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**Provided by:
Kevin; Former Head Trader
at Fidelity**

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Armstrong Report

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THE CRASH OF '87

Blood - Sweat - & - Fears

by Martin A. Armstrong

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The Crash of '87; oh what memories it summons from the dead. To a historian such as I it seems like only yesterday but to the average individual chap he could care less about the distant past, what in damnation will tomorrow bring occupies the thoughts of everyone around the world.

The YUPIes, Young Urban Professionals, who sit in the lofty towers of our leading banks and brokerage houses, have never seen the likes of panic before. The old guy in the office looks across the room and smiles, while saying to himself, "ain't nothin' new." Unfortunately amid the rumors of disaster and failure which keep everyone's ears glued to the phone, somewhere between the drops of sweat, everyone scrambles looking for the pools of blood like the hawkers who gather for a roadside seat gawking at the remains of life at some horrible head-on traffic collision.

Well the YUPIes have tasted fear and some have been reduced to mere PUPIes (Poor Urban Professionals), but traffic still moved, planes still flew, retail clerks in New York were still just as annoyed about having to wait on

someone, and the airlines were late as usual.

Winter is still pressing down upon us with a fierce momentum dropping snow in the Midwest just to let us know how very much that nature is still on course. The Presidential candidates are trying to capitalize on the debacle, its just that they haven't figured out how to blame program trading on the Pentagon just yet. The press is abandoning sex scandals and have been reported to be sniffing around Wall Street to see if any Presidential candidates may have been trading with the help of a personal computer.

All considered, things around Wall Street seem to be the same. Muggers in New York were not reporting any decline in revenue, which is a strong indication that pocket change is steady so the MI growth rate is undoubtedly still intact. Rumors that the SEC will now run a deficit have sparked a few ears since the people they have had their eyes on lost it all this week thereby depriving them of their spoils of war.

The soup kitchens were not crowded and no apple venders were reported in

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New York, but the break-dancing on the street corners showed some signs of a marked distinctly different rhythm around Central Park, a side-effect no doubt to the rumblings going on downtown. A few old gizzards were gunning for Jesse Livermore on LaSalle Street, but a spokesman for the House of Morgan assured the crowd that rumors about Jesse being preserved on a life-support system all this time were simply unfounded.

Some bars in and about Wall Street lowered prices for the day in proportion to the decline in the market. This added incentive helped immeasurably to steady the nerves of the floor traders which provided a couple of days of modest gains.

Of course the press is touting the fact that the market's decline was due to the fact that it suddenly felt uneasy about the deficit, even though the practice of deficit spending has been fairly consistent since 1931, it is purely only a minor lagging factor that we just noticed it this week. But then again, writing this little piece in the middle of the night after watching the President's press conference, the distinct feeling that the journalists in attendance must be the most unsophisticated people in the world came over me like a cold chill.

There they were, all gathered in row by row formation, collectively asking the stupidest questions I ever heard in my life. Is it any wonder the President doesn't look forward to them. One guy actually stood up and asked the ridiculous question, Mr. President, do you think that if you had agreed to meet with Congress the week before the crash, that you could have avoided it?

Even Sam Donaldson stood up and asked the President where did his economic policies go wrong? Come on guys, can't we think of something a little more intelligent?

Now all of a sudden the finger is pointed at the deficit. May be its all a dream? But hasn't the deficit risen sharply since 1981 and didn't the market enjoy the biggest rally in nearly 40 years? So wait a minute. Let's get this straight. Is it now supposed to be bullish for government to reduce spending and raise taxes? Doesn't that mean that companies will earn less and we will have less of which we can invest with? Didn't they argue that Hoover, a Republican, could have prevented the Depression if he would have increased spending? May be the whole world is on drugs. Sam Donaldson of ABC news asks so definitively where did the President's policies go wrong? Was it not Keynes who advocated deficit spending arguing that we should employ demand-side economics and if we had the Great Depression would never have been as serious as it turned out?

This is nuts. If anything can be learned from this mess it sure is one thing. We know nothing about anything and when we do, we still can't be sure. Does a fundamental explanation even exist? Can we so abruptly decree that the blame should rest upon a particular group or individual? Looks like an impossibility to me.

