

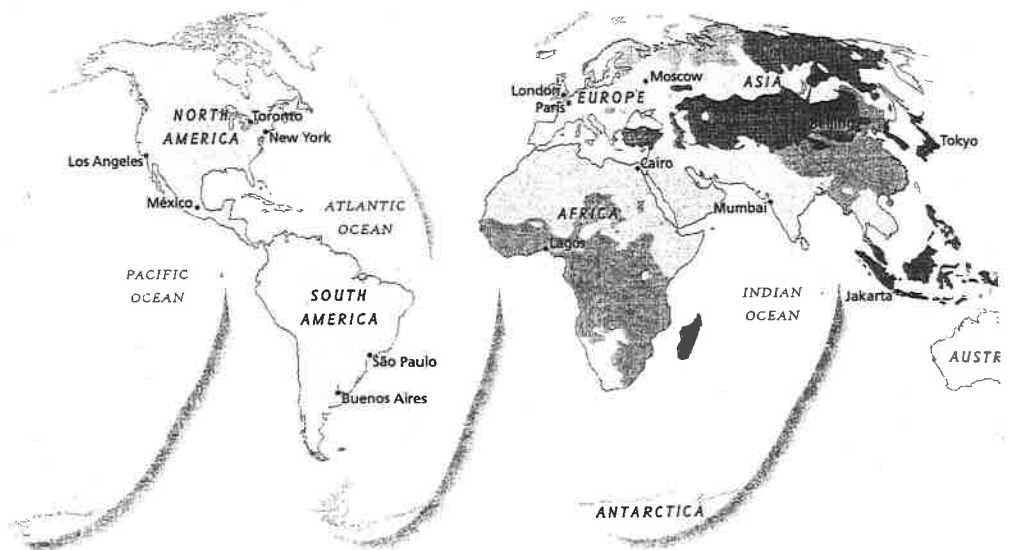
Armstrong Economics

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Forecasting the World

The World Revolution and the Markets

Martin A. Armstrong
Former Chairman of Princeton Economics International, Ltd.



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A C K N O W L E D G E M E N T S

I would like to thank all the former employees, associates, sources, and contacts for their ongoing support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown them support and kindness.

The purpose of these reports is to broaden the understanding that is so vital to our personal survival. Government cannot save us, and will only assist the very economic disaster we face. This is a Sovereign Debt Crisis that threatens our core survival. There is no plan to ever pay off debts. The majority of debt increase is paying interest perpetually to roll over without any long-term plan. What you see in Greece and in the States, we have run out of other people's money. The socialists keep pointing to the rich. But to fund the deficits, we need to borrow now from foreign lands. We ran out of money domestically and to support the current system like Greece, we need foreign capital. But all governments are facing the same crisis and we are on the verge of another widespread government default. Adam Smith warned in his Wealth of Nations that in 1776, no government paid off their debt and had always defaulted. We will have no choice either.

There is no hope that politicians will save us, for they only form committees to investigate after the shit-hits-the-fan. They will NOT risk their career for a future problem that may hit on someone else's watch. There was a politician and a average man standing on top of the Sears' Tower when a gust of wind blew them off. The average man being a realistic-pessimist, immediately sees he is about to die and begins praying. The politicians, the ultimate optimist, can be heard saying "Well so far so good!" as he passes the 4th floor.

At Princeton Economics, our mission was simply to gather global data and to bring that together to create the world's largest and most comprehensive computer system and model that would monitor the world capital flows. By creating that model, all the fallacies of market and economic theories were revealed. The world is far more dynamic and every change even in a distant land can alter the course of the global economy. Just as has been shown with the turmoil in Greece, a CONTAGION takes place and now capital begins to look around at all countries. We can no more comprehend the future but looking only at domestic issues today than we can do so in every other area, such as disease and the spread of flus.

We live in a NEW DYNAMIC GLOBAL ECONOMY where capital rushes around fleeing political changes and taxes just as it is attracted by prosperity. All the people who migrated to the United States in the 19th and 20th Centuries, came for the same reasons as those still coming from Mexico - jobs and prosperity. In the 19th Century, America was said to have so much wealth, its streets were paved in gold. We must now look to both the past and the entire world to understand where we now are today,

The World Revolution and the Markets



By: Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.
and the Foundation For The Study of Cycles

