest economic crisis of the 2nd half of the 20th century. The 3 key highs are a few years ahead of the 1929 stock market top, the 1960s (inflation-adjusted top of the Dow Jones for decades) and the year 2000 (inflation-adjusted top so far). By the way, the 2000 top was the highest reading at least since the 17th century (I haven't tracked the data further back). Minor highs were 1989 which coincided with the collapse of the Eastern bloc and the top of the Japan bubble (Tokyo was the largest exchange of the world in 1989) and 1972, the nominal stock index high preceding the heavy 1973-1982 bear market.

At present we are falling from the 2000 high into the 2020 low, so the bad times should last at least for another decade. Within this 20-year pullback there is just one 'rally': from late 2009 through 2011-12, this should mark the final pulse in the capitalistic system (crack-up boom). In the final stage of the fiat money system readings of both the CIE index and the Bradley coincide with inflation, i.e. a rising curve means inflation.

[10] http://www.astrologer.com/aanet/pub/journal/afgan.htm, http://www.astroariana.com/Reflexions-sur-l-astrologie.html

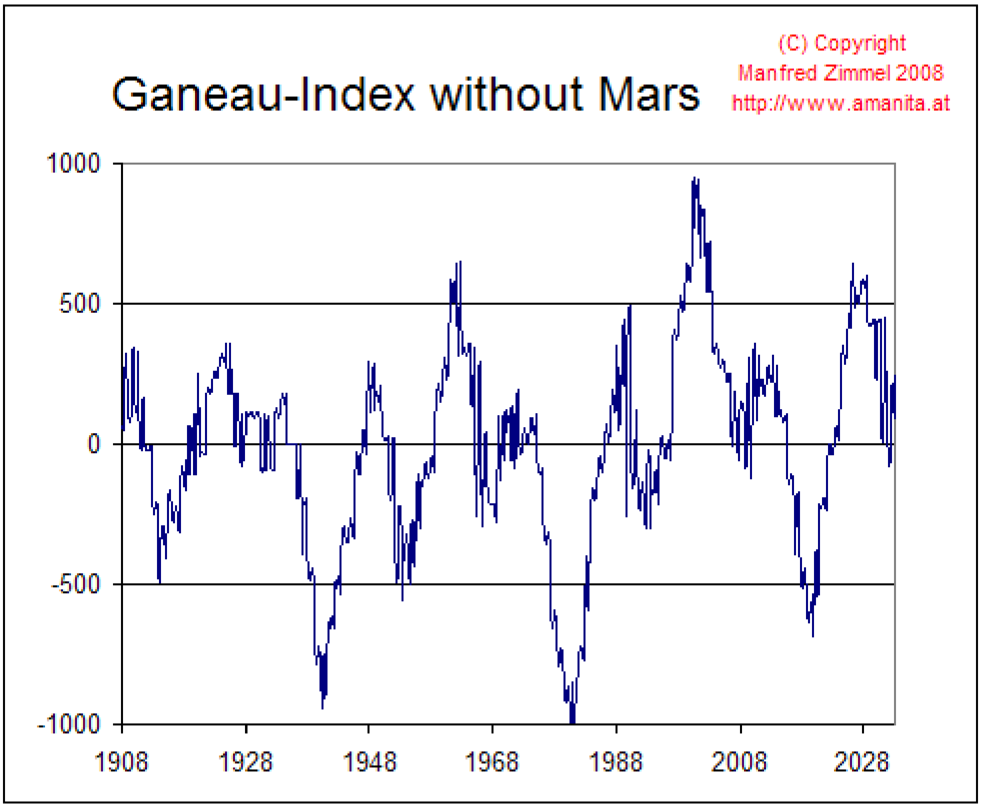

illustration 7: Ganeau index (CIE) since 1908

The quite similar Barbault index[11] had the low of the 20th century during WW2 – certainly the most difficult period of the past century. The high of the past half century was 2000 too.

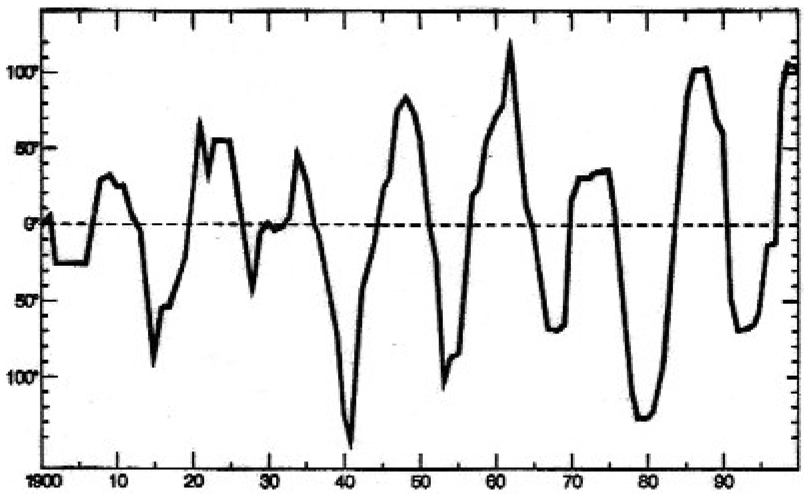

illustration 8: Barbault index 20th century

[11] http://www.astrologicalassociation.com/reference/publications/journal/volume/48/issue1/carter2005.php

The low of the 21st century will also be around 2020 and thus mark the most difficult period of our lifetime.

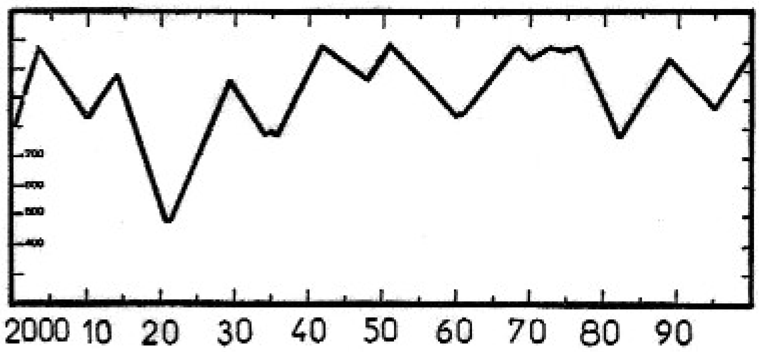

illustration 9: Barbault index 21st century

3. Our sun is giving us an inflation cycle (especially since the gold ban in 1934), i.e. the sun spot number correlates with inflation (I have added the roughly correct CPI numbers in the chart).

In 2008/9 the sun-spot number is at the low of the 11-year solar cycle, which translates into an inflation low, and the next inflation high is due with the solar max in 2012.[12] In October 2008 the sun displayed the first sun-spot of the new cycle, near the market lows, by the way.[13] The historical pattern is that wars do often break out near the solar maximums. The symbolic meaning is: sun = yang = inflation = war = destruction = government debt (moon = yin = deflation/ disinflation). The yang power of the sun is highest when it is most active (= many sun-spots). It's no surprise that according to Prof. Suitbert Ertel from the University of Göttingen, Germany, scientific breakthroughs and the births of geniuses are clustered near the solar minimum.

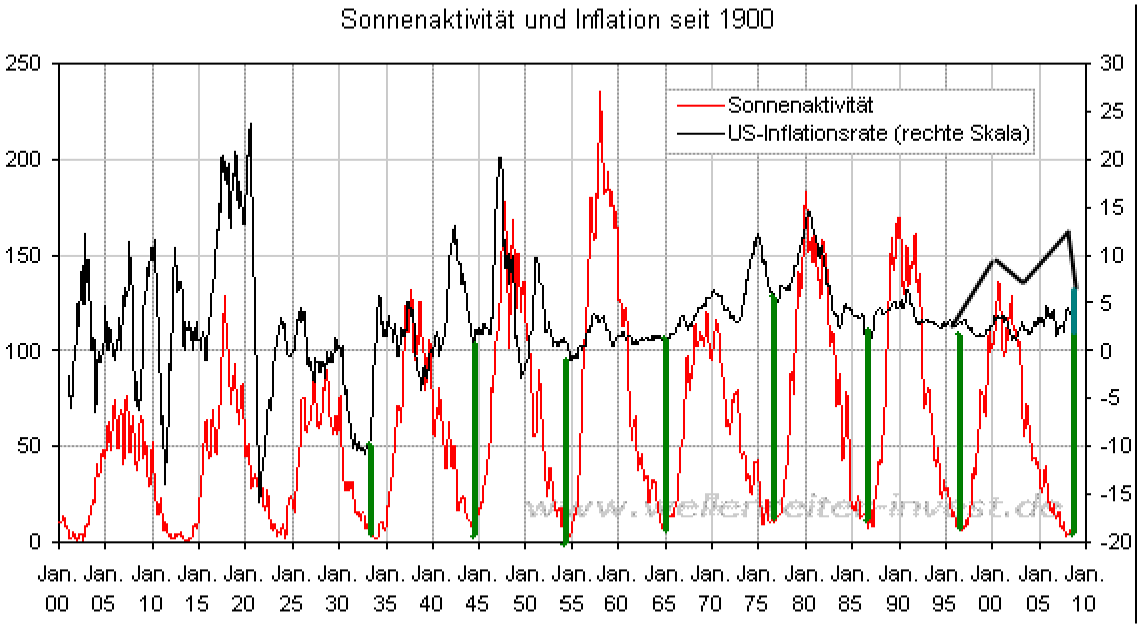

illustration 10: sun spot number & US CPI

4. Bill Meridian's composite cycle as described in his book „Planetary Economic Forecasting", based on the 6 statistically most powerful cycles. The first model based on the

[12] http://www.rp-online.de/public/article/wissen/weltraum/606156/2012-droht-ein-Sonnen-Tsunami.html

[13] http://globalwarming-arclein.blogspot.com/2008/11/sunspot-cycle-24-kicks-in.html

monthly PPI data 1780-2007 has an inflation high in early 2007, a low in 2009 and a high in late 2012.

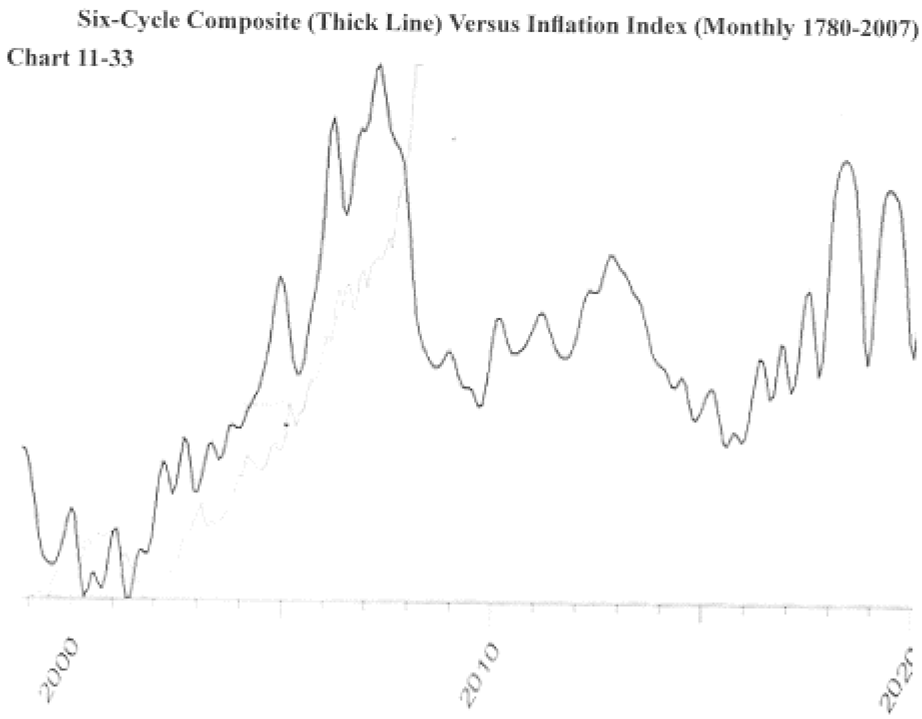

illustration 11: Bill Meridian's composite inflation cycle (monthly)

The model based on 757 yearly data points (1250-2007) suggests a similar outcome, the big inflation low in the late 1990s (low in commodities) sticks out like a sore thumb. However, since larger cycles (26,000 years) are nearing a climax, even official inflation is much higher than the model suggests (let alone unrigged numbers).