What did go wrong if anything? Has the bull turned bear overnight? Is the economy fundamentally sound or not? Just when will the slide end and will there ever be a new high? Is someone to blame or are we all to blame?

Well there are a lot of questions and the answers are illusive at best. But can they be sorted-out? Is it too late? Are we standing at the end of prosperity starting down the path of depression? No doubt the question will be endless and the solutions or answers even fewer. The only way to sort out things is with the clean cut perspective of the past.

OK! Cutting right to the bottom line without undo suspense. You do not have to hock your wife's jewels. You don't have to sell your children into slavery. You don't have to start hoarding toilet paper again as we did in the 1970s and you don't have to rush out and buy a franchise for an apple stand or start planting your own vegetables in your bathtub. This is a 6.0 earthquake on the Richter Scale, not the big one which is yet to come.

Now you might be saying that I sound like a bunch of stock brokers who never said uncle when clearly outclassed in a sparring match. But you are dead wrong. Despite the Blood-Sweat-And-Fears, you ain't seen nothin' yet.

There have been Panics and then there have been some real Panics! Some result in Depressions and others have been only gigantic corrections which turn the majority into diehard bears lining them up for the real kill.

There have been a few pieces over the last few years which have focused upon; the third world debt, the parallels of 1929 with the present and a few glimpses of the future. I have tried to tackle bits and pieces of the puzzle over the last few years to provide you with something upon which to draw upon for the future. I have

explained numerous issues separately and distinctly from the other issues which surround them in this day and age.

I am not a Galbraith seeking to extract a biased or anti-big business philosophy without justification in fact. I have not taken a single issue and tried to hold it to the light demanding that you bow before it offering homage and praise as the golden rule for the future. I regard my classical training as totally worthless and the experience of the street as the best of all teachers. I am not a Democrat nor a Republican but an anti-government in some ways. I regard politics as corrupt but a necessary evil. Like Adam Smith in his Wealth of Nations, I believe in his view that government has always been, and without exception, the single greatest squander of the people's wealth in history. Things would be better left to allow the people to manage their own money and that government should intrude as little as possible. I believe in the founding fathers and I admire Thomas Jefferson above all. The way things are today were not the intended model and perhaps if government stopped trying to tip the scales, things might be a little less hectic in the economy.

Between 1981 and 1985 I remained looking for deflation stating over and over again that high deficits need not create immediate inflation. Many if not the majority of the gold bugs loved my work until 1980 and they hated my guts to the point of actually threatening my life in 1981 for being bearish on gold. They called me a nut until 1985 but when I forecasted the start of a new age of inflation I became one of the

boys again. When I remained bullish on the stock market I was tolerated but not understood and now I will probably be less understood but still tolerated.

My forecasts have been consistent. My vision of what the future will be has not changed. I never see any trend that will continue and instead I try to relay the facts as they always are, forever oscillating waves which beat out a path as precise and predictable as the expiration of day and the transformation of night.

The patterns and relationships of which you read each month in this report come not from the latest headlines in the papers nor are they the hottest theory tossed about among my colleagues and peers. I have done my homework more than anyone else. My nagging innerself has driven me nuts many a time constantly asking why.

The conclusions from history have formed my ideas rather than the other way around. Like Adam Smith and Thomas Jefferson, I too have arrived at the bottom line that government is an unfortunate evil which will always spread its wings under the noble misconceptions of the realities of time and circumstance.

There is perhaps one single and great mistake that we all make. I too use to until my relentless research forced me to see the truth. There is never a set pattern or set of rules which are infallible. You cannot reduce the economy to a single equation. You cannot blame the forces of this last move upon program trading nor can you blame them upon the President or another special interest group or individual.

Events are their own masters. No

relationship between an economy and a market ever lasts or endures forever. As we get older and change, so does everything else around us. No two events are quite the same and not all things come together and mesh in harmony as we would like to think.

We cannot take the template of history and the events therein and map them to the turning points within a given market. The fundamentals are never understood at the time of a turning point. One can only look back and then reflect upon what took place.