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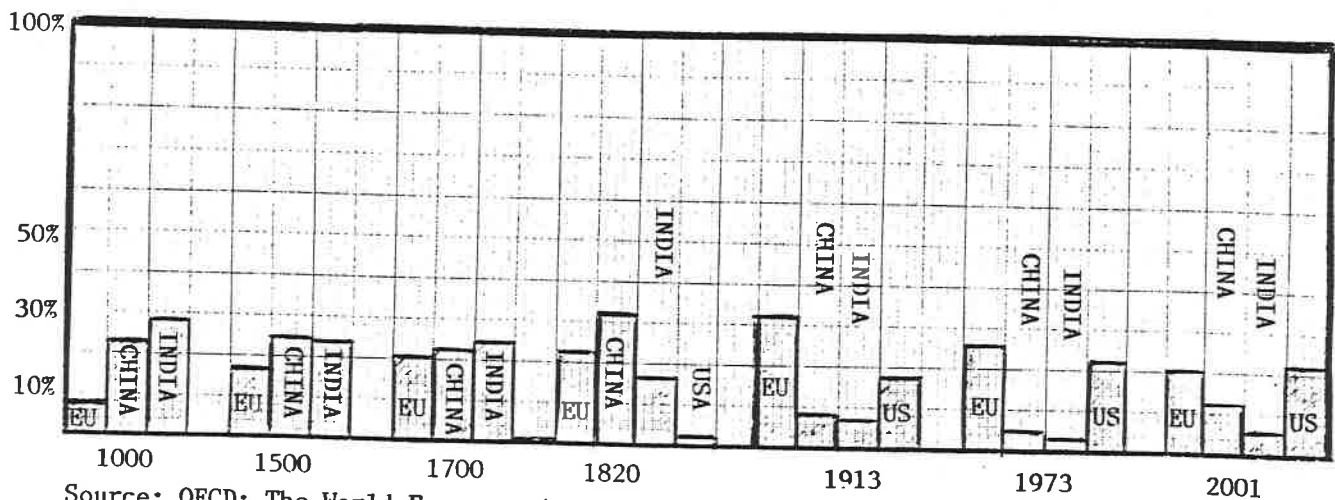
HAT GOES AROUND - COMES AROUND is an old saying that embraces the fact that life in general is cyclical. We are born, grow, mature, and die. Yet some have written to ask (1) why is China becoming the largest economy in the world so fast, and (2) is this driven by PUBLIC v PRIVATE contest that is becoming a **WORLD REVOLUTION**? We indeed live in interesting times. **NO NATION RETAINS THAT TITLE OF THE WORLD'S LARGEST ECONOMY nor THE FINANCIAL CAPITAL OF THE WORLD** forever. We are indeed entering a period of a World Revolution. Economies are the same as people. Indeed, Babylon yielded to Persians,

who passed the torch to Alexander the Great and the Greeks, then that distinction was taken by the Romans, stolen back by the Byzantine Greeks, and then eventually to the Franks. With the rise of mercantilism, that title passed to the Italians. The Spanish borrowed extensively as did the English and French, so that their many sovereign defaults led to destroying the financial system in Italy. It migrated briefly to the Germans, but the Spanish defaulted numerous times and then the financial capital migrated to Amsterdam. When William of Orange married Mary and became King of England, he brought with him the Dutch financial expertise, and thus England became the **Financial Capital** of Europe, and then the world peaking by 1913, as it then passed to the USA. Yet, through all of this, Asia is ignored. India was the **WORLD'S LARGEST ECONOMY** by 1000AD, and that title then passed to China by the early 19th century, and then it migrated to Europe and then to America.

Governments, be they city, state, nation or empires, also die just as do people. They are collective living beings that evolve and change with time. Just as we are watching the uprisings in the Arab world spread like a contagion from one state to the next, this is how all collective organizations evolve.

Everything is cyclical in nature for nothing is static. The two distinctions of (1) largest economy and (2) the Financial Capital of the World are separate and quite different in nature. The first can be based upon trade, whereas the latter is based upon economic and financial sophistication. While Asia held the first title, Europe the latter.

THE PERCENT OF THE WORLD ECONOMY 1000-2001



Source: OECD: The World Economy; Angus Maddison

One of the most fascinating aspects of understanding the global economy, has been the realization that nothing lasts forever. Absolutely everything is moving. They might be moving at different rates of speed, and then there is always the problem of moving like walking down the aisle of an airplane or train that appears to be static, yet is in fact moving at a high rate of speed. You can walk back and forth irrespective of the real direction or speed of the object.

The assumption that something is really static is simply incorrect. Putting all the moving parts together is complicated and at times it will bend your mind for moving UP can really be moving DOWN. It requires placing everything in perspective on an interrelated basis.

The importance of watching the rise of China is part of a greater cyclical force that governs the rise and fall of nations. This is the true essence of the global economy for it is FRACTAL in nature. That means, the same identical patterns one sees in the individual markets will manifest in a mass collection of markets, then sectors and then at the regional level within a nation. This will then graduate to a national level and once again to a collection of nations (regions) that we can historically call empires. Now we reach the rise and fall of empires that has been flowing between East & West.

These are trends that are set in motion that can be slow relative to the lifetime of an individual. This is like the Precession of the Equinoxes that is about a 26,000 year cycle of the earth. This cycle takes 72 yrs for just one degree of a 360° circle to be completed. Thus, its discovery was made by several generations given that one would never be able to discover this phenomenon. Thus, the rise and fall of nations is by no means irrelevant. It requires understanding the nature of the major trends to even see that the subtle movements of the last two decades are illustrating that movement of the whole that takes place at a slower rate.

This also reveals the chaotic side of normality. It is what Mandelbrot called a Noah Event in that these type of major events may be very rare, but when they do come, they are profound changes that set in motion a new course of events and direction. The 51.6 year cycle tends to be further supported by the shifts in power among the generations. Thus, the rise throughout the Arab world is in part being driven by this shift among generations and a refusal of the young to comply with the ways of the older generation. The old guard is in its death throes. It is time that we start looking at how these monumental changes take place and why. Americans no more wish to occupy China than the Chinese America. It is a new era. It is time we pay attention.