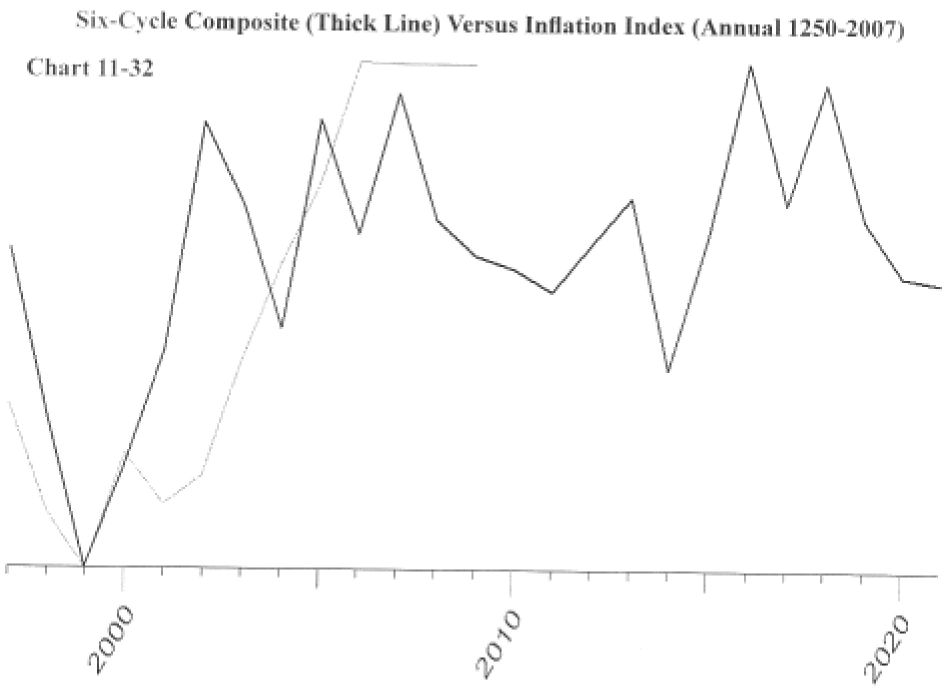

illustration 12: Bill Meridian's composite cycle inflation (yearly)

What's the synthesis of these 4 models? In 2008-10 all 4 models are forming a bottom (in addition, in late 2008 the 37.33-year crisis cycle by Martin Armstrong was triggered[14]), that's why true hyperinflation will be seen in 2010 at the earliest. The solar cycle and Bill Meridian's model are bullish for inflation/ money supply/ liquidity from 2009 through 2012/13, the CIE and the siderograph allow a better short-term timing. Luckily, these two 100% independent models align almost exactly over the next few years, allowing quite reliable statements (and resulting in bigger swings). However, you shouldn't expect precise price turns from the two models but a window of +/- several weeks because their job is to nail larger trends of 6-18 months. Commonly stocks turn first, then weeks and sometimes months later commodities and currencies against US$ follow. The fine-tuning with CIE & Bradley for 2006-10:

- Late 2006 into the 2nd quarter 2008 was good (inflationary) in both models, so the markets were bullish across the board with minor corrections only. The last low in November – December 2006 correlated with commodity troughs from October 2006 through January 2007.
- The time frame mid- to late 2008 was very bad in both models, which is ‚responsible' for the massive declines and crises. The CIE fell to an 18-year bottom in 2008, the Bradley (standard model) was only lower in 1990 in the past decades.
- Late 2008 – mid-2009 is very good in both models, promising stability, liquidity expansion and rising markets (stocks, commodities, currencies against US$) until mid-year approximately.
- The 2nd half of 2009 is somewhat bad in both models, there are parallels to the 2nd half of 2008 but the decline in the CIE & Bradley is much weaker in 2009 than in 2008, so the liquidity problems & corrections from mid- to late 2009 should be milder.
- Late 2009 into the 2nd quarter 2010 is somewhat beneficial in both models.
- Beginning in Q2/2010, expect a quite severe disinflationary push for a half year (the CIE falls to the lowest level since 1875) where the markets (stocks, commodities, currencies against $) could experience a decline comparable to 2008. However, the composite cycle is up 2009-12 which suggests that the liquidity shrinkage should be smaller, even if the crisis is bigger. This terrible crisis again accelerates the printing press which pushes the economy towards hyperinflation in 2011-12. Ingresses of the slow planets (Saturn, Uranus, Neptune, Pluto) lead to crises in the year before (Pluto went into Capricorn in 2008), in 2011 two planets will change sign (Uranus & Neptune), then no planet has an ingress for a decade. All this spells big trouble for 2010-11.

[14] http://www.contrahour.com/ItsJustTimeMartinArmstrong.pdf

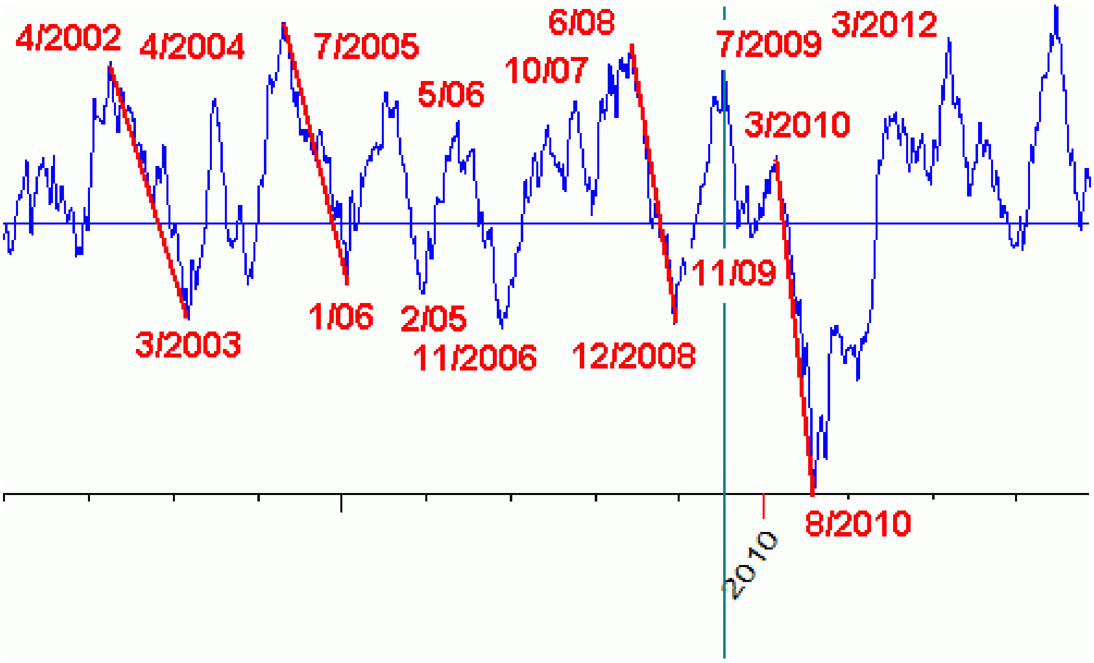

illustration 13: Bradley 2001-2014

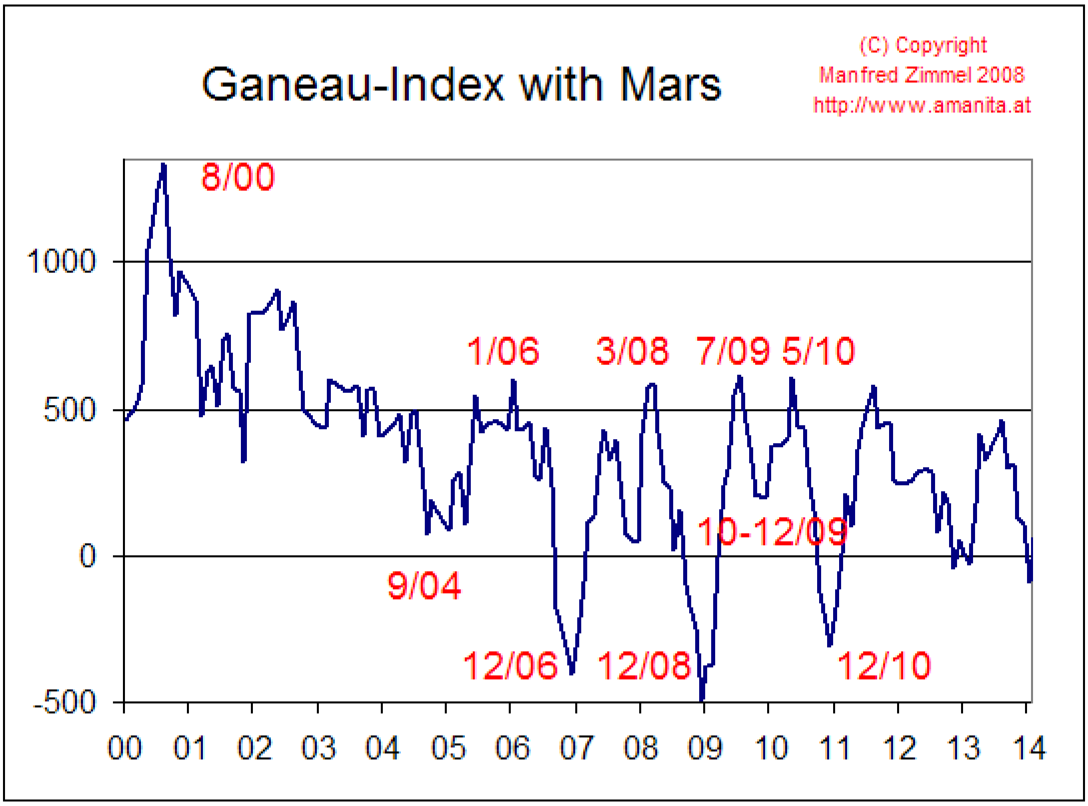

illustration 14: Ganeau index 2000-2014

3. 2009 analyzed: Jupiter-Neptune dominates

In 2009 secular trends of some to several years should reverse, this is cross-confirmed by a large number of factors. According to Bill Meridian, years with an exceptionally large number of eclipses (6-7) mark turn years. This is the full list 1965-2025:

- 1973 (7 eclipses): most important (nominal) stock market high in the 2nd half of the 20th century, onset a 7-year bull market in oil, bull market high for decades in grains.
- 1982 (7 eclipses): most important inflation-adjusted stock market bottom in the 2nd half of the 20th century, onset of a cyclic bull market in commodities (4-year cycle low in grains), in late 1981 most important bond low of the 20th century.
- 1991 (6 eclipses): 7-year low in grains, most important silver low of the 1980s & 1990s, in late 1990 most important crude oil top 1980-2000, 1990 Nikkei high, 1990 biggest correction stocks in the time frame 1987-1998, in late 1990 end of a 4-year bear market in bonds
- 2000 (7 eclipses): inflation-adjusted stock market high in the history of capitalism, start of a secular bull market in precious metals & commodities (late 1999 – early 2001), most important low in bonds +/- 10 years
- 2009 (6 eclipses): lows in stocks, commodities & euro – high in bonds?
- 2011 (6 eclipses): high of the crack-up boom?
- 2020 (6 eclipses): end of Kondratieff winter 2020-23, start of a boom into the 2030s in a completely different system than today?

The esteemed analyst Robert Rethfeld has performed a numerological analysis:

> *In the list of key years the year 2009 even ranks ahead of the year 2002 [the end of the biggest bear market – in nominal terms – since the 1930s, the Nasdaq as the 2nd largest exchange lost 85%, note]. Another major projection in this century is 2023.*

2009 (+/- some months, i.e. late 2008 already counts) has good odds of marking the nominal low of the bear market since 2000 in the benchmark S&P 500 (inflation-adjusted the indices are well below the 2002 lows).

A list of geocentric mundane constellations 2009:

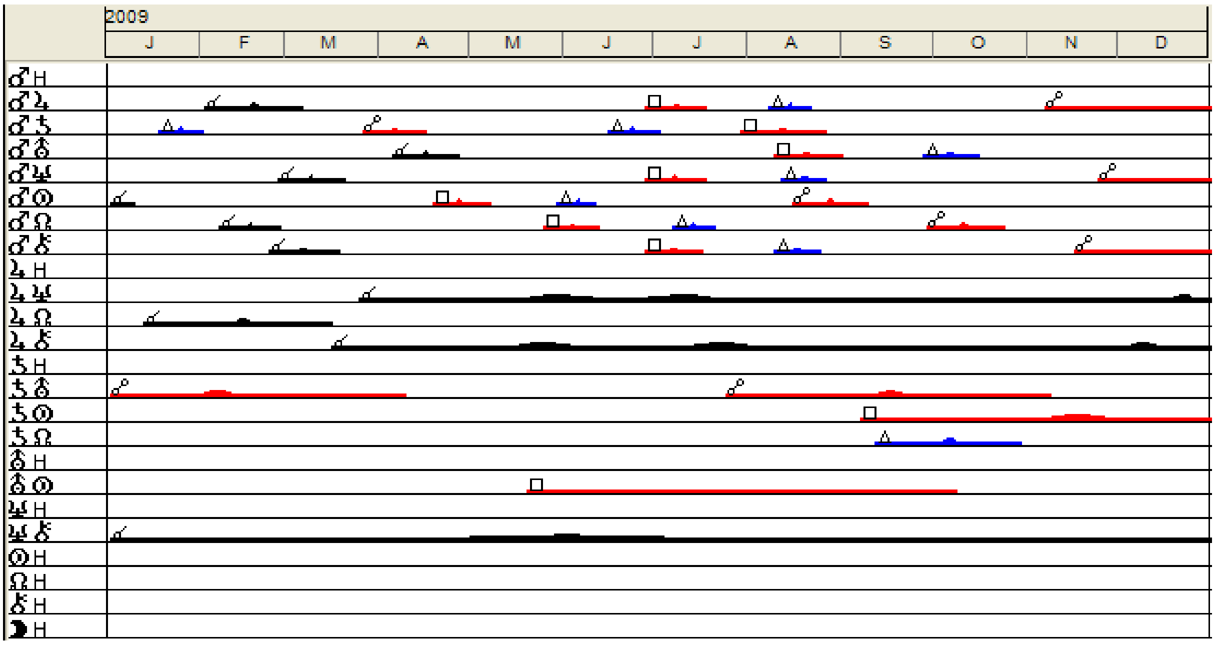

illustration 15: geocentric mundane constellations 2009

heliocentric mundane constellations 2009:

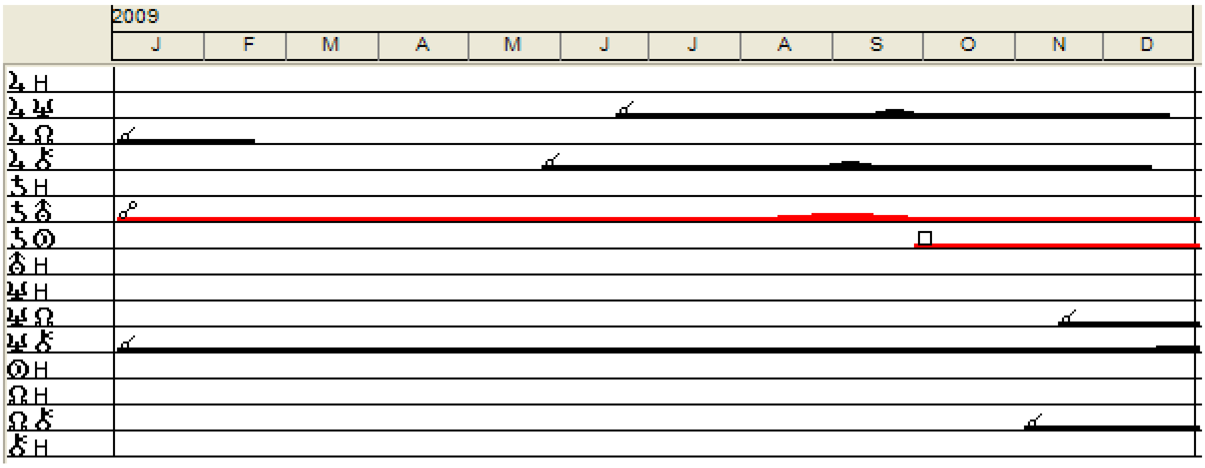

illustration 16: heliocentric mundane constellations 2009

The 4 key aspects 2009:

(1) <u>Jupiter-Neptune 0° conjunction 5/27/09, 7/10/09 – 12/21/09:</u>
The lion's share of the year appears to be characterized by Jupiter-Neptune, especially February – July 2009. While the conjunction (0°) of Jupiter and Pluto is the signature of recession or even depression, the conjunction of Jupiter & Neptune is the signature of hope, relief, good times, recovery, boom, especially just after wars end (e.g. 1919, 1945). In just 1 of 12 cases of the past 150 years we experienced a recession under this constellation (1894), all other instances were boom times.
Moreover, Jupiter-Neptune is the combination of inflation: the gold window was closed in 1971 just after the conjunction of these two bodies in Sagittarius which is the sign of (monetary) expansion. The gold ban in 1933 was discussed shortly after this conjunction, too. The Fed was founded in 1913 a few days after the opposition (180°) of Jupiter and Neptune, the PPT was founded days after the trine (120°) of

these two planets. So Jupiter-Neptune is 100% confirming the beneficial/ inflationary influence of the models discussed in the previous chapter.