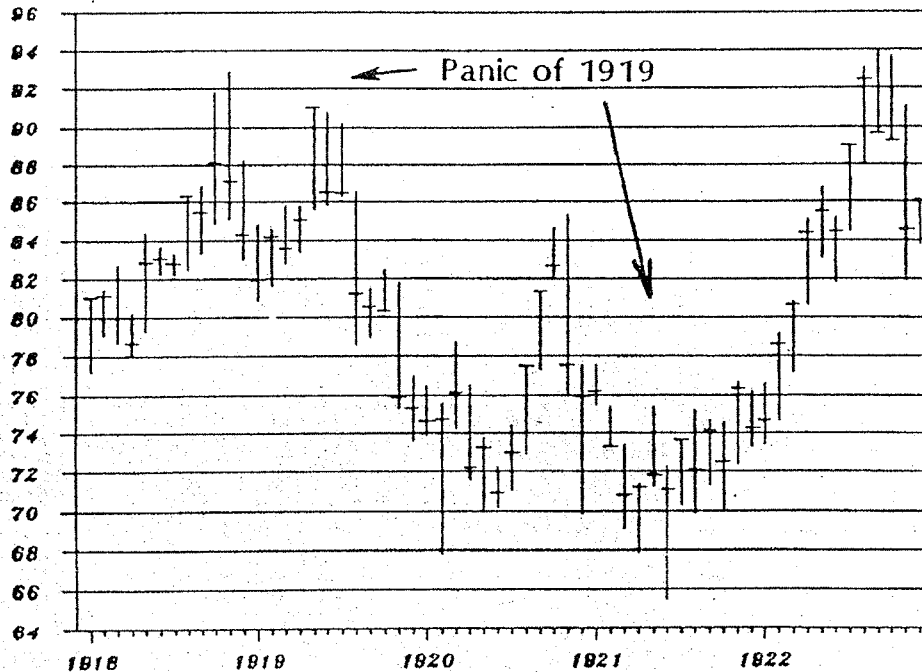
It is true that when the stock market crashed in October 1929, President Hoover stated that the economy was fundamentally sound. When President Reagan was asked the same question, he too replied in so many words that the economy was fundamentally sound. Many would like to call Hoover a liar and there are those today who will try to do the same to Reagan. Did either man actually mislead the people? No! Not in the least. Both told the truth as they knew it at the time.

Stock Markets are often referred to as a leading indicator and that this decline signals unquestionably that a recession lies ahead. If we all generally accept that fact as true, then why do we try to hang Hoover for saying what he did when at the time he was telling the truth?

There are indeed many similarities between today and 1929 which go beyond the statements of the Presidents during each debacle. Republicans were in office during both debacles, but the Democrats shared this distinction many times before 1929. The decline was worldwide in 1929, as was the case in

RAILROADS

MONTHLY: JAN. 1918 - DEC. 1922



1987. The bonds immediately rallied out of the 1929 Panic as they did here during 1987.

If so many parallels can in fact be drawn, then why do I say without prejudice or bias that the bull market is not dead, but still alive? Well in our preoccupation with the 1929 debacle, we forgot about the events and panics which preceded that world event. Most of you perhaps noticed that the one day decline had broken all records back to 1914 on a percentage basis! Wasn't 1929 supposed to be the worst depression? Wasn't it supposed to be the worst stock market crash in history?

It is true that the 1929 debacle lead to the worst depression and the worst prolonged stock market crash, but the Panic of 1929 was not the worst Panic in stock market history. The

record swings in 1929 were not actually historical records at the time and the recent move is not the new historical records either.

In the Greatest Bull Market In History, I began with a Panic which has not been well remembered; the Panic of 1919. Inside a period of 4 months from peak, the stock market fell basis the Dow Jones Industrials from almost 120 to 90 points. That decline of some 40 points was a 33.3% drop. From the top in October 1919 to the actual final low in August 1921, the full scale decline was a total drop of 53%. As it was pointed out, the peak in 1919 was the culmination of overexpansion in virtually every sector but undoubtedly it was primarily concentrated within the commodity sector. The losses of Ogdon Armour, founder of Armour meats, became widely known at the time and to

this day he holds the record for the most losses on the part of an individual. Ogdon Armour lost \$1 million each day for 130 days straight. He died penniless. When asked about his great misfortune, he smiled and told the press that at least he held the record for losing more money than anyone else in history in such a short period in time.