The End of the World Or Not?

There is also the problem with just about everything, that there is often a hidden core bias that colors the way people view events and then extrapolate from current events to fit a predetermined philosophy. For example, the whole GLOBAL WARMING nonsense was made up to support an agenda to reduce population and pollution. To sell that agenda, they then try to pretend that 100 years of automobiles could change the entire weather patterns. The science was sophistry the same as how government prosecutes conspiracy. They tell juries if you wake up and the grass is wet, you can presume it must have rained. They forgot about the Ice Ages and if there was not a cycle, they too would still exist. **NOTHING IS STATIC!**

It is always a serious danger whenever we have a hidden agenda and we then have some group twisting facts to support an outcome. This is the danger of bias. The necessity of maintaining an impartial decisionmaker goes far beyond the concern for eliminating mere error. When the scheme is biased with a bent upon obtaining a specific result, this strikes profoundly at our sense of fairness and it differs substantially from merely a process that leads to procedural errors. Even a dog distinguishes between being stumbled over and being kicked, as Justice Holmes wrote in *The Common Law*, 3 (1881).

When there are hidden agendas, we cannot prepare for the reality of risk. People are too biased to see the light and cast every issue in the light that supports their own bias. This is the danger we have currently by soliciting, listening to, and allowing the manipulation of our future by those who have a vested income in the particular status quo. Therefore, banks who earn a livelihood from the sale of government debt cannot be trusted to provide any advice whatsoever.

Those who see retribution as the goal and insist upon every decline emerging as a Great Depression, are too biased to ever see the nature of the actual beast. They will constantly call for the decline and are just blinded by their own bias.

Likewise, government is biased for they will never admit that they are wrong, and justify their actions by claiming the deficit would not exist if everyone paid their taxes on every dime they found in a parking lot. They will never see that they themselves are the problem. The problem must always be the people.

Consequently, it is bias that cuts off our attempt to escape from the trend. It is never impossible to avoid the outcome. It is merely mitigating the degree of volatility that remains possible. Markets cannot ever be manipulated insofar as turning a bull market into a bear market. Market manipulations take place by going with the trend and causing it to rise further than it would have otherwise been able to do.

Therefore, we have to be able like that dog to distinguish between a mere stumble or a deliberate kick. Yet if we remain in a biased world, blind to the truth, there is absolutely no hope of mitigating the consequences.

Just as the world that emerged after World War II was substantially different from that which preceded it, we are facing such a profound change at this time. The collapse of Communism in 1989 set in motion what we are facing today. It is simply the collapse of Socialism with both government and groups who have benefited from this trend based upon their **SELF-INTEREST**, kicking & screaming all the way.

It may be the end of the world for those who enjoy power and living off of other people's money. The system that we have grown up under has never been sound. The gold standard fixed the price of gold to dollars, but they failed to limit the sheer amount of dollars. How could such a system be expected to ever last? Government is always interested in immediate gratification. "Vote for me and you will get XYZ!" They did not care how their promises would be paid for that has produced this nightmare!

There is no question that the outcome of the **European Revolution of 1848** was a major departure in the history of mankind. For it was the event that set in motion the course of history creating the nightmare that we currently face. Karl Marx (1818-1883) was only 29 years old when he published his **Communist Manifesto** in 1848 that was perfect in timing with the **Revolution** that was then sweeping Europe.

Marx studied history and philosophy and was strongly influenced by Georg Wilhelm Friedrich Hegel (1770-1831). Marx's writings in 1844, **The Economic and Philosophical Manuscripts**, that illustrated that Marx was adverse to anything that impaired the liberty of man. This view, however, does not survive through his later writings. Yet no doubt this becomes a goal, but by denying all liberty he ultimately reaches the idea of achieving a perfect Utopian state of fairness.

Marx had become an editor of Rheinische Zeitung, but this newspaper was suppressed and he left Germany fleeing to Paris where he came in contact with the French socialist writers of the time, including Engels. In 1847, he moved to Brussels, where he then wrote **Misere de la Philosophie (The Poverty of Philosophy)**. This is where he developed his economic interpretation of history.

Marx took a position against the French socialists' desire to create the most moral state that would yield social order. Marx sought his own resolution of the economic conflicts creating a system that he believed would emerge by necessity from the historical forces at work. It was on September 28th, 1844 at the famous Cafe de la Regence in Paris that Marx and Engels met for the second time. This is when they said they came to a meeting of the minds. In 1845, they set out their joint work called the **German Ideology** that became the first section of the later **Communist Manifesto**.

This idea of a Utopian Communistic state had emerged with the Parisian Commune of 1793 that also called for the abolishment of all private property. Marx appears to take a serious wrong turn and views history no longer as the struggle for liberty, but skewed through the eyes of materialism.

In Marx's **Capital**, his wrong turn is revealed in that he acknowledges that a "thing can be a use-value, without having value." Such as air, soil, or meadows. Yet he then focuses on the value of a commodity that he perceives to incorporate human labor. "If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value."