(2) Saturn-Uranus 180° opposition 2/5/09 – 9/15/09:
Bearish for stocks & metals on average. This aspect was exact the first time on 11/4/08, in October-November the crisis 2008 culminated.

(3) Saturn-Pluto square 90° 11/15/09:
The combination of these 2 malefics is the clear anti-thesis to Jupiter-Neptune. Saturn-Pluto is the constellation of severe crises.

(4) Saturn-Galactic Center square 90° 10/3/09 geocentric, 11/13/09 heliocentric
This aspect is triggered in orb with Saturn-Uranus and Saturn-Pluto which reinforces its power considerably. The crisis 2007-8 was indicated by Pluto over the Galactic Center, a 250-year cycle. Saturn over the Galactic Center usually marks very difficult times, similar to Saturn-Pluto.

In the synthesis of all factors the following plan for 2009-10 can be erected:

- The year starts difficult and disinflationary in January – early February 2009. What can happen? Vice-president Joe Biden warned that, "*it will not be six months before the world tests Barack Obama like they did John Kennedy […] We're going to have an international crisis, a generated crisis, to test the mettle of this guy*.".[15] Colin Powell said that, "*there's gonna be a crisis come along on the 21st or 22nd that we don't even know about yet*."[16] You have to digest such a bizarre statement: he supposedly doesn't know what's happening but he does know the exact date…? Such a statement would only make sense in the context of astrology (if at all) but in the political context that's a hoax. Colin "we have proof of WMD in Iraq-liar" Powell obviously knows that something big (terror attack? military escalation?) is planned for late January 2009.
- February – March 2009: mixed
- April – summer 2009: the situation calms down and stabilizes (inflationary)
- mid-September - October (perhaps stretching into November) 2009: looks like a heavy crisis (disinflationary). I see the risk of the outbreak of a bigger war in fall 2009, among other factors because of the 33-months crisis cycle.[17]
- Late 2009 through spring 2010 again looks like the situation calming down (inflationary)
- The summer of 2010 should dwarf anything we have seen so far in history.

[15] http://www.globalresearch.ca/index.php?context=va&aid=10692

[16] http://www.youtube.com/watch?v=3ImjcoCmC-M

[17] http://www.amanita.at/e/reading/e-0704-33m.htm

4. Precious metals: gold is shining again

I'd like to discuss the precious metals first because they are supposed to be the most promising asset class for the next 1-3 years. From a fundamental perspective the metals are extremely cheap now. Many important producers are no longer able to contain production costs (let alone a decent profit), naturally such a condition can not last for a long time.[18]

According to "Silberjunge", gold & gold mines accounted for 26% of the total financial assets at the 1980 top, today it's 20 times less. $6000 an ounce gold is the target for the bears & deflationists, for the inflationists & bulls only the sky is the limit. The bigger the crisis, the bigger the demand for precious metals, especially gold, the only danger is that after 2010-11 no physical metal will be available any longer. Already in 2008 we saw massive delivery problems and the past few months deep storage gold with scratches was sold, a reliable sign that the last residues are now thrown onto the market. Another very important news is that the first time in the history of COMEX the gold futures were repeatedly trading at backwardation, confirming that physical supplies are running very low and that premiums have to be paid for immediate delivery.[19]

Total USD inflation since the silver low 2001 has been about +115%, but with spot silver dropping below +115% added to the 2001 bottom ($4.04) it fell to the lowest level in decades adjusted for inflation. These calculations are based on the Williams US CPI that might still underestimate true inflation if we take into consideration that production costs for an ounce of gold (silver should be similar) have risen by +12% on average since 2001, 2-3% more than the Williams CPI that estimates average inflation 'only' 9-10%. If we view the current price of silver in terms of production costs, then the undervaluation compared to 2001 gets even more grotesque. This is a chart showing the increase of production costs in 2007 in Canada, US, Australia, and South Africa. In the key countries USA & Canada costs soared by some 30% (chart by the Erste Bank).

[18] http://www.goldseiten.de/content/diverses/artikel.php?storyid=7777

[19] http://www.financialsense.com/editorials/fekete/2008/1205.html, http://www.ftd.de/boersen_maerkte/aktien/:Knappes-Edelmetall-Krisenszenario-am-Goldmarkt/450053.html http://www.24hgold.com/news-gold-silver-There-is-no-Fever-like-Gold-Fever.aspx?langue=en&articleid=352452_Antal_E__Fekete

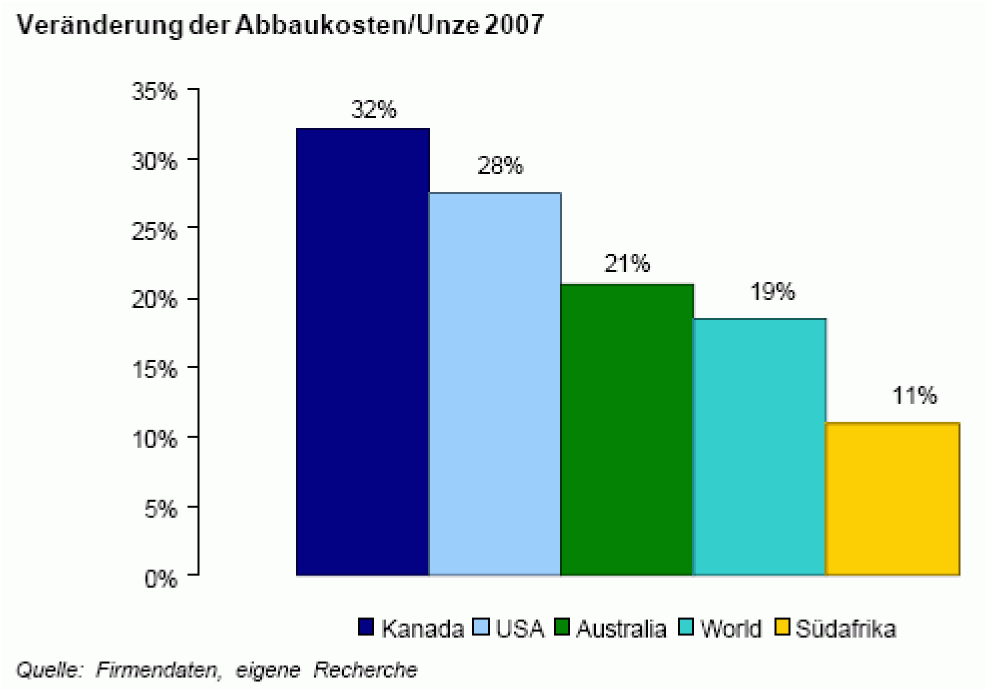

illustration 17: increase in mining costs for an ounce gold in 2007

Production costs are already higher than current spot prices in many commodities. Such an absurd situation can only last for months but not for years (March-April 2009 at the longest) as no one can sell at a loss for a longer period. Explorers are more or less dead, and even established mines have a very time getting fresh money, so gold production which has been shrinking since 2000 will most likely decline further. On the other hand, demand is growing not only from private buyers but also from the Chinese central bank.[20]

As expected, mines were slaughtered in 2008, both in absolute terms and compared to the spot, especially the small mines. I started warning of mines in 2007. There are many good reasons why you should bet (almost) only on the spot:

(1) mines are weaker in general: On average, the return of commodities is 3 times (!) higher than the performance of the commodity shares.[21]

(2) impact of the stock market: Mines are a blend of stocks & precious metals prices with the correlation with the spot being higher than with the indices (in oil it's different, oil stocks have a higher correlation with the stock market than with the oil price). Therefore it's obvious that the stock market is exerting some pressure on the mines. This also explains why from the 80s into the mid-90s the mines were much stronger than the spot (because of the equity bull market). Gold has beaten the S&P 500 every year since 2001 (in most cases by a lot) and this pattern should continue the next years.

(3) bull market cycles, mines leading: the longer a bull market lasts, the weaker the often desired leverage of the mines is compared to the spot. Between 1970 and 1980 gold rose 23-fold while the mines as measured by the Financial Times gold mines index only rose 7-fold. The bull market since 2000-2001 can be compared to the 1970s: similar to 1970-74 the mines were outperforming in 2001-3. The following bear market 1974-76 was only about

[20] http://www.china-observer.de/index.php?entry=entry081119-112617

[21] http://www.marketwatch.com/news/story.asp?dist=nbk&param=archive&siteid=mktw&guid=%7b433C93CC-ECAE-4A85-97FA-754155F3B948%7d&garden=&minisite=

-50% in gold but about -80% in the mining index. In the remaining 4 years of the bull market the spot was the only place to be.

(4) rising production costs, inflation in general: the higher costs, the weaker the mines. Production costs are rising even more than consumer inflation. In a fiat money Ponzi scheme mines 'must' underperform the spot over the long haul.

(5) fundamental over-valuation: the average price-earnings ratio of the 15 HUI shares was 23 at the end of 2008, that's quite high. Compare that with a PER of 8-9 for EuroStoxx & DAX (2/3 lower), the PER of the S&P 500 is 17 (still 1/3 lower).

(6) peak gold (silver): There are good arguments that - similar to oil - gold production can not be expanded further, both in oil and gold no new large reserves are being discovered.[22] Peak gold (and silver perhaps) would clearly boost the spot but hardly the mines. Peak gold alone would justify a price of $5000 an ounce and peak silver $100.[23]

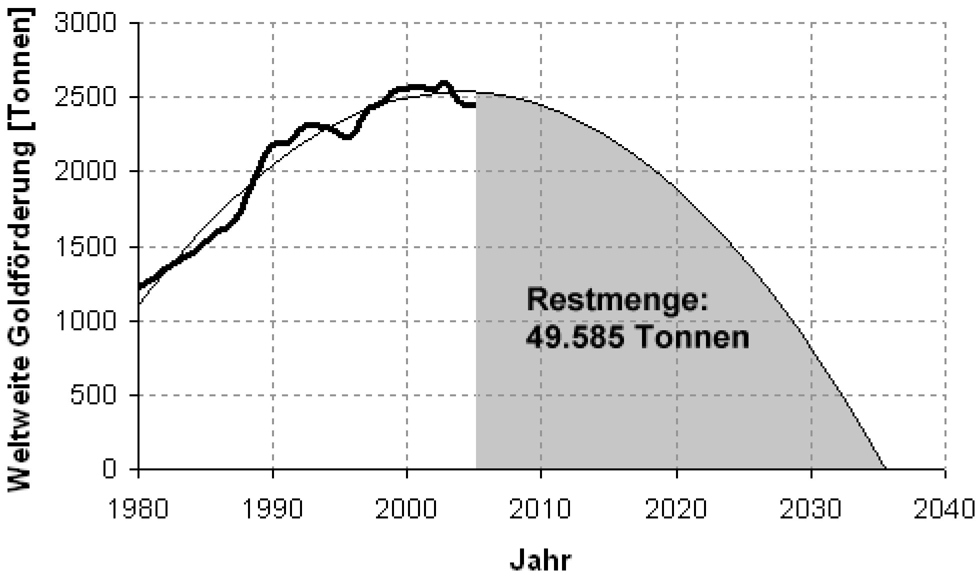

illustration 18: world gold production in tons

Although 42% of the exploration costs of gold are dedicated to gold, the new reserves are very small:[24]

[22] http://www.ft.com/cms/s/0/b997c8bc-c262-11da-ac03-0000779e2340.html?nclick_check=1

[23] http://www.goldseiten.de/content/diverses/artikel.php?storyid=2543, http://www.miningweekly.com/article.php?a_id=132628, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aNtib83weo7c

[24] http://info.kopp-verlag.de/news/natuerliche-seltenheit-von-gold.html

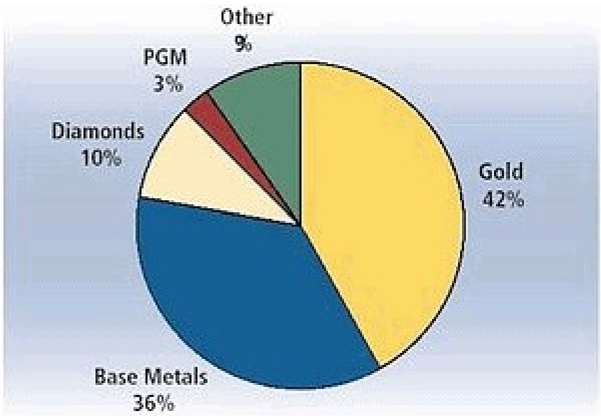

illustration 19: exploration costs

(7) credit crunch: Even larger mining companies have a very hard time getting new credit, which will cut back production the next years further. Especially the explorers and smaller mines are running out of money, a huge bankruptcy wave due to the credit crunch is approaching.