The losses of Ogdon Armour were huge. When adjusted for inflation, the millions equate to billions. But despite the horrible slide, it was the professionals who were hurt in the market. The average guy looked around and saw an economy fundamentally sound. It was one time in history where the puzzlement was real and the Presidential statements of the underlying economy remaining sound were quite valid and true. Obviously, no one recalls that period since from the 1921 low the market soared right back up to new highs within 15 months of the final low.

A Panic which is perhaps a little better known than that of 1919, is the Panic of 1907. There the decline on a closing basis transpired over a period of 1 year from a height of 103 on the Dow Jones Industrials to a depth of 53 in 1907. By the end of 1908 the market had recovered back to close the year at 87.67 and by 1909 it was over 100 once again.

At the outbreak of World War I, the New York Stock Exchange was closed in July 1914. It remained closed until December 12, 1914 when it reopened for business. The initial reaction sent the market down. But after the reopening, it began to soar. It stood at 71.42 at the close in July, but at the end of

October 1915, the Dow stood at 121.59. During the Panic of 1893, the Dow stood at 90.38 at its highest point in January of that year. The low came during July at 61.94.

Not all sharp declines of this magnitude lead to prolonged depressions. In more cases than not, the market recovered within 1 to 2 years charging off to attack the very high it had fallen so sharply from in such a short time span before. The 1929 debacle was the worst, not in swift percentage moves, but in duration and overall percentage decline from the peak in 1929 to the low in 1932.

1929 was coupled with wide scale defaults in government bonds both in South America as well as in Europe. It was coupled with a massive contraction in value in every aspect and in every corner of the globe. Much of the third world debt had been sold to the average public as safe and secure investments by the banking industry. As a result, when the third world defaulted, they did so on middle America. They in turn needed cash and withdrew funds from the banks. The banks, already hard hit by their investments in the stock markets and bonds combined with customer withdrawals, could not keep the doors open. The vast majority of banks eventually went into default.

Nearly 40% of the work force had been employed in the agricultural sector, so unemployment was still high in and of itself regardless of what happened in the stock and bond markets. Commodity prices had peaked in 1919 and slid down into their low in 1932.

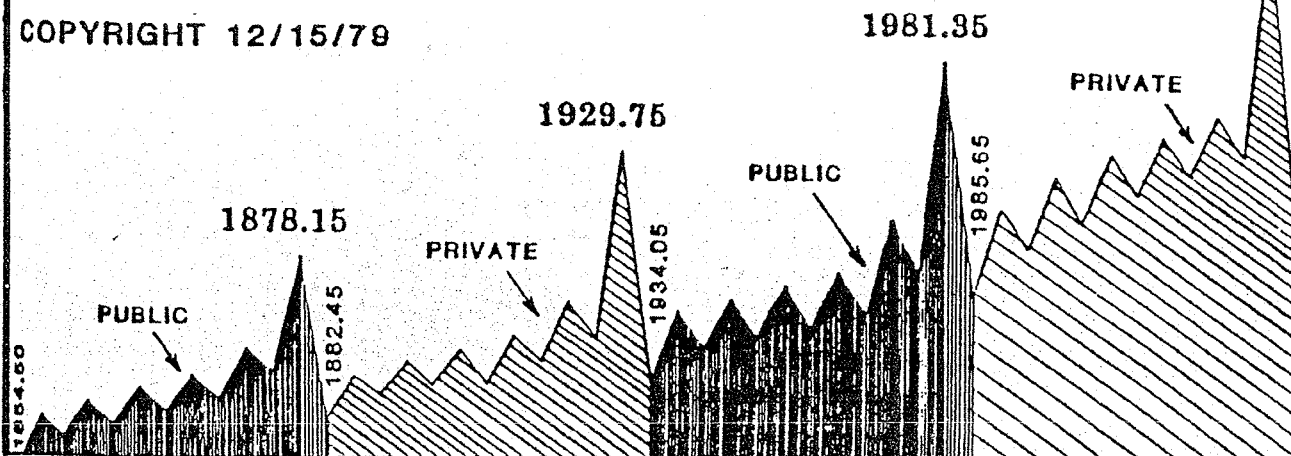
There are many things today which are different from that of 1929. Whether or not this event is the

Economic Confidence Historical Cycle Wave Model

2032.95

ALTERNATING INFLUENCES

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prelude to another Great Depression is definitely subject to argument. Those that have so quickly turned their direction by proclaiming it a bear market may yet find themselves turning tail once again in the near future.