Marx fails to realize that labor is a commodity itself. It can vary in price due to quantity (over population lowering the price of individual labor) and relative to the skill of the labor. Products can be at least manufactured in China where people are accustomed to manufacture compared to just herdsman in Africa. Then there is language and education that come into play that will quickly make the labor of one individual more "valuable" than another.

Marx begins the **Communist Manifesto** stating: "THE history of all hitherto existing society is the history of class struggles." He casts the employer and labor as "oppressor and oppressed." (Chp I, pgl). When one sees that the value of all things is dependent on the human labor incorporated in it, and then see the employer as solely the oppressor, what is ignored is the consumer who gives the value to the object. An employer would have no "use" for the commodity produced if there was not a CONSUMER willing to buy it. Thus, the view of Marx becomes biased and ignores the practical side of the full equation of the economy.

The Socialists who allowed private ownership, but controlled by the state also failed to see that once the state became the supreme employer, it too would then become the imperial OPPRESSOR. This is where we now stand in the course of these ramblings.

The crisis we now face is that the state has employed many, promising to take from the people, ample funds to pay for the unfunded promises of the state. The funds are not there. The promises were never made in good faith. There was no provision to run the states in a competent manner, and the states have simply borrowed and lived off a credit card. The day of crisis now arrived.

PUTTING GOVERNMENT IN
P E R S P E C T I V E

We must realize that government has always been the real enemy of the people and they are mortal because they mirror the worst of human nature. It is one thing that the economy is driven by SELF-INTEREST that manifests into Adam Smith's INVISIBLE HAND. Then the socialists put on their yellow rain coats, gather their bullhorns, their milk crates, run to the park. They jump up and down screaming to repent for ever listening to the term FREE MARKETS. For you see, it is their self-interest to control the rest of society to force upon them what they think is best.

Everyone acts in their own SELF-INTEREST but there is always two sides to every coin. Those who pursue their self-interest and create innovation that furthers the goals of society as a whole WITHOUT OBSTRUCTING THE SELF-INTEREST OF OTHERS, benefits everyone and furthers the collective advancement in society. Then there are those who enjoy the power to FORCE others to do as they think is best and out of their own SELF-INTEREST they seek political office or to work for the government to compel others to fulfill their own SELF-INTEREST. This is why we ended up with both Communism and Socialism.

Once those gain power, they do not want to depart, just as Mubarak. ALL government officials are the same. This is why we do not have term limits, precisely so someone can go to Washington and stay there as long as Mubarak if not longer. They are blind to what they do, for they see the world only through their own SELF-INTEREST.

This is why government causes crises and is incapable of preventing it. It is the SELF-INTEREST of the politician who will not take any action to prevent a crisis for he is better viewed as a champion who rises to the occasion, whereas to prevent a crisis if successful, nobody will ever know that they really did prevent the end of the world. This is WHY term limits are ABSOLUTELY essential to our survival. If a politician had but one term, his SELF-INTEREST would align with the people.

The trick is to UNDERSTAND why throughout history it has always been PRIVATE v. PUBLIC, and why government has ALWAYS, and without a single exception, committed suicide. Government is run by people, and that means they will use that power for their personal gain, even if they believe they are doing some good. As they say, the Road to Hell is Paved with Good Intentions. Even the vast majority of those in prison for non-violent crimes, are there because they usually did someone else a favor. I have even met a priest who was asked to wire money to a family for a person didn't have a bank account and had paid in cash - so he said - and the family needed the money for an operation. He was imprisoned for money laundering.

Politicians may not be knowingly evil. They may not even be lining their pockets. Yet, their belief in socialism that places the power in their hands, is still a SELF-INTEREST and they will view the world and their own deeds based SOLELY upon their own intentions, not the consequences of their actions.

As the world is being torn apart, the revolutions that have started in North Africa, the rising discontent in Europe that began in Greece, spread through Italy, France, Spain, England, and Ireland, will reach the shores of the United States as early as late 2011 or in 2012. IT IS TIME WE START TO TALK ABOUT THE MISTAKES THAT HAVE BROUGHT US TO THIS BRINK OF WORLD REVOLUTION. It is time we begin to discuss solutions rather than the typical - just throw the bastards out!

Baron de la Brede et se Montesquieu (1689-1755) is the person who traveled around the various nations seeking this very answer and came up with the idea of the SEPARATION OF POWERS. Montesquieu saw that to prevent tyranny, the powers of government had to be divided, Legislative, Executive, and Judicial. He met with one of the most famous generals of Europe, and listened closely to what he said. From these conversations came the US 2nd Amendment the right to bear arms. The idea was to have a citizen army as did Rome in its early days for standing professional armies led to war. Citizen armies could defend but were not available to invade others without just cause.