(8) risk of nationalizations: As we have seen in 2008, nationalizations are no longer restricted to dictatorships, so every shareholder should be prepared to lose his money if a company is nationalized.

(9) hedgers: Mines that have sold their production forward over the futures market will collapse if gold and silver prices continue to rise, and this means that production will tumble even further.

These reasons are a huge millstone around the neck of the mines and that millstone will likely get heavier each year, i.e. mines should lag the spot the next years and may even decouple entirely from 2011 on. I'd say that only excellent stock pickers that are able to achieve an outperformance of 20% each year are well off with mines. The odds for such a consistent outperformance are, however, less than 1:100, so if you haven't found the Philosopher's Stone you better forget the mines or hold only a handful shares.

In 2009 gold and silver should head towards new record highs above $1000/ $20 although silver will likely fail this year (gold is in a better situation).

highs 2009: May 2009, September 2009 (important; ideal high of the year)

lows 2009: late March - mid-April 2009, mid-October - late November 2009

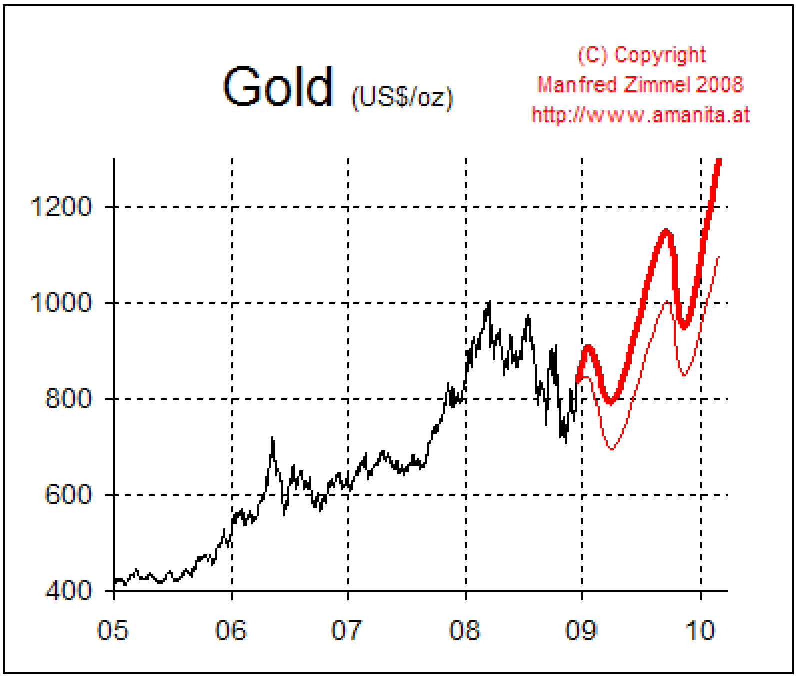

illustration 20: prognosis gold

5. Stock markets: inflation is the rescue

From December 2007 until July 2008 the stock markets did follow the path suggested in late December 2007 quite well, but after the clear break under the early 2008 lows in July the bullish scenario had to be discarded and from this time on a downtrend (or sideways trend in the best case) into early 2009 was projected. One reason for this change was that the count of the 18-months cycle had to be re-labeled: instead of the series of troughs 9/1998 - 2-3/2000 - 9/2001 - 3/2003 - 10/2004 - 6/2006 - 1-3/2008 I now count 9/1998 - 2-3/2000 - 9/2001 - 3/2003 - 8/2004 - 1-2/2006 - 8/2007 - 2/2009 – 8/2010 (give or take +/- 2 months). The coming (perhaps already set) low should also mark the trough of the 4-year cycle, the longest 4-year cycle in the history of capitalism (inflation-adjusted last bottom: March 2003).

The coming bull market ideally lasts through to April-May 2010, then a short bear market starts until inflation is getting so high that everything (bonds excluded) begins to rise.

The Benner-Fibonacci cycle aligns perfectly, since 1919 the highs and lows were all hits within a window of +/- some months, with just a single exception in 1964 (N=20):

- 1995 low: low December 1994 (USA) – March 1995 (Europe)
- 2000 high: inflation-adjusted high of the stock markets in 2000
- 2003 low: bear market end in March 2003
- 2010 high: This high is due from late 2009 through early 2011, most likely in Q2/2010 because by mid-year 2010 there is a host of tension angles in the sky - but it can't be ruled out that the (inflation-adjusted) high is already set in September 2009. And it's possible that this bull market not even offsets inflation in the US (= nominal bull market, real bear market), in Europe both outcomes are realistic (nominal bull market, real bear market or nominal & real bull market). Needless to say, the outcome heavily depends on inflation numbers, 50% $-inflation will most likely be beaten by the stock indices for months at most but hardly for years.
- 2011 low: This low is due from late 2010 through early 2012, we might fall lower (in real terms) into Q2/2011.
- 2018 high
- 2021 low: the low of the 50-60 year Kondratieff wave, start of a boom for decades

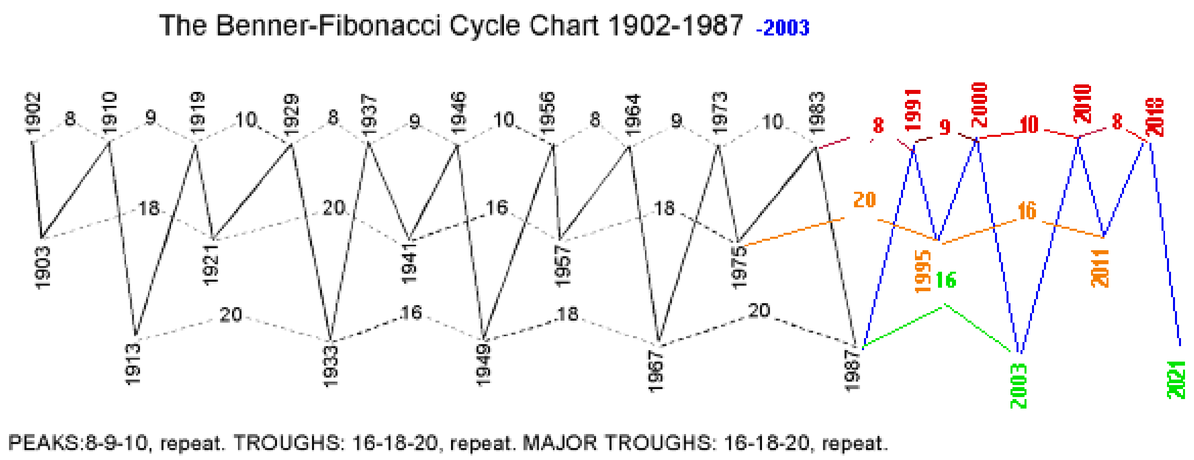

illustration 21: Benner-Fibonacci chart

My inflation-adjusted Elliott wave for the Western stock markets is that the year 2000 terminated the bull market which had been running since the 18th century and this is the 9th year of the correction of the large super-cycle. In nominal terms, the ABC correction off the 2000 high will likely be over by 2008-11 and the indices could rise to 100,000, 1 million or 1 billion points. Nevertheless, adjusted for inflation neither the S&P 500 nor the EuroStoxx 50 should ever take out their Y2K highs in our lifetime.

In the year following the 4-year cycle bear market, the Dow Jones has risen by 30-50% on average historically. That's why I expect an advance into late 2009/ spring 2010 from the late 2008/ early 2009 bottom by at least 30-50%, it's possible but not likely that the 2007 highs are attacked. The entire rally is only a product of inflation, don't expect gains if inflation is deducted.

The Barnes index has plunged to an all-time low because the average yield of the S&P 500 companies was never higher compared to the short-term interest rates in the US (barely above 0%), so market risk is virtually non-existing according to this indicator. Nevertheless, gold has beaten the S&P 500 every year since 2001 (usually by a lot) and this pattern should continue to work the next years.

illustration 22: Barnes index

good sectors for the next years:

- utilities: electricity, water (DJUSWU) and others
- agriculture: is getting more important
- industry, production: the public infrastructure investments help
- defense, weapons: impending wars

Bad industries for the coming years are especially real estate/ REITs as well as the entire financial sector because the first 5 years after a bubble bursts (here: 2007) one should avoid this market. I warned of these sectors in 2007, as expected they have imploded the past 2 years. Please note that both sectors topped in early 2007 and that the typical pattern is that some 2.5 years after the top of a bubble an initial bottom is formed and a reaction for around one year follows. Therefore some time in 2009, ideally in the 3rd quarter, a rally in real estate & financials should start.

Good countries & regions for the next 5-10 years:

(1) Europe, especially Germany: At present the EU GDP is much larger than US GDP, after these two giants Japan and China ranking next, with a large gap.[25] Europe has become the secret leader although this is not realized by most people. Many soft indicators confirm the change in sentiment, i.e. more and more US citizens who formerly emigrated to the US are returning to their home countries.[26] It's always the leader who attracts most immigration. In late 2007 the Euro CFR[27] was established, a clear sign for those who can read between the lines. Since the US empire is about to fall apart, a new leader for the fascist-communist new world order is needed, this can only be Europe because China is not under full control of the illuminati. The main goal of the Lisbon treaty is to prepare the EU for its global leader role, the military buildup required by the treaty is the core of the treaty (apart from the minor improvements in some areas to blind the brainwashed crowd).

(2) Many soft (social) and hard (economic) indicators are suggesting that the US is falling back to the level of a developing country. Investing means that future wealth is increased while consuming means to live now at the expense of the future (i.e. the ex-

[25] http://de.wikipedia.org/wiki/Liste_der_L%C3%A4nder_nach_Bruttoinlandsprodukt

[26] http://www.orf.at/080609-26003/26004txt_story.html

[27] http://de.wikipedia.org/wiki/European_Council_on_Foreign_Relations

act opposite). Kurt Richebächer, formerly chief economist with Deutsche Bank, has analyzed this fundamental imbalance many times. US net investments have been collapsing for many years, if you take out the hedonic nonsense the numbers are even more worrisome. Being the world champion in consumer spending means nothing else than wealth being exported to Europe & Asia all the time, focused on the leaders in export: Germany, Japan & China.

(3) The demographic cycle is very positive for Japan, South Korea, China & Thailand the next decade but the problem with China & India is, of course, that in 2007 a bubble did burst and you are well-advised to stay away from a post-bubble market for at least 5 years (until 2012).

Bad countries & regions the next 5-10 years:

- US: Around 2020 the US stock market should be 95-99% below the 2000 high in real terms.
- Russia, Arabic countries: In Russia a bubble imploded in 2008, in some Arabic countries already earlier. The most bullish time for the oil price should be over by now, this is bad news for the oil-producing countries. Another drawback is that the risk of a major war involving Russia or the Middle East is rising considerably each year from 2009-13. Russia is also bad from a demographic perspective, although the Russian stock market today is very cheap with a price-earnings ratio of less than 5.

The year 2009 should be dominated by the bullish initial stage of the 4-year cycle. I proceed on the assumption that the 2nd quarter 2009 (especially April) is most bullish for stocks, fall 2009 (mid-September through mid-November) should be most bearish. The 1st quarter looks mixed.

lows (+/- 2 weeks, signatures for lows are the angles of Jupiter to Saturn and Neptune for instance): important are February 2009 (ideal bottom of the year), late March 2009 & late October – November 2009. Other, presumably weaker lows are early June 2009 and August 2009. In his book “Time and Money” published years ago, Robert Gover mentions a possible panic date 2/5/09. Gover’s projected panic date 7/1/08 has turned out as correct.

highs (+/- 2 weeks; signatures for highs are Jupiter-Uranus for instance):
January 2009, early May 2009 (rather important), late June/ early July 2009, September 2009 (important, first candidate for the annual top), December 2009

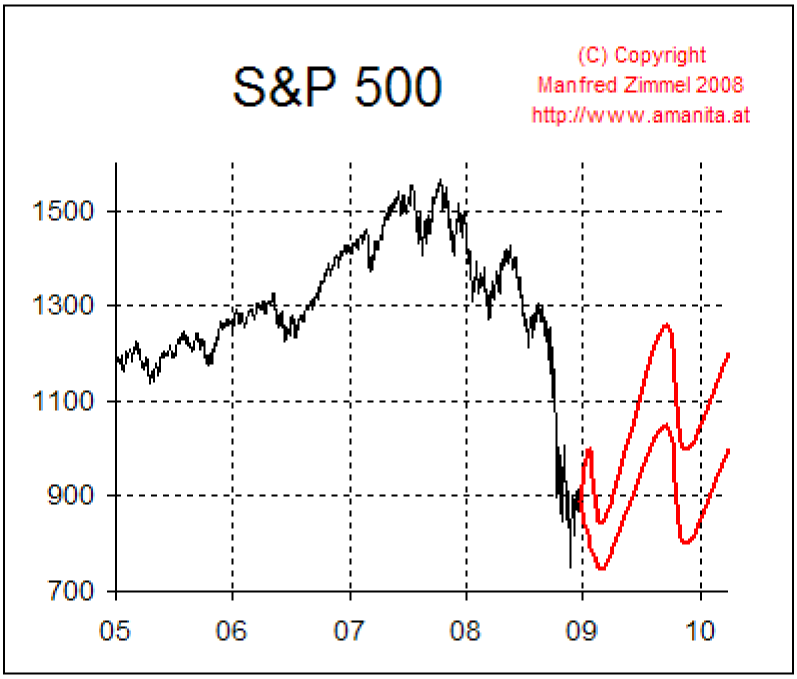

illustration 23: prognosis S&P 500

6. Bonds: the bubble bursts

illustration 24: cartoon from the "Smart Investor"

Short-term interest rates are at 0% in the US, global interest rates apparently want to test the historical all-time lows set before the birth of Jesus as the chart over the past 5,000 years below suggests. Our human civilization has its roots in the early high cultures (Sumerians, Egypt) some 5,000 years ago, which is also the time span of the Long Count in the Mayan calendar (5,125 years = 1/5 of the precession cycle of about 25,800 years). The end of the Mayan calendar is approximately 2012, which is defined astronomically as the passage of the solar system through the Galactic Equator 2008-15 (happens only every 13,000 years).