There is a reasonable chance that what has taken place will be a short-lived correction of the magnitude similar in nature to those events prior to 1929. It may be still setting us up for one huge slingshot move to the upside for the final culmination of our sins in late to mid 1989.

The chart provided here is that of our Economic Confidence Model. This chart is quite familiar to those who have been with us for many years. It was originally published in 1979 and on countless occasions ever since. This chart is not made up with the hindsight of today to try to purport that we

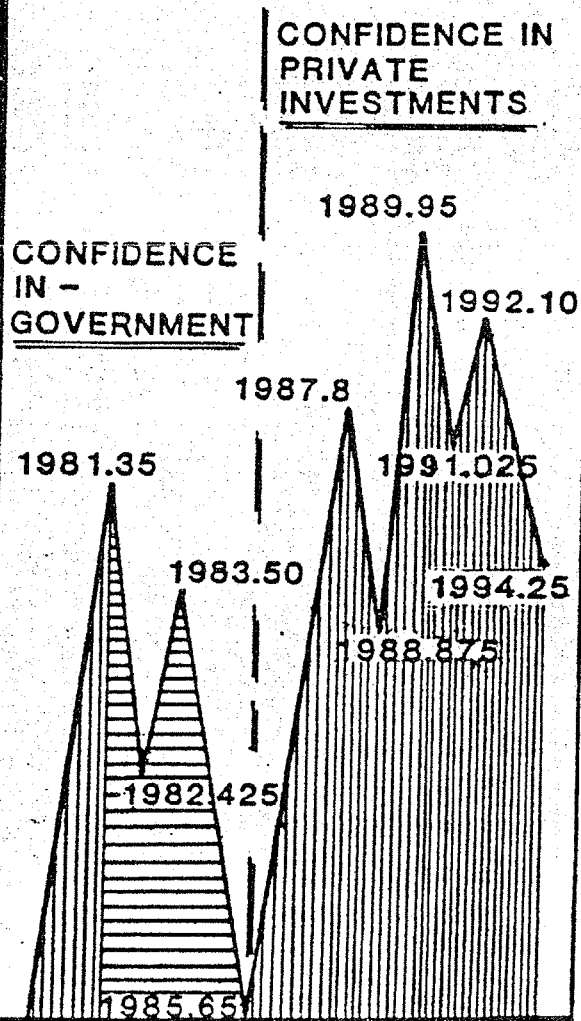
called something which we did not. But in fact, this model forecast was published many times and has been copyrighted and on file in Washington for years.

It is at least widely known that in 1981 we called for deflation. A wave of deflation we stated would befall upon the world economy regardless of deficit spending etc. That wave would in turn have a few intermediate turning points which worked very well in calling the turn in 1982 and the peak in 1983 in gold as well as many other markets. Now once again, this wave has in fact pinpointed this economic turning point with the incredible level of accuracy which left us here ourselves quite astonished at its performance. For a model to have been developed back in the 1970s and to have forecasted the turn of events here at this point in

Economic Confidence

Detailed Model Projection

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time more than a decade ago, merely indicates that something has to be right.

From the 1985 low on our model, it was forecasted that the major wave was pointing up into 1989. But within that wave would come two turning points as we saw once before in 1982 and 1983. The first turning point was pinpointed at 1987.8 which is right now. The next turning point is pinpointed for 1988.875 which will be October/November of next year. From there the final culmination of the first major wave will drive this inflationary cycle into its true destiny; December 1989 (1989.95).

At the Economic-Conference held here in Princeton the weekend of October 17th & 18th, we revealed some interesting facts about the Debt Crisis which threaten our entire existence. The cold hard facts were put on the screen measuring levels of debt in most of the industrialized nations. The findings were astonishing to say the least illustrating how even nations such as Japan were in worse shape than here in the United States.