MILTON FRIEDMAN

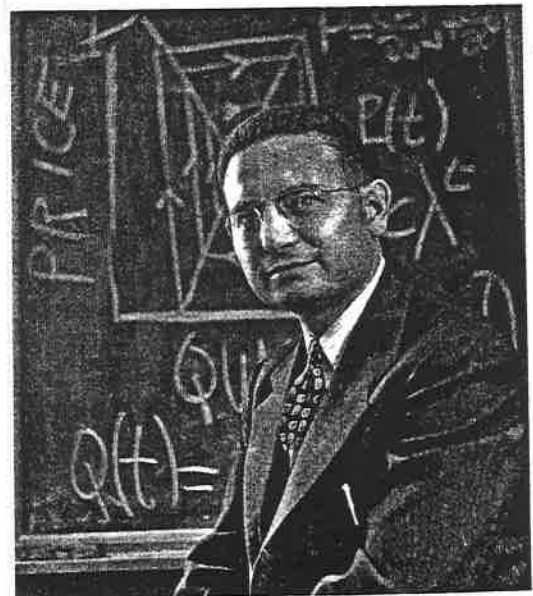
This critical observation of Adam Smith and his **INVISIBLE HAND**, combined with the work of Montesquieu and the **SEPARATION OF POWERS**, are the cornerstone for laying the foundation of a new form of government that our children and grandchildren deserve. We simply need to take this to the next level filling in the cracks that have appeared in the past 224 years. It was Milton Friedman who first proposed a floating exchange rate system regarding currencies as a check and balance against irresponsible government. His idea was rejected, but the **INVISIBLE HAND** blossomed into the **FREE MARKET** concept that the markets will determine the future and government should not interfere. Then there was Eugene Fama who came up with the **EFFICIENT MARKET THEORY** that simply failed on application. One cannot understand the world fundamentally.



EUGENE FAMA

The **EFFICIENT MARKET THEORY** was just another example of biased analysis. The problem was not whether markets were in reality **EFFICIENT**, the problem was the standard used for the claimed assessment of that **EFFICIENCY**. Trying to judge markets based upon earnings worked when Fama first began to look at them after coming up with this theory in 1969, but when they were revisited in the 1990s, the theory collapsed. **WHY?** A little thing called the **FLOATING EXCHANGE RATE SYSTEM** of currencies born in 1971. This was the end of the **GOLD STANDARD!**

When the currencies were all fixed, then 5% in the USA was 5% in France. Once the gold standard was abandoned and the currencies began to float, then that 5% return could be -5% if the dollar fell by 10% from the French perspective. **THE ENTIRE WORLD CHANGED!** The idea that the markets were efficient did not actually change, but the application of the theory accounting purely from an American domestic investor perspective, changed. Now, there were sellers even on positive news because the currency changed and overpowered the domestic considerations. **Voila tout!** - Princeton Economics International.



PAUL SAMUELSON

Paul Samuelson, who most people over 40 used his text book in economics class, argued that a **RATIONAL** market would also be a **RANDOM** one, yet he did not believe that the markets were **RATIONAL**. This idea also failed.

... after a medley

It is not that Samuelson nor Fama were wrong. They were merely a product of their era, no different than Kondratieff, who had based his economic model upon the waves in commodity prices. When Kondratieff did his work in the 1920s, even America was still 40% agrarian - Russia even more so. Therefore, by looking at the majority sector, would no doubt only image the reflection of the whole economy. Both Samuelson and Fama were wrong in the final analysis, but no more so than Kondratieff.

Samuelson saw that there was something else lurking in the background, for he was an avid investor. That gave him a window in the right direction of reality. He did not believe that the markets were RATIONAL, so he believed that there was a sense of pure randomness. Blending this with the work of Mandelbrot, and we begin to see that what he termed as "random" was actually highly complex interaction with a much larger set of variables than anyone imagined.

Fama caught a glimpse that there should be some rational efficiency within the total marketplace. However, he was limited in his view to purely domestic consideration at a time when currencies were fixed. This was a GLOBAL EFFICIENCY he had not yet seen.

Because there was nobody teaching anything to do with currencies and floating exchange rate system or how these things would impact global investment and trade flows, I personally emerged simply as a fixer-upper running around the globe from one crisis to the next. I was a trader. I had no intent upon being a teacher or some academic. Milton Friedman came to one of my lectures in Chicago. He introduced himself and explained I was doing what he had only dreamed about. I had the front row seat and was learning in an apprenticeship with my clients worldwide. It was Friedman who had first envisioned what I became in 1953 and how a floating exchange rate system would be the ultimate check and balance against government tyranny and economic insanity. Thus, this has been a long time coming. It is something that many caught a glimpse of, yet could not see.

AFTER a MEDLEY has finally come to an end and the last note has been played, we will be embarking on a WHOLE NEW ADVENTURE. This will be a trying time for most and exciting for others. What certainly appears on the horizon is an opportunity to at last revise the entire system taking into account everything that had been learned from the true accumulative knowledge of everyone.

The markets are the ultimate forecaster. there is no fundamental analysis that will ever provide a consistent view of the real future because such analysis is typically restricted to domestic considerations.

It is the accumulative actions of all investors out there in the global economy that will determine the net outcome of all markets. This is what governments fight for they believe that the possession of power gives them the right to dictate to the world economy. They cannot do so, and this is why the distinction between the LARGEST ECONOMY and the FINANCIAL CAPITAL OF THE WORLD ECONOMY may rest upon sophistication so that Europe captured that title with the birth of exchanges while the former was held by India during the Paramaras Dynasty (800-1200).

Neither of these titles have ever been static. They migrate with the capital and trade flows. Unless government respects that it cannot dictate the outcome, enact any law to retain such titles, they are dead wrong. When the music stops, China will be on top. But China will not hold that title forever. It will migrate to India, and eventually end up back to Europe hundreds of years from now. This is just how it really works.