- The first spiritual input for the development of civilization as we know it came from Krishna, according to tradition born on either July 18 or 21, 3228 B.C. under the sign of Cancer (died 3102 B.C.).
- The next important spiritual input came at a 3000-year interest rate high 500-600 B.C. with Buddha, Lao-Tse and the Greek philosophers starting with Socrates (perhaps also Zarathustra).
- The birth of Jesus marks the beginning of the Age of Pisces, the all-time low in interest rates in the first century B.C. did, of course, lead to a giant inflation in the Roman empire soon thereafter.

- Now we are again at the beginning of a new age. It's no surprise that the zero interest rates in the 1930s did lead to huge inflation in the 1940s and the decades thereafter. E.g. in China a 60 million Yuan bill was issued and you had to pay 24 million Yuan for one US dollar.[28] In Hungary a 1,000,000,000,000,000,000,000 Pengö note was issued.[29] What else can you expect than prices with many zeros added in the future?

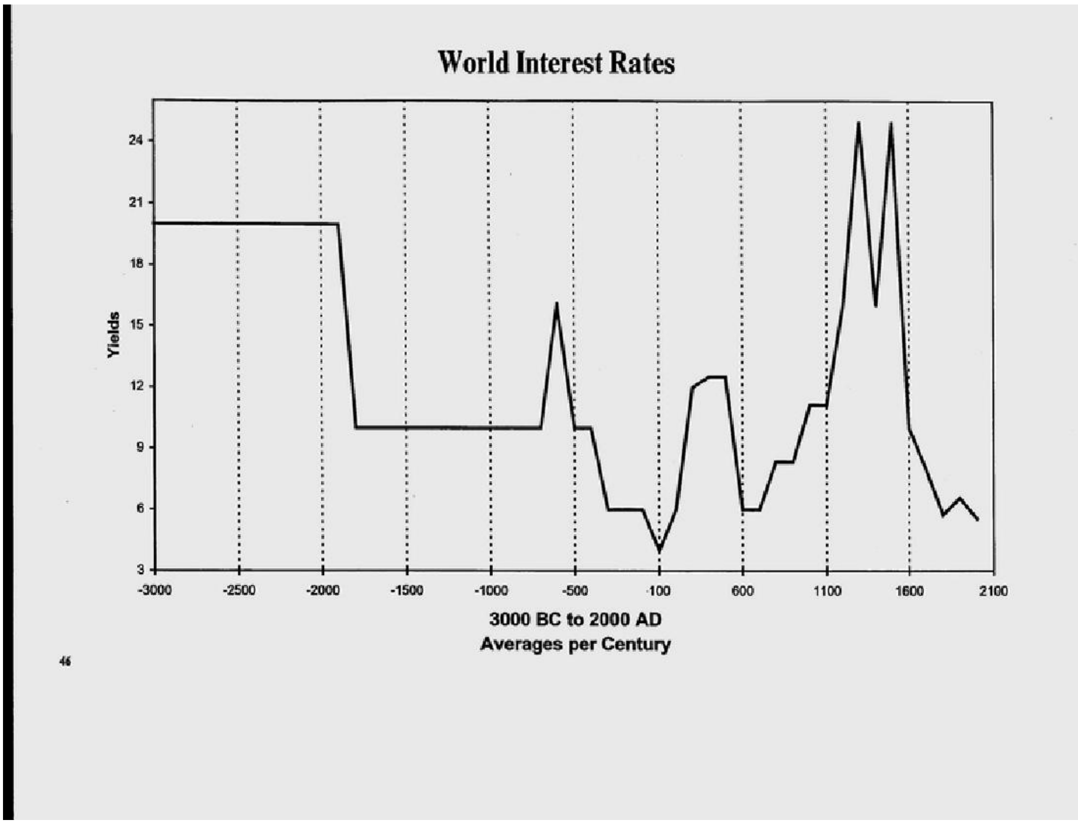

illustration 25: world interest rates of the past 5,000 years (chart source unknown)

We should be close to the end of the biggest bond bubble in history, important reasons for the coming bond bear market bringing government bonds back from 100+ to 0-20 (an intervening bounce is due in 2010):

[28] http://www.fee.org/publications/the-freeman/article.asp?aid=4584

[29] http://tomchao.com/hb12.html

1. absolute limit 0%: In December the 10-year T-notes yielded only 2% after 4% in November. We are approaching 0%, the natural (lower) limit for interest rates and the (upper) limit for bonds. This pattern is know from the Japanese JGB that topped at 140 with 0% in 2003. If long yields are indeed dropping to 0%, then one has an extra-ordinary set-up to take out the big guns on the short-side. As far as is humanly possible to tell, the bond can not rise (much) higher from this point on, in the worst case a short position is exited with +/- 0. In other words you can only win not lose. Actually one could already bet on rising short interest rates (T-bills) but that's not easy for the retail investor.
2. sentiment: On 12/9/08 the treasury bill auction for the 1st time in history resulted in a negative yield. Such an irrational sentiment is similar to the crowd madness accompanying technology stocks in early 2000, a safe sign for the final stage of a bubble. Negative yields were only registered in Japan for some over-night sessions in the interbank market, in early 2003 just before the mid-2003 JGB all-time high.
3. astrological reasons: Hard aspects of Jupiter-Neptune are inflationary and thus bad for bonds, the last aspects were 2006, 2003, 1999/ early 2000, early 1997. The bigger part of 2009 is characterized by Jupiter 90° Neptune.
4. The 5-year cycle of bond tops is quite exact (highs holding for 1-2 years): early 1983 – early 1988 - 1993 – October 1998 – June 2003 – late 2008/ early 2009 bond top?
5. The exploding inflation will sooner or later exert pressure on interest rates as bond holders won't accept a guaranteed loss (negative real yield) forever.
6. Government debt will expand enormously because the supply of state obligations explodes. In addition, the Fed is planning to issue bonds which will push inflation higher again. In the past months the Fed has extended its balance sheet (created fiat money out of thin air) from $900 billion to $2 trillion, i.e. by more than +100%.

7. At the same time demand is shrinking: China owns about $2 trillion USD reserves, thereof $600 billion (30%) in US bonds[30] and $400 billion (20%) in Fannie Mae and Freddie Mac. The Chinese stimulus package means that China is buying much less of the US trasheries or may even start to sell them. So who is buying them? At the end of the hyperinflation the Fed is going to buy 100% of the worthless paper issued.

8. looming government defaults: The doubt whether states will be able to serve their debt is getting louder and louder: the premium to insure against state defaults is going up a lot. 1.5 years before Lehman went bankrupt the debt insurance did cost the same as the insurance against a US default in late 2008…[31] Some states were already in danger of collapsing in 2008, e.g. Iceland, Hungary, Italy. An Italian minister recently confirmed that the country might go bankrupt soon.[32] In 2007 massive disruptions began in the euro zone, the spread between the German Bund and the weaker Greek, Italian, and Spanish government bonds (PIGS states, Portugal is somewhat better) has widened to the highest level in

9. the history of the euro. The increasing differentiation (risk perception) even within the Eurozone countries is the first step towards a global default which can be defined as the complete and realistic risk perception by the market.
10. Bonds continue to be the anti-thesis to other markets, the correlation of bonds in the past 180 trading days was up to -0.81 with the S&P 500 and the euro and even -0.93 with oil. Since liquidity is expected to drive the markets higher at least into the summer of 2009, bonds should decline most of 2009.

[30] http://www.treas.gov/tic/mfh.txt

[31] http://www.mmnews.de/index.php/200809251127/MM-News/US-Schulden-schlimmer-als-Lehman.html

[32] http://derstandard.at/?url=/?id=1227287831676

This is a chart of US interest rates on the short and long end since 1985:

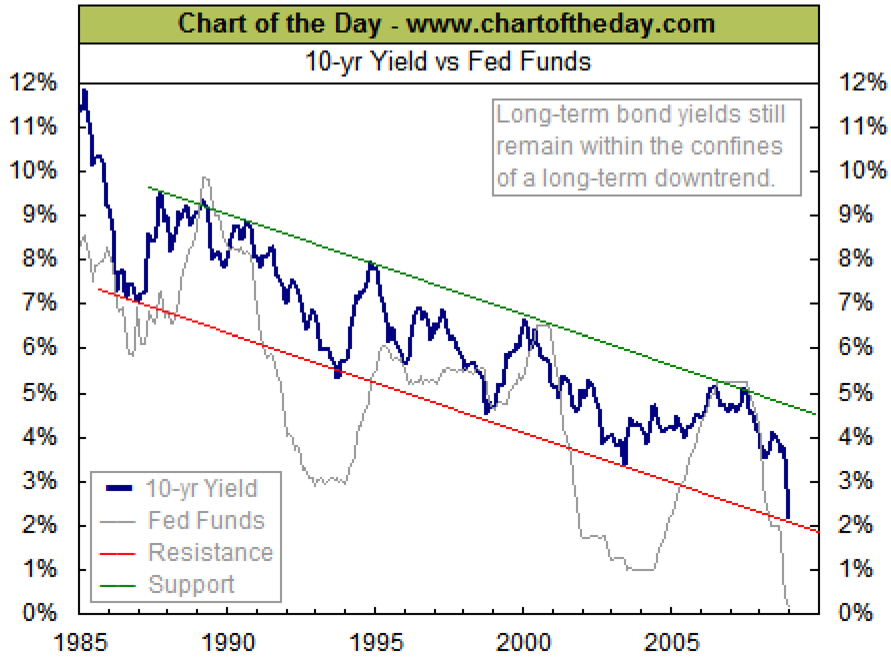

illustration 26: US interest rates on the short and long end since 1985

Of all markets, the bond market is the least clear at present. The best situation from an analytical perspective would be for the yield on all levels to drop to 0%, in this case notes would top out at 140 or somewhat higher and could only go lower from this point on. The other uncertainty factor is that from mid-October through November both a high and a low are due in the long-term model. Some time before November 2009 at the latest the first bear market leg into mid-2010 should start. Bonds are still in exceptional mode P<5%.

<u>lows 2009</u>: February (questionable, weak), November 2009 (important)

<u>highs 2009</u>: May – mid-June 2009 (somewhat questionable, weak fit with other markets), mid-October – mid-November 2009

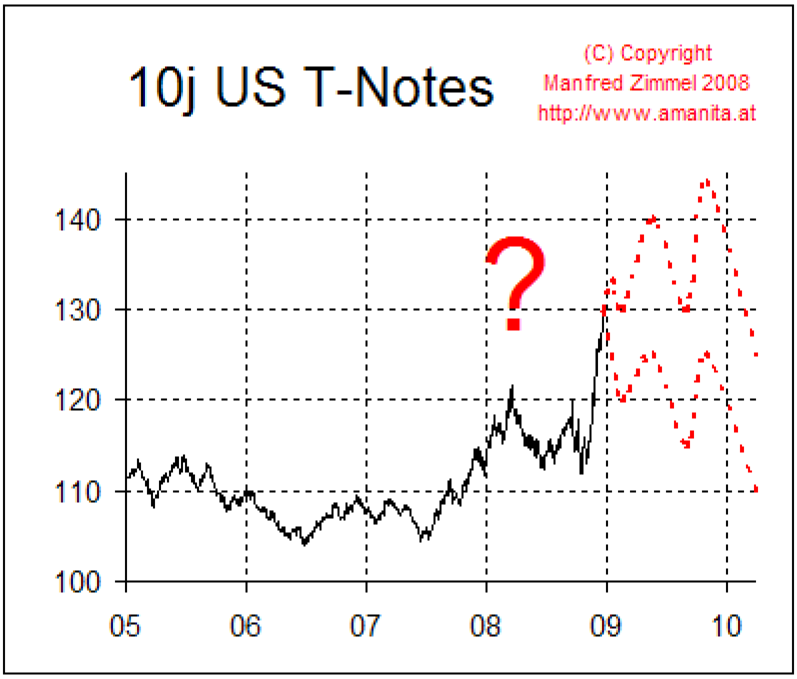

illustration 27: prognosis US T-Notes

7. Oil: oil-shock ahead?

The huge rally to $150 in July 2008 touched the upper band of the projection from December 2007, alas the subsequent deep slump was not foreseen in the year 2007. Still, this was repeatedly discussed in the later editions of the market letter. In early July 2008 (when a barrel crude was trading in the $140s) I wrote that insider information from the illuminati suggested that oil was planned to crash to $50 before the US elections in November. While I passed that information to the Amanita premium subscribers, I wouldn't really believe that oil would fall to $50 and lower – with hindsight clearly a mistake.

What's driving oil up at present?