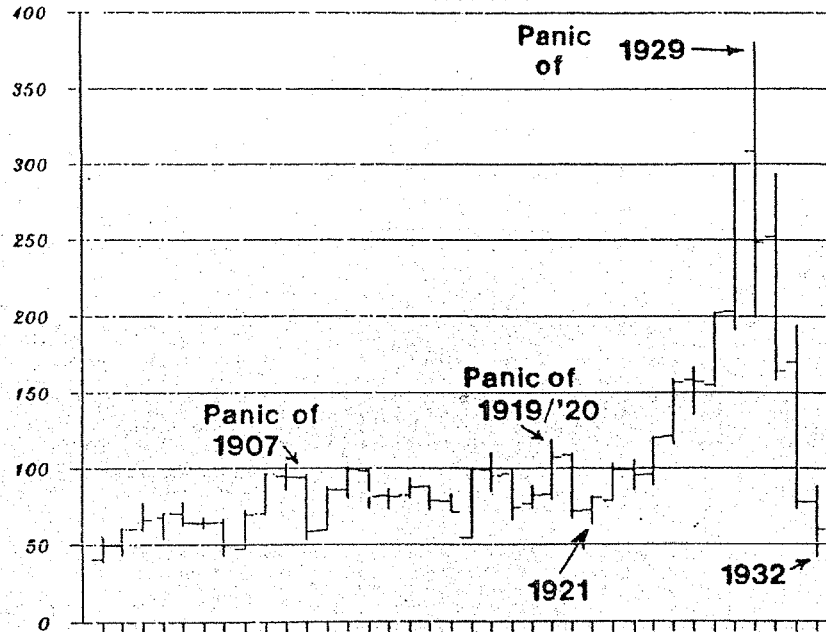
It was discussed as to why things were different between 1929 and 1987 and this model was discussed in detail as it had been at the 1985 Economic Conference.

In general, it was stated for all to hear that the economy would undergo a moderate recession into the next turning point which was 1988.875. It was stated that the next wave would be a wave of extreme volatility beyond the imagination of most. These statements were made prior to Black Monday and Tuesday.

Clients who subscribed to our Stock Index Reports were concerned, because after taking profits the previous