The SELF-INTEREST of government is just always to cling to power at all costs. The WORLD REVOLUTION is unfolding. It will in fact spread to every land and this will help China rise to the top as Europe and America destroy themselves trying to cling to power.

It is the INVISIBLE HAND that is at work. Those will disagree who seek power to try to stop the natural flow of events caused by human nature. They will fail and place us at even a greater risk of war and will be eager to call out the troops against the people to try in vain to hold that power. This is the reality we truly face.

What we must realize is that we are in the end times of Communism-Socialism. This is the crisis that we face, but unlike Marx who saw the employer as the oppressor as if that could only be private, the harsh reality is that the state is the employer from HELL!

The uprisings we now see in the United States are the same so far as they appeared in Greece - state workers. This has been brought to a head for, like Greece, the US states have no ability to print money. They must borrow their way out and that is coming to a end. The State & Muni debt offerings are outright fraud in real terms. There is no way to pay off back debt, and they have simply been borrowing with no intent of ever paying off the debt - EVER!

Since the states cannot print money, the crisis is appearing there first. This will indeed spread into every sector. The crisis will explode as the states and munis find they are unable to float new debt. When we look at the federal level, the measures that have already been taken are having a deep profound impact. The freeze on government employees set in motion a stampede to retire. Federal employees retire based upon the last year of their salary. Thus, they stay to get those raises. Now that wages are frozen, no raise is coming and that is creating the incentive to get out now. Many fear a possible mandate that would force them to work. This has led to a stampede to get out as fast as they can. The paper work has swamped the retirement offices within the Feds and that means the waiting list is rising now to one year to get the paper work processed.

Government is imploding at every level. The Feds will be the last to fall simply due to the fact that they print the money. But the ability to borrow is collapsing rapidly and this is why they are looking at issuing 100 year bonds. Government fears the inability to fund their debts.

Marx blamed the "bourgeoisie" for everything. "The previous feudal or guild organization of industry, under which industrial production was monopolized by closed guilds, ...[was replaced by t]he manufacturing system ... [and] the different corporate guilds vanished ... Meantime the markets kept ever

growing, the demand ever rising. ... The place of manufacture was taken by the giant, Modern Industry, the place of the industrial middle class, by industrial millionaires, the leaders of whole industrial armies, the modern bourgeois. Large-scale industry has established the world market ... This market has given an immense development to commerce, to navigation, to communication by land."

Marx tracked the development of the whole economy, but saw evil, forgetting liberty. He ignored the freedom to do whatever you may desire, and saw merely the profit of industry upon the labor. "The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his 'natural superiors', and has left remaining no other nexus between man and man than naked self-interest than callous 'cash payment'. It has drowned the most heavenly ecstasies of religious fervour, of chivalrous enthusiasm, or philistine sentimentalism, in the icy water of egotistical calculation." He lamented the loss of farmers.

Marx accused the "bourgeoisie has torn away from the family its sentimental veil, and has reduced the family relation to a mere money relation." Ironically, everything that Marx accused the middle class of doing, has been accomplished by the state. By introducing social security, they broke the bond between parent and child where in Asia children still support their parents in retirement, and here the states in the West claimed to do that.

Now that the state is broke and all the promises made are worthless, we have a far greater social upheaval on the horizon than many are willing to even think about. There is ONLY going to be one way out of this true nightmare, but until government is forced to listen, we may be in for the worse ride in the history of mankind.

Keep your eye on the markets, for they will be the UNBIASED forecaster of the future. **What does not go down, only goes up!** So what does not fit the fundamental views, is doing so for a reason. There is a way out. The real world could be fixed in 30 days or less. But there has to be a WILL to reform and that means ending the corruption in government.

EURO

The **EURO** is reflecting an important market that will aid greatly in watching the movement of capital flows given the rise in geopolitical-economic crises that have been surfacing both in Europe as well as within the Middle East. This is also reflected in the stark premium on Brent Crude in Europe compared to New York.

The **EURO** closed 2010 at 133.58 on the IMM. This was neutral on an annual basis. The Pivot Point we have for 2011 stands at 123.00 that represents critical support right now, while the major support during 2011 will lie at 117.00. Technical support also lies at the 118-119.00 level with the technical support at 134 and 137.

The Yearly Chart on the **EURO** indicates key overhead resistance at 135 and 137-138 during 2011. The technical support lies just below the 2010 low at 118.74 at 118.25. This tends to warn that a break of the 2010 low could lead to a test of the 105-106 level that is the bottom of the 1985 Uptrend Channel on the Year Chart.

Monthly timing targets still point to May/June here in 2011. This should be followed by a turning point in November/December 2011, with a reversal of trend into April 2012.