(1) supply decline: many large producers (except in the Middle East) can't even earn their costs with CL in the $40s. It's clear that you can't sell at a (high) loss for a longer time, only weeks to months at most but certainly not years. Even countries that are still able to make a profit (because they are operating old rigs) would go bankrupt soon because state revenues would shrink a lot.
6.3% of the liquid fuels are not made of crude oil (e.g. ethanol, liquid gas) and are not

profitable at current prices, so this share of supply is withdrawn soon barring a fast increase of the oil price. The ongoing credit crunch is slashing oil production, e.g. Petrobras, the state-owned Brazilian oil company, has problems to explore deep-sea oil because many suppliers for oil rigs and equipment can no longer deliver as agreed upon because their banks did cut the lines of credit over night. Now Petrobras has the choice of either granting the credit itself or look for new suppliers. Either solution will lead to delays and higher costs.[33]
Another important supply-cutting factor is that on 12/17/08 OPEC decided to reduce oil production by 15% from 1/1/09 on, this is the largest cut in history. Russia (a non-OPEC member but the largest producer, together with Saudi-Arabia) joined the meeting and will implement the reduction, too. The big question is the discipline of the countries. In my opinion you can bet on the discipline of the countries because on the one hand actual production was very close to the decisions in the past years[34] and on the other hand many oil countries (and their governments, e.g. Venezuela) are struggling for survival, which naturally increases discipline a lot.

(2) increase of demand: Oil production could hardly be increased the past 4 years because of peak oil. Peak oil was the driving force behind the huge bull market from $10 to $150, much more than other commodities. However, starting in 2010-13 peak oil will no longer be a major factor in determining oil prices because global demand will falter much faster than production if the global GDP is collapsing by 20-30% and more.
Yet I do expect that peak oil will play a role a very last time, triggered by the crack-up boom produced by the huge stimulus packages around the globe. Economic growth and oil consumption do have a very high correlation short- to intermediate-term, r=90-95%. Oil consumption will likely even rise more than GDP growth because infrastructure primarily means concrete and steel, and both are very energy-intense. By the way, US oil consumption stalled at 20.7 million barrels a day 2004-7 (and falling a lot in 2008), another confirmation that the US economy has been contracting the past 5 years, there never was (much) growth. Only Chinese demand was soaring which was responsible for world production bumping against the technical limit set by peak oil. Most likely, global crude demand will rise in 2009-10 by a few percentage points (I estimate 3-5%), which is more than enough to drive prices for a barrel through the roof. Please take into consideration that the oil market is very sensitive, just some tenths of a percent change the price for a barrel by say $50. The famous oil crisis of the 1970s saw production sinking by a just over 2%. In 2008 global oil demand is shrinking the first time in 25 years (by 0.2%), this is enough to crash the oil price .[35]

(3) inflation drives production costs higher: The costs for a barrel including taxes and customs amounts to $60-$70 on average, with huge differences though, ranging from less than $10 to more than $100 in the case of offshore drills. Production costs are rising at warp 15 in the key oil countries: the Arabic countries have official 2-digit inflation rates, Russia 15%, Iran almost 30% and Venezuela even 36%.

(4) secular trends usually run for about 18 years (cycle of lunar nodes), the oil bear market lasted from 1980-1998, an end of the oil bull market after less than 10 years would be very surprising.

(5) wars: Obama is nothing more than a tool in the hand of Russia-hater Zbig Brzezinski who wants to destroy Russia. It's clear that the biggest oil producer Russia, when under pressure from the West, will retaliate with the oil weapon. In late 2009 and 2010 the danger is high that the geopolitical situation escalates, either NATO directly or in-

[33] http://nachrichten.finanztreff.de/news_news,awert,nachrichten_rohstoffe,bwert,,id,28132586,sektion,uebersicht.html

[34] http://www.dekabank.de/globaldownload/de/economics/vowi_aktuell_rohstoffe_oel/VA_08-12-17_Oelmarktbericht.pdf

[35] http://www.swissinfo.ch/ger/news/newsticker/OIL_IEA_Globale_Oelnachfrage_geht_2008_zurueck_erstes_Schrumpfen_seit_1983_AF.html?siteSect=146&sid=10080401&cKey=1228998615000&ty=ti&positionT=1

directly attacks the Shanghai Organization for Cooperation (with Russia and China being the key members) or there is a new war in the Middle East, both hyper-bullish for the price of crude.

(6) The forward curve in the CL futures is so contango-prone as only twice before in history, near the lows 1990 and 1998 – in both cases bull markets of hundreds percent followed. Such a structure in the futures market is indicative of tremendous stress to oil producers who can't afford to sell at the current price far into the future.

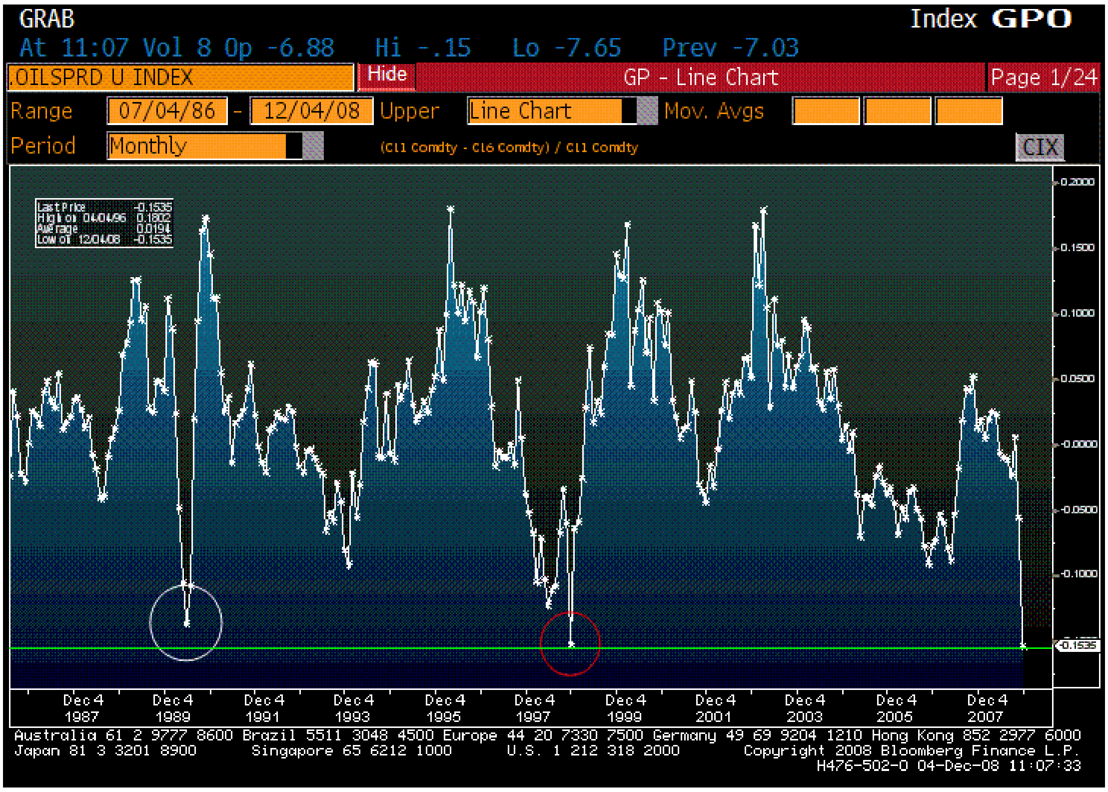

illustration 28: forward curve crude oil

(7) liquidity: Oil has a high correlation with other markets, it has a 'freedom' of hardly more than 10-15% (square of the correlation coefficient about 90%). Thus oil is expected to float higher with liquidity and the financial markets into August-September 2009. The correlation with wheat is a good example of the almost perfect synchronization, as this chart demonstrates:

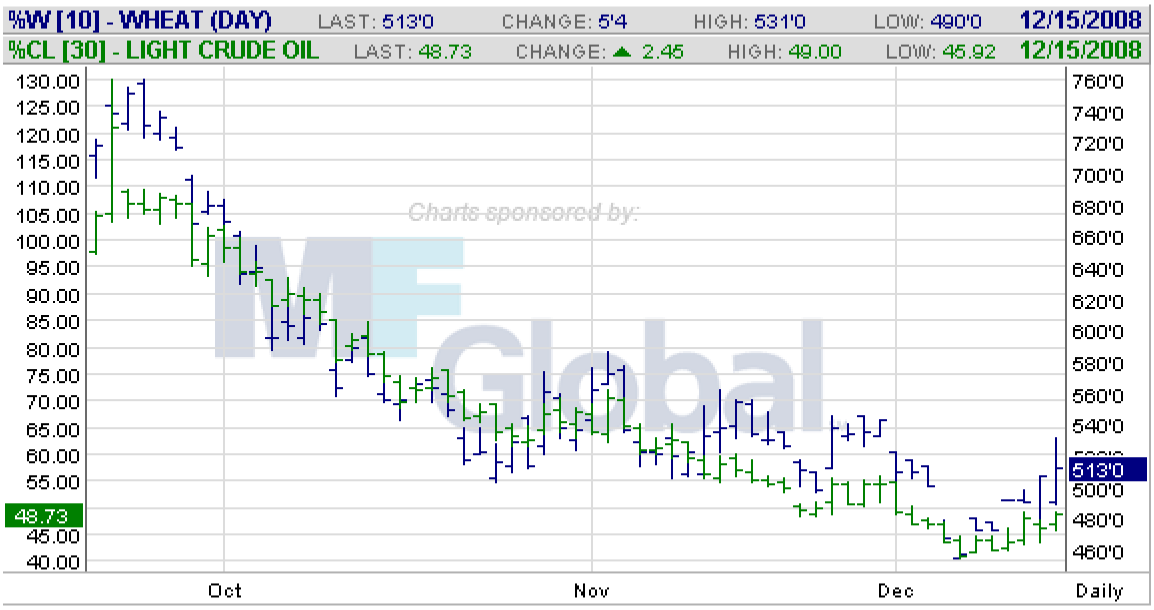

illustration 29: wheat & crude oil correlation

All these factors are supposed to push oil production to the technical (peak oil) limit - a last time in the history of capitalism - and drive the price to \$300-\$500 a barrel at the mid-2010 high (preferred scenario). In the alternate scenario we only see \$100-\$150 which will barely cover production costs if the soaring inflation is included. The inflation-adjusted oil top \$40 in 1980 is now \$300-\$350 and presumably rising to \$400-\$500 or more in 2010. Besides, slaughtered markets often show a violent reaction: e.g. the HUI index fell by more than 70% into the low 2008, then a fat bounce of more than +100% followed in late 2008 within weeks.

Around mid-2010 one should close the investment positions in oil, on the one hand because the oil bubble is expected to burst in 2010 (perhaps as late as 2013) and on the other hand because paper is simply getting too dangerous after 2010-11. So the bulk (2/3 or ¾) should be held in precious metals in physical form. In 2011/12 at the earliest a small part (10-20%) can be shifted back to real estate because until then inflation-adjusted real estate prices should have totally collapsed. Still, real estate is not the best investment choice before 2020 (the new Kondratieff).

Neptune, the planet of socialism, inflation and all liquids (sea god) apparently pinpoints oil highs (partly commodities in general) when it's at 27° in a sign. The planet was discovered on 9/23/1846 at 26°58 Aquarius heliocentric (the "Communist Manifesto" was published in 1948). On 6/27/2010 Neptune is at 26°58 Aquarius again (Neptune return) which confirms a major high for oil/ commodities/ liquidity in general for mid-2010. In the hyperinflation 2012-13 some zeros might be added to the oil price, but that's not saying much about inflation-adjusted prices.

Compare that with Uranus, the planet of capitalism and revolutions that was discovered in 1781, right in the middle of economic and political revolutions (1776-1789). The first Uranus return in 1865 coincided with the US Civil War, the second return in 1949 with the establishment of the capitalistic post-WW2 system (United Nations, World Bank, IMF) but also with the declaration of communist China.

The 3 most important crude tops of the past decades were set in 1980, 1990, and 2000, this 10-year cycle confirms 2010 as the next big oil top. And finally, a bull market top by mid-2010 aligns perfectly with the equity market that is expected to top out somewhat earlier in the 2nd quarter of 2010. Historically, oil is following stocks with a delay of several weeks to a few months:

- The oil top 10/1990 came 3 months after the stock market top 7/1990.
- The oil bottom 12/1998 was set 2 months after the stock market bottom 10/1998.

- The oil top 9/2000 came 1 month after the stocks secondary top 9/1/2000 (resp. ½ year after the exact top 3/2000).
- The oil bottom 11/2001 came 2 months after the stocks bottom 9/2001.
- The oil top 2/2003 came 2/6 months after the stocks double top 8/2002 & 12/2002.
- The oil bottom 4/2003 was registered 1.5 months after the stocks bottom 3/2003 (resp. ½ year after the nominal low 10/2002).
- The oil top 7-8/2006 came 2-3 months after the stocks top 5/2006.
- The oil bottom 1/2007 came ½ year after the stocks bottom 7/2006.
- The oil top 7/2008 was printed 2 months after the stocks secondary top 5/2008 (or ½ year after the precise bull market top 10-12/2007).
- The next oil bottom is due 1-2 months (perhaps up to ½ year) after the stocks bottom 11/2008, i.e. 12/2008-1/2009 (or in the 1st half of 2009 at the latest).

The position of the illuminati is not really clear on that topic. The Bilderbergs (secret conference of the most powerful people on the planet each year in May/ June, either in North America or Europe) did set a target of $150 for crude[36] when oil was still in the $40s. In early July 2008 (just before the oil all-time high) I wrote of secret decisions to suppress oil for the rest of the year. In August (oil around $120) I shared the following information:

For the sake of completeness I want to tell you about a message from a trustworthy source: someone who participated in an illuminati meeting said while the illuminati plan to send oil to $500 a barrel over the long haul they want to suppress it to $50 before the end of the year.

Lindsay Williams who became quite popular because of his $50 oil prognosis in late July[37] says that he received insider information that the plan is to keep oil at $50 in order to crash the financial system. I am highly skeptical of Williams' information for several reasons:

(1) His information is internally not consistent, a totally collapsing dollar as he suggests for 2009 would almost inevitably drive the oil price much higher.