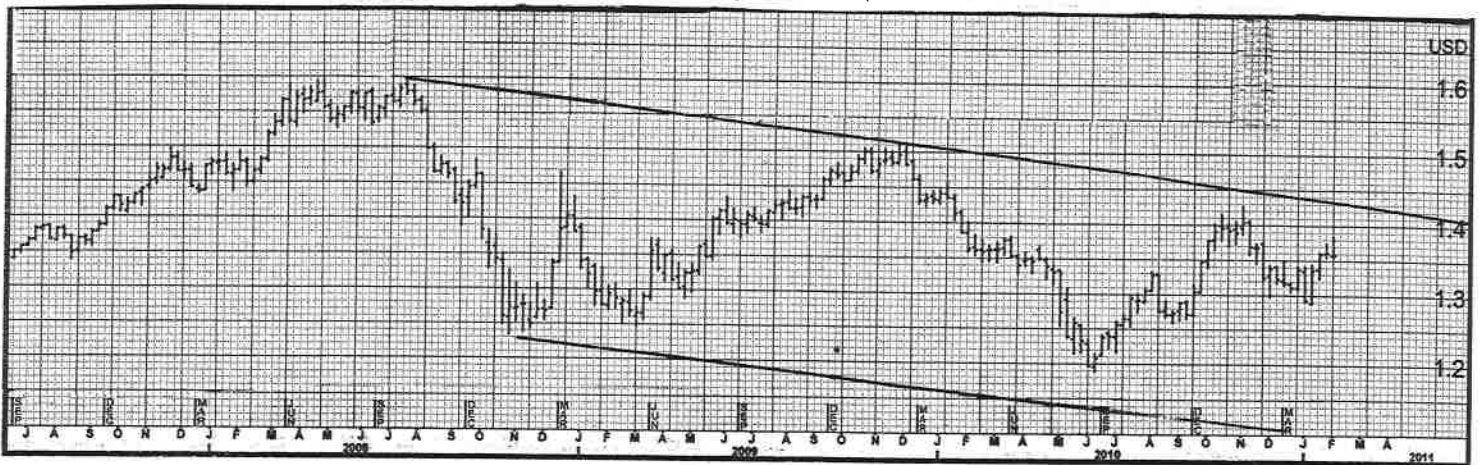
From a weekly timing perspective, the important weeks ahead are April 11th & 18th followed by May 9th, and then the week of June 13th. Therefore, as long as the **EURO** stays within the 1985 **UPTREND CHANNEL** on the yearly chart, then there is nothing abnormal as yet.

The Weekly Chart below shows the broad downward slopping channel for the **EURO**. This is the immediate trading range to watch that is particularly important insofar as where resistance should stand. Keep in mind that geopolitical concern rising out of the Middle East will have a tendency to support the US Dollar. Capital ALWAYS flees from the region closest to the geopolitical problem.

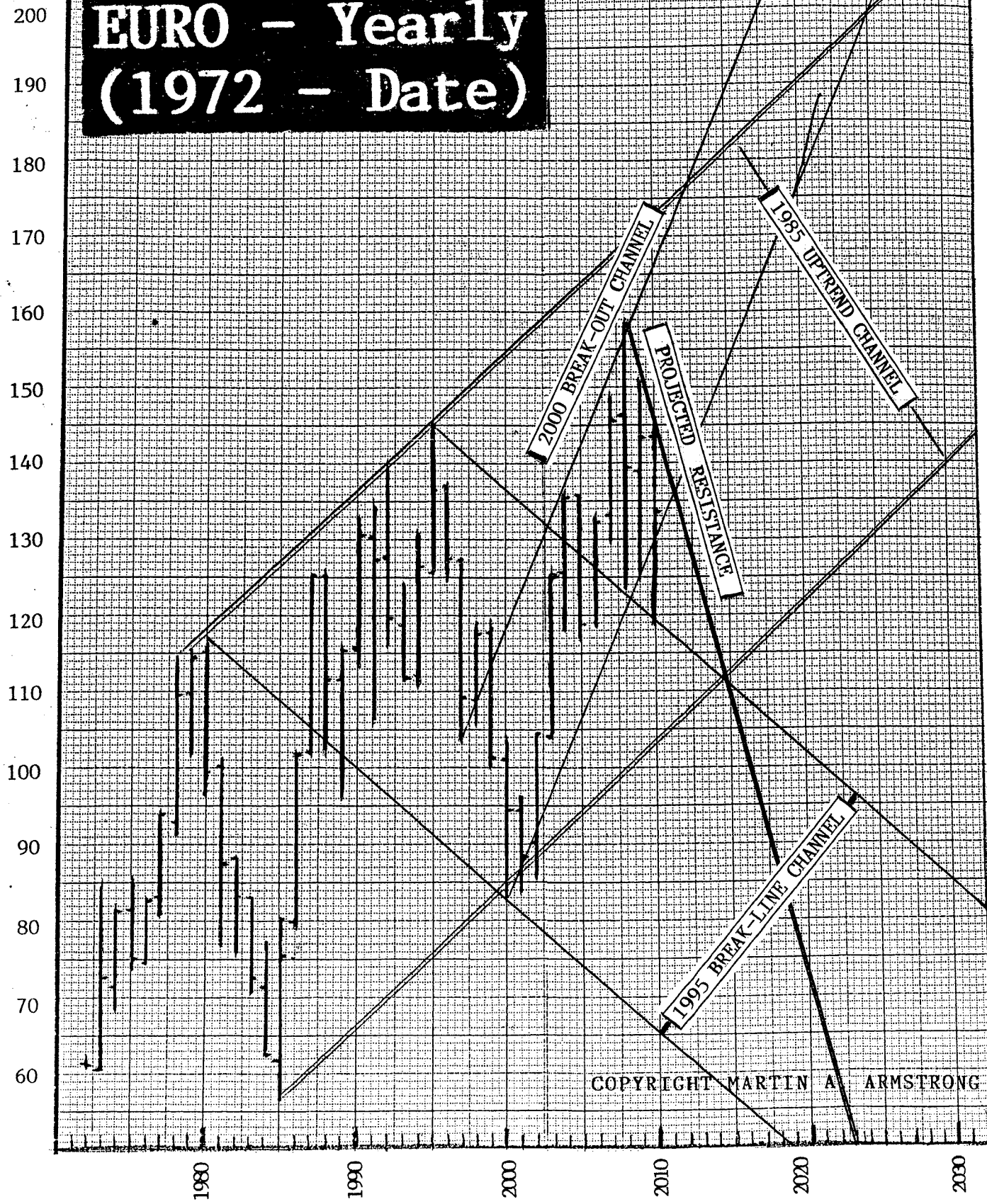
This rising trend for a **Worldwide Revolution** is economically being driven and the protests we see starting in the United States in Wisconsin, Michigan and the District of Columbia with state workers demanding pay and benefits resisting any cuts, is the same identical thing we saw begin in Greece in April 2010.

Keep in mind that we are entering very critical times. Any analysts that tells you different is either preaching what the government wants, or is sublimely ignorant to think that we can continue to just borrow with never any intent of ever reducing the government costs. We are in the end times insofar as Socialism is concerned. It is time to wake up just once!

EURO Weekly IMM Futures



EURO - Yearly (1972 - Date)



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SWISS FRANC

The **SWISS FRANC** has been a neutral currency akin to the perception of gold in the middle of this sovereign debt crisis. It by no means suggests there is no debt crisis in Switzerland. They too borrowed like just about everyone else on the assumption that this is the way governments do business. Yet, Switzerland is by no means at the same point of no return.

The high on the Swiss basis the IMM peaked in December 2010 at 107.62 on a nearest futures basis. The Yearly Chart shows the major 1980-1995 CHANNEL that is quite broad in its scope. Within that CHANNEL we have the 2001 BREAKOUT CHANNEL that caught the 2010 high quite nicely. This now shows resistance at 10800 during 2011.

From a year cyclical perspective, it appears that 2012 and 2013 may be extremely volatile years. It remains possible to see the Swiss test at least the top of the main 1980-1995 CHANNEL. That means that we should see a test of at least 115-117 by 2016. If we exceed the 110 level during 2012-2013, then this is going to get very interesting.

The major high still appears due ideally with 2015.75 on the next peak of the 8.6 year wave formation of the **Economic Confidence Model**. 2009 was an OUTSIDE REVERSAL TO THE UPSIDE (penetrated the low of 2008, then it exceeded the 2008 high, and closed higher). That was a MAJOR technical buy signal in and of itself. The last time that took place in the Swiss was the low in 1985. In fact, the 2009 closing was 9669, just a hair above the high of 2008 - 9665.

The support in 2011 still lies at 9658, 8900, and 8425. The technical resistance stands at 104.43. This will move up to 106.65 for 2012, followed by 108.86, 111.07, 113.29 115.50 between 2013-2016 respectively.

There is a potential here for a full 17.2 year rally from the 2001 low. That would put the final high in 2018, and that would be lined up with the **REVOLUTION** model. So this shows a potential for geopolitical concern. Any new high after 2015 will warn of a high 2018.89.

The week of June 13th appears to be a key target. This is the week for the main turning point on the **Economic Confidence Model**. If that produces a low, it should be a major buying opportunity. So pay close attention to the Swiss.

There are other important weeks to watch such as May 23rd, May 2nd, April 11th, March 28th Feb 28th/March 7th. These are the main weeks to watch for the first half of 2011. We may see the final low the week of June 13th especially if we see some sort of a reaction high the week of May 23rd.

When we look at the monthly level in time, it shows that the turning points are March/April and May/June. Thereafter, we see a turning point showing up in October. November may be a counter reaction month (meaning one month opposite move), with the potential to be the extreme month (meaning October is the event on a monthly closing basis and November is the intraday event).

Looking into 2012, it appears to be Feb, Mar/Apr, May/June once again. These are preliminary turning points that need yet to be fleshed out. That will take a few more months.

There is also the potential that a big high could form in 2012, with a pause into 2015, with a resumption of the bullish trend thereafter into 2018. This would be indicated if we see 2011 make new highs and close ABOVE 107.14.

Clearly, the 9729 level is the key area to watch. That is where the major monthly closing support is to be found. A monthly closing BELOW 9729 would indicate that there is indeed a pause in the uptrend for now. Only a monthly closing 9280 will signal a sustained bearish trend. The main long-term support lies at 8500. This is where we would need to see a monthly closing below this level to signal any kind of a long-term change in trend. This appears to be VERY UNLIKELY.

The Swiss is still in a bull as long as 2011 closes ABOVE 8900 at year end. This is the yearly support level to watch.