(2) I speculate that Williams was chosen (without his knowledge) to mislead the public, the strategy is clear: first make him big with spectacular correct information, then feed him (and thus the public) with wrong information.

(3) If certain ideas are becoming very popular (e.g. Williams' top listing in the Google videos!) you have to be very concerned from a contrary point of view, the crowd betting on one horse is a reliable sign that the opposite will happen.

(4) Many statements do not fit my scenario.

(5) Price manipulations can only control a market for the short-term (weeks to months) but hardly longer. Usually oil is leveraging the other markets but, by and large, is in accordance with liquidity (stocks & commodities). Crude nailed down to $50 contradicts the presumably rising other markets (and a falling dollar), that's hard to imagine.

Meanwhile the background of the manipulations has become clear: the goal of the maneuver is to weaken Russia and the Arab countries or even force them to default, and in addition Venezuela is attacked (Hugo Chavez has been a declared enemy of the illuminati for at least 8 years, even a CIA coup against him failed). The new US president Obama is the instru-

[36] http://www.bilderberg.org/2005.htm#AFP

[37] http://www.prisonplanet.com/the-alex-jones-show-l-i-v-e-dec-1-with-paul-joseph-watson-lindsey-williams-major-general-stubblebine.html, http://www.youtube.com/results?search_query=%22lindsay+williams+oil%22&search_type=&aq=f

ment of Russia hater Zbigniew Brzezinski whose goal is to secure US dominance by destroying Russia, e.g. by dissecting rivals into micro states.

This strategy (first pump them up, then blow them up) has been applied many times successfully in history. The most prominent example is the depression of the 1930s that certainly was not an 'accident' as the official story wants to make you believe, but rather the perfect implementation of a clever plan to accomplish at least 3 targets:

- Gold was declared illegal in 1933/34 – gold is the natural enemy of Wall Street and the high finance.
- Several thousand (!) small banks went bankrupt, the high finance behind the big names in the banking industry could thus destroy a huge number of competitors literally over night.
- Today – almost 80 years later - the brain-washed mass media are still talking of the danger of deflation (that was allegedly responsible for the crisis). It seems the gangsters & madmen leading the central banks have received eternal permission (or even obligation) to defraud every citizen on the planet every day of his money (through inflation). Of course, the truth is just 180° different: the depression was the direct consequence of too much artificial liquidity in the Roaring Twenties. Deflation is as 'dangerous' as being dry for an alcoholic: short-term it's very painful but over the long haul that's the only way to survive. The bigger the (liquidity) intoxication, the worse you feel afterwards. In other words: inflation is the disease and deflation is the healing.

Other examples:

- The fall of the Eastern bloc lead by Russia was triggered by the low oil prices in the late 1980s, this was the straw that broke the camel's back.
- The Iraq invasion in Kuwait was similar: Iraq was more or less bankrupt in 1990, a looming state default was a big threat for the regime. Then Saddam Hussein (a faithful ally of the US for decades) was lured into a trap as the US ambassador in Iraq gave the permission to invade Kuwait.
- The low oil prices in the late 1990s resulted in the default of Russia in 1998.

Conclusion: a lot of uncertainty is remaining, the oil market is very political for the time being. But as long as correlation remains 90% or higher with other markets, it should not diverge too much and too long from stocks, gold/ silver, euro & grains and complete the bottoming out in the first months of 2009 at the latest. However, oil is still at risk as long as the markets remain more or less trendless the next months. In powerful trends oil is unlikely to decouple. Most uncertainty exists for the first half of 2009 before the stimulus packages start to boost oil demand. Prices are always of secondary importance in the Amanita forecasts but almost never has such a huge price band been allowed. Oil is still in exceptional mode P<5%.

<u>highs</u>: September – October 2009

<u>lows</u>: July 2009 (important), December 2009

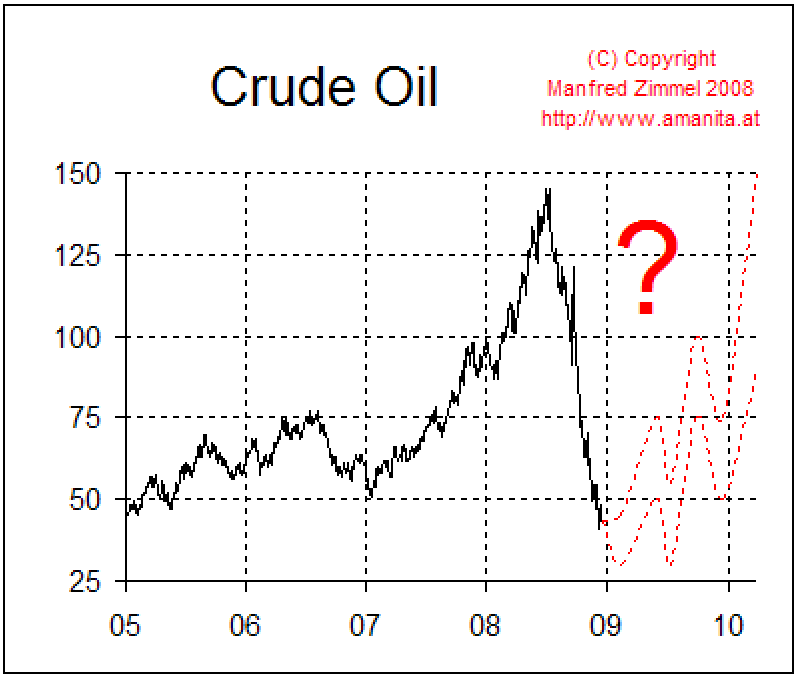

illustration 30: prognosis oil

8. Currencies: approaching their inner value

Let me start this update with a discussion of a question repeatedly asked by subscribers the past weeks: what about the Swiss franc, isn't this the traditional crisis currency to park one's money in times of upheaval? I'd like to warn everyone contemplating this step because over the next years the franc is one of the riskiest (!) currencies, even the big 3 (dollar, euro, yen) are more safe. Why? The historical role of the franc is mainly a product of the franc backed by gold into the 1990s, it was the last gold standard currency on the planet. So the franc was almost as good as gold itself until Switzerland was blackmailed by certain circles and had to abolish the gold standard. This was described in a book by Ferdinand Lips, former head of the Rothschild bank in Zurich. Therefore the franc today is nothing but another fiat currency on its way to the inner value (= zero), this alone would be enough to mistrust the franc deeply.

But the situation is much worse: per capita, Switzerland is *the* financial country #1 in the world, i.e. the franc is backed mainly by the most powerful financial industry in the world (per capita). However, with the decline and eventual collapse of the financial industry, Switzerland and its currency are more in danger than most other countries![38] To put it that way: the franc today is mainly a call option on a working financial system... The franc may still be firm the next 1-2 years but as soon as inflation is climbing to 20-30% (this level should be reached in 2010-11), an unprecedented panic flight from all paper assets will start, including the anonymous Swiss banking account and the vault cash. Switzerland could be one of the first states to default, a kind of next Iceland (admittedly, in Iceland the financial industry was even more important for the economy than in Switzerland). The huge bailout for a single bank (UBS) is the first taste of what's to come.

Needless to say, the dollar is not much better than the franc. When the pound lost its role as the leading currency of the world, its value crashed by 80% - and this is the natural fate of the dollar. However, behind the scenes the US are obviously planning to relaunch the dollar with gold-backing. In principle, this is a very smart idea, yet it’s doomed to fail in my opinion. The European central banks are selling their good gold like mad, only the US is not selling an ounce… guess why?

If fiat money can't be avoided, then the euro is the only ‘special’ currency: the signs are getting more and more that the illuminati are planning to establish the next financial system under European control (around 2013). In this case the euro would benefit from its role, just as the dollar profited a lot after it became the world’s reserve currency. The following scenario is becoming more and more likely: the US is the first of the industrial states to become a dictatorship, the 800+ FEMA concentration camps secretly built since the 1990s are filled. The greenback collapses, most of the money is shifted to Europe (a little to Asia) that is remaining a democracy (on the surface at least) and becomes the global leader.

A long-term benchmark for currencies is true inflation (defined as M3 minus GDP growth) because inflation determines the fundamental value of a currency over the long haul. To put it another way: inflation is the speed of currency destruction. Today all fiat currencies are in the process of dying. Euro M3 growth since 1999 was only 1.7% lower than US M3 (reconstructed since 2006), that’s not much. On the other hand, European economic growth was about 2.3% higher each year, so a rule of thumb is to expect EUR/USD to appreciate 4% per year on average. It’s clear that the annual US$ devaluation of about 10% since 2001 is not sustainable and a correction was due. That’s why I labeled the chapter on currencies in the Amanita Investor’s Guide 2008, “the condemned live longer”. Sentiment was exaggerated and truly terrible for the dollar.

The dollar is tracking the 4-year election cycle quite well, the strength of the greenback around the election is quite typical.

[38] http://www.heise.de/tp/r4/artikel/29/29050/1.html

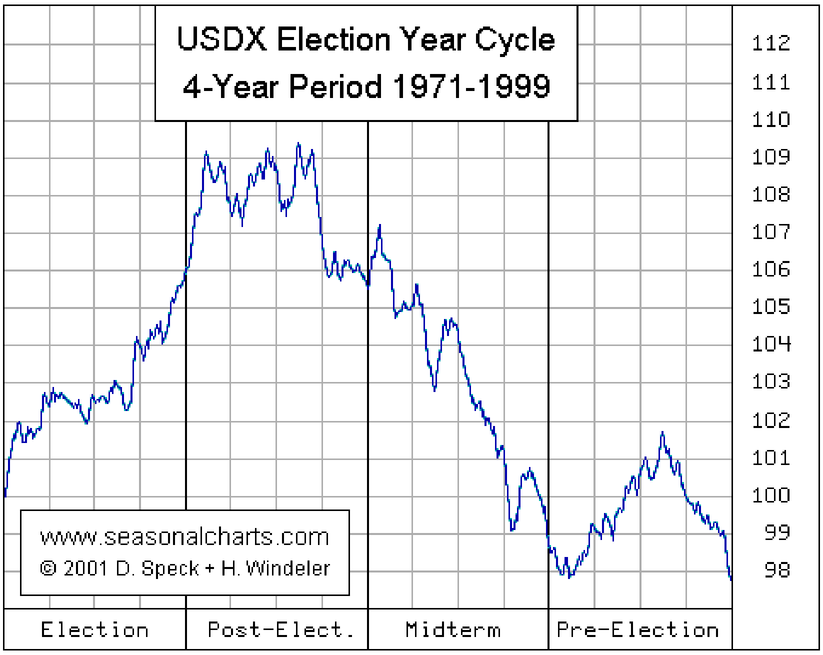

illustration 31: dollar election cycle

The FOREX market is governed by the 17.2-year cycle (double 8.6 year Armstrong PEI cycle). 17.2 years added to the Maastricht treaty (effective 11/1/1993) could pinpoint the end of the slavery pardon *currency* union as we know it, near the end of 2010 (i.e. because the first member state is leaving or even defaulting). At any rate, summer and fall 2010 could tear the financial system into pieces. The giant spreads of Italian & Greek bonds compared to the German Bund are a sure omen that the monetary & political union is slowly falling apart. The dominant 2.15-year currency cycle (1/4 of the PEI) has a high in mid-2010 similar to metals & oil (last euro top: April 2008).

EUR/JPY, EUR/CHF and since 2008 also EUR/USD all correlate well with the stock markets. If stocks do rise as suggested, the euro should rise against the other important currencies and top out in the 3rd quarter 2009, but is likely to soften again in fall 2009.

The yen is an exception because the tendency is to trade against the other important FOREX pairs (EUR/USD, BP/USD, SF/USD, CD/USD) and the other markets (stocks & commodities). By and large yen & bonds are one bloc against the 'rest', e.g. r=-0.85 for CL/JY, r=-0.75 for SP/JY, r=-0.69 for EU/JY. For USD/JPY the situation is kind of contradictory in 2009, the price should turn up at the all-time low 80 at the lowest, but could again decline during the turbulences in fall. JPY/USD has displayed a high correlation with US bonds since 2007 as the chart below demonstrates (only in the fall of 2008 the correlation paused for a while):

illustration 32: correlation JPY/USD and US bonds

EUR/USD should attack and perhaps even exceed the all-time high at 160 in 2009, the next big target is 200 for 2010, where I expect the next brief USD bull market.

<u>lows EUR/USD</u>: March/ April 2009 (similar to the precious metals), August-September 2009 (very questionable because not in accordance with global liquidity)

<u>highs EUR/USD</u>: no important highs according to the long-term model, according to global liquidity a top is due in the 3rd quarter

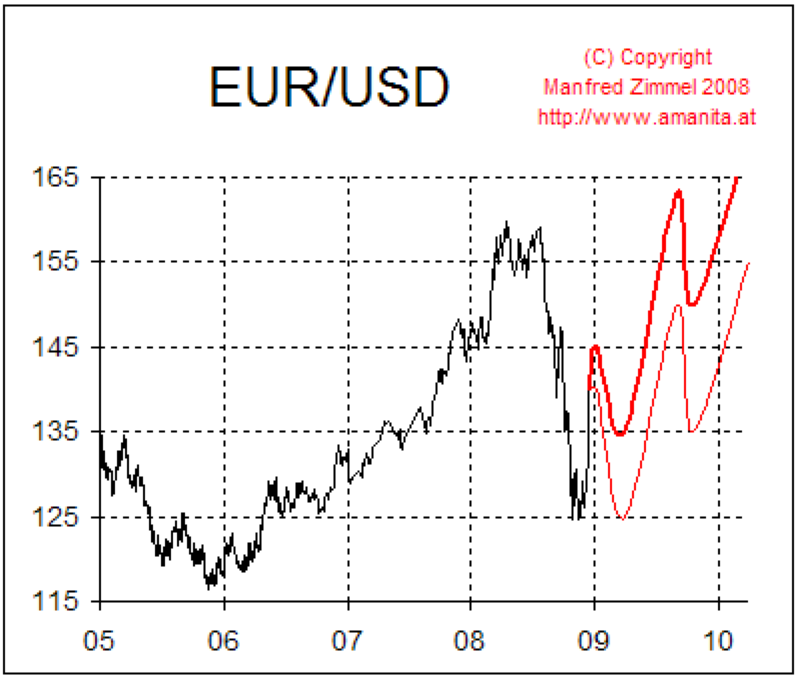

illustration 33: prognosis EUR/USD

9. Agriculturals: back to the roots

“Control oil and you control nations, control food and you control the people.“
Henry Kissinger, war criminal and key player within the illuminati

"All we need is the right major crisis and the nations will accept the new world order."
David Rockefeller, player within the illuminati, talk in New York before the UN on 9/23/1994

As mentioned a couple of times in the past years, we are heading towards global famines beginning in 2012-13. This is part of the plan of the illuminati to create the New World Order (NWO). People starving are not too much concerned about political structures but their main focus is on surviving, that’s why creating a food crisis is a key factor in the NWO agenda. It’s an open secret that the elitists want to reduce world population to 500 million because (quote) they don’t need as many slaves. For instance, for Germany a population of 8 million is planned (which is 90% less than today).

An expert said in 2007 that, *"in 2-4 years we could face substantial problems to provide enough food for population“*[39], which suggests the first signs of a food shortage for 2009-11. The main reasons for the expected rally in prices:

(1) inflation & production costs rising: a general reason for the price increase in all commodities

(2) stocks low: In 2008 grain stocks fell to the lowest level in decades, being sufficient for just 67 days of global consumption in wheat (all-time low) and even less in corn.[40] Experts are warning that even a minor crop ‘accident’ could lead to a serious food crisis and trigger a price explosion.

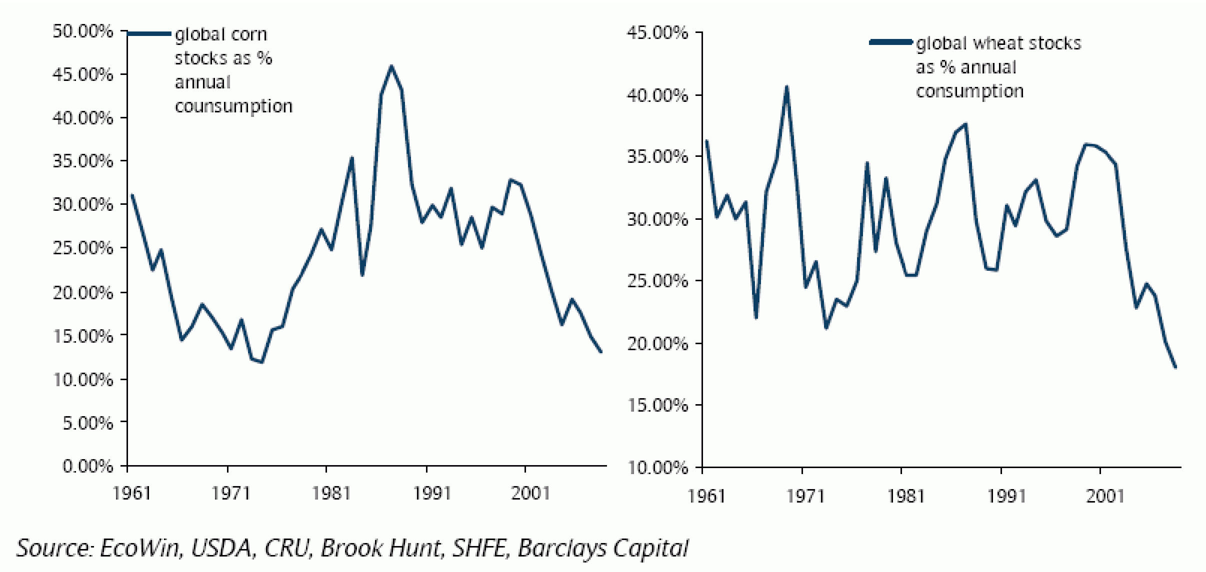

illustration 34: global corn & wheat stocks

(3) rising demand: because of the population growth (as long as the NWO plans are not implemented) and the change in consumer habits. China is approaching the Western level of meat consumption, it takes many pounds/ kilograms input to feed animals to produce one pound/ kilogram meat.

(4) lower production because of credit crunch: Paradoxically, the farmers especially located in the poorer countries are a main victim of the ongoing credit crunch. The reason is that the seed, fertilizers, and machines have to be bought on credit - which is hard to get in times like this. Be prepared for harvests sinking up to 20-25% in 2009[41]:
In Brazil, the world's third-biggest exporter of corn after the U.S. and Argentina, production may fall more than 20 percent because farmers can't get loans to buy fertilizer, said Enori Barbieri, a National Corn Producers Association vice president. The nation's coffee harvest, the world's largest, may drop 25 percent for the same reason, said Lucio Araujo, commercial director at farmer cooperative Cooxupe, located in Guaxupe.
Many of the highly indebted US farmers will face similar problems. It goes without saying that demand for agricultural products is very inelastic, i.e. consumption remains more or less the same even if the economy is doing not so good and production falters.

[39] http://www.spiegel.de/wissenschaft/mensch/0,1518,499588,00.html

[40] http://www.proplanta.de/Agrar-Nachrichten/themen.php?SITEID=1140008702&Fu1=1226672927&Fu1Ba=1140008702&WEITER=99&MEHR=99

[41] http://www.bloomberg.com/apps/news?pid=20601087&sid=aox4ZwDlWkvQ&refer=home

(5) lower production because of falling quantity & quality of the soil: the increasing urbanization and the growth of deserts reduces the acreage available for agricultural use. The harvest on the existing soil is growing less and less and even has started to decline in some countries that have been relying on industrial farming for a long time, e.g. since 2000 in Germany by 10% or more.[42]

(6) lower production because of climate & weather: The climate change should accelerate. As correctly anticipated in the previous Amanita Investor's Guide, 2008 was a quite fertile year, yet from 2009 on I see some problems on the horizon because of challenging constellations. The main reason for crop failures will likely be too much rain and perhaps even floods because our core problem today is too much liquidity (= both in the form of rain and money!).
There is a very interesting connection between droughts in agriculture and deflation (both is experienced as lack of liquidity). Some examples: the worst drought in the US was the Dust Bowl in the 1930s, with and after the worst deflation in history (monetary liquidity appears to lead weather-related liquidity). From the late 1930s on we had more liquidity, both in the monetary system and from heaven in the form of rain. The 3 other key drought periods were around 1900, the 1950s and the late 1980s, fitting disinflationary periods in the economy - respectively around the 1900 deflation because of the precious metal standard. A fiat money system in the best case entails low inflation but a sustained deflation is hardly possible under such a Ponzi scheme. In Germany the year with the most rain on record was 1981, with (respectively just after) the global inflation high. The 100-year flood in (Central) Europe in 2002 was accompanied by a rapid monetary expansion in Euro land: M3 grew less than 4% in 2001 (a multi-year low) and exploded to over 8% in 2003 (a multi-year high). The best known flood in Central Europe in the 19th century came the year after Germany had won the war against France (1871) and received massive war reparations in gold. This was inflationary under the gold standard, increased liquidity and lead a bubble that burst in 1873.
By the way, rainfalls are concentrated on new moons and just after full moons[43], Dr. Theodor Landscheidt has conducted very interesting research on that topic.[44] Nevertheless, too much rain is in general less detrimental than the lack of rain, the latter event can't be expected before 2013 when the liquidity bubble has burst. One could also say that 2008 was a fertile mixture of a lot and not enough liquidity (depending on which month and which benchmark you used), the sum being rather balanced.

It's somewhat surprising that not even the grains could resist the madness in the markets in the past months, e.g. there is an almost perfect match of wheat/ corn with the S&P 500 (correlation coefficient r=95-96%!), below the chart of wheat & SPX:

[42] http://www.wz-straubing.de/fachhochschule-weihenstephan/download/getreide.pdf

[43] http://steffanowski.de/mondstud/mondwet.htm).

[44] http://uploader.wuerzburg.de/mm-physik/klima/sonne7.htm

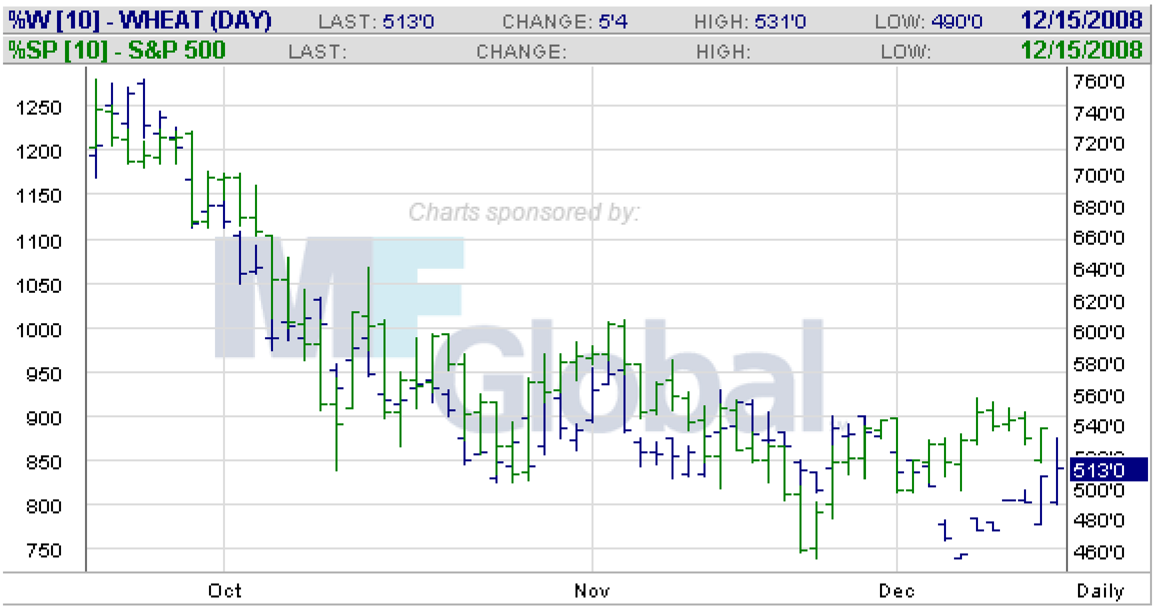

illustration 35: wheat & SPX correlation

With a correlation of r=95% 2 markets can be considered almost identical, in this SPX = wheat as well as SPX = corn (soybeans have a higher degree of freedom). Such a synchronization can only be considered liquidity madness because these markets have nothing in common. So far the agricultural markets are an innocent victim of liquidity which is bottoming out now and rising into the summer of 2009.

While these explanations sound terribly bullish, we have 2 problems: first, the bottoming out may still need a few months. And second, the forward curve is very steep in many agricultural futures but it's flattest in soybeans.[45] Wheat & corn have almost have 10% contango per year, i.e. as an investor you lose 10% annual performance, which is quite a lot. Even more extreme are orange juice, cotton & others with 20-25% a year, which makes investments impossible, you can only trade these markets. That's why agricultural commodities (to be exact, the 'real' contracts - in contrast to the theoretical continuous future) will underperform the next 1-3 years, with the exception of soybeans, sugar, cocoa, and cattle (small contango). Therefore I am planning to reduce the agriculturals in the next adjustment of the strategic allocation (some time in 2009) or replace it with futures with a flat forward curve. Due to biofuel many agricultural commodities are directly or indirectly linked to oil, and via inflation to the precious metals. Oil has a very steep forward curve, too, but the advantage in oil is that you can speculate both on the spot and futures price (at present only the spot is favorable).

<u>highs grains</u>: August – mid-September 2009 (in accordance with global liquidity)

<u>lows grains</u>: October 2009 (in broad accordance with global liquidity, might be delayed until November)

[45] http://rohstoffe.onvista.de/forwardkurven/?isin=US12492A1079

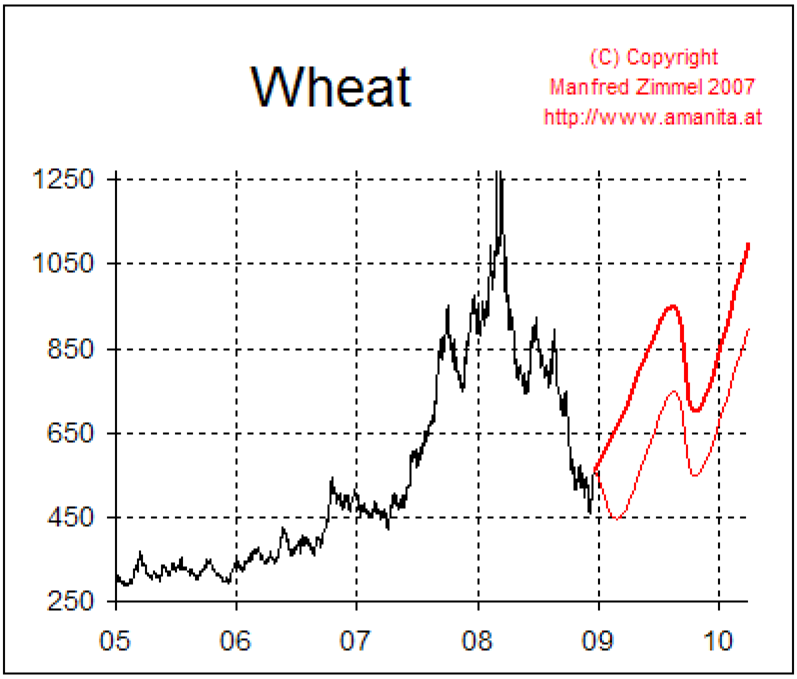

illustration 36: prognosis wheat

10. Register of illustrations