DOW JONES INDUSTRIAL AVERAGE

YEARLY 1897 TO 1932



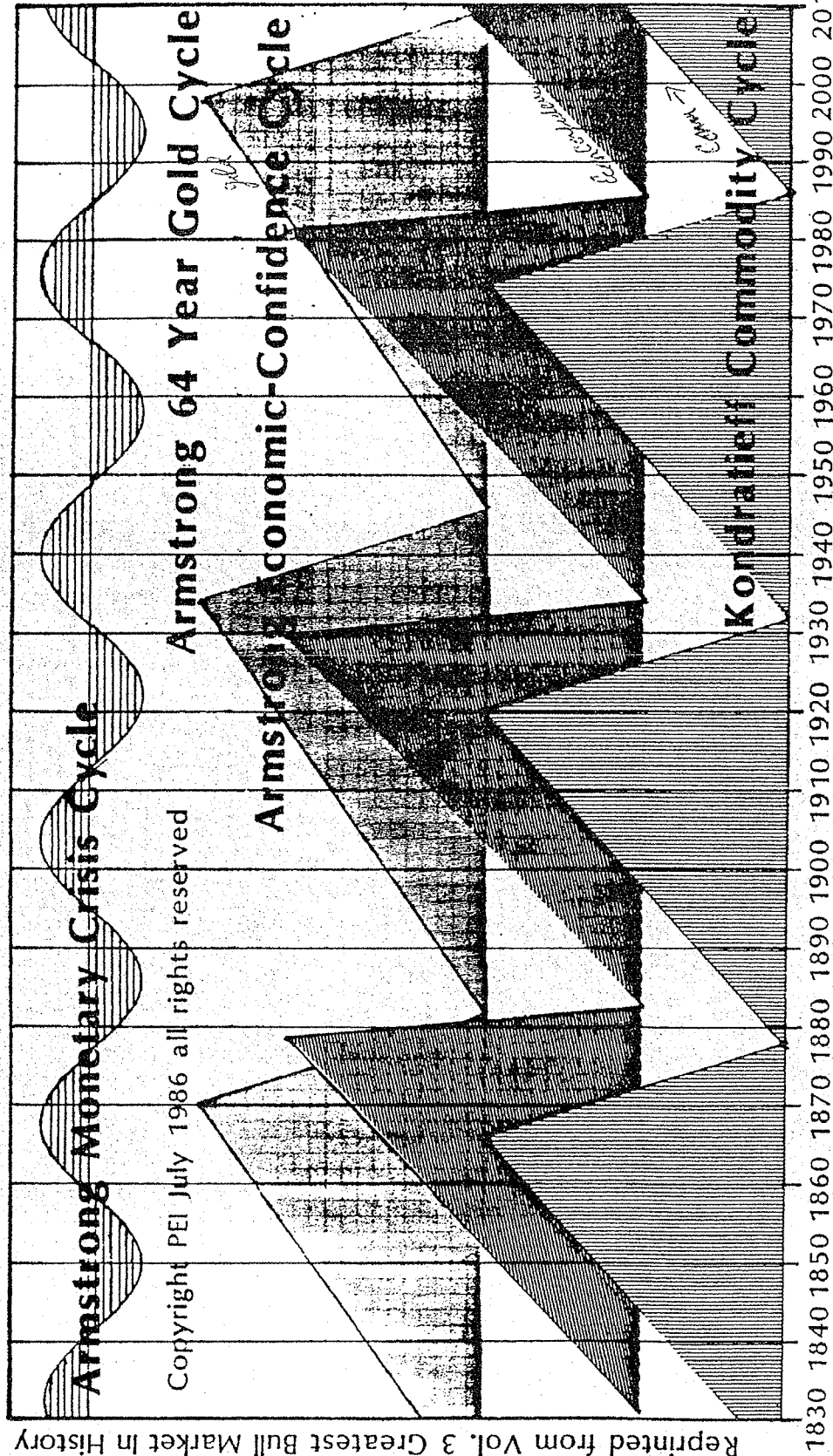
as well. The Fed immediately stated that it would in fact stand by ready, willing and able, to lend liquidity to the marketplace. This was a note distinctly different from that which transpired back in 1929. We believe that this is also a leading signal that our future outlook should be correct. Government will not deflate but instead inflate. The risks of deflation far outweigh the risks of inflation. A deflationary wave at this time would sharply reduce government revenue. That would further serve to widen the annual deficit.

All things carefully considered, we should watch the actions of the free markets very carefully in the next 6 month period. It will be the markets themselves which will provide the leading indicators. If history indeed repeats, expect the bearishness to

build within the professional community who will misread the signs of our times while the man on the street, joined by the foreign buyers, will endeavor to protect their capital from an inevitable rise in inflation and automated devaluation of world currencies.

One parallel which is a bad sign came from the immediate actions of several big companies themselves. They stepped in to buy their own stock back in an effort to provide support. This is a repeat of a series of errors which led to a contraction in available corporate capital. We view this as a potential danger and a wrong move. Companies could be forced to raise capital by issuing bonds or borrowing short-term thereby increasing their debt positions. This could adversely effect interest rates a year from now.

Major Cyclical Wave Conjunctions



Reprinted from Vol. 3 Greatest Bull Market In History

Handwritten note:
 1830
 1840
 1850
 1860
 1870
 1880
 1890
 1900
 1910
 1920
 1930
 1940
 1950
 1960
 1970
 1980
 1990
 2000
 2010

This illustration provides a look at four of our major long-term cyclical wave models. Our complete array of cyclical models includes a total of 66 different waves each based upon an independent aspect within the full world financial and economic spectrum. This illustration, therefore, provides only a glimpse of our entire cyclical model for a brief period in time, 1830-2010. Nonetheless, this is a fair representation as to how the conjunction of these four waves differ today from where they stood in 1929.

Notice that the stock market Panic of 1929 came precisely at the top of the Economic-Confidence model. The Kondratieff Commodity Cycle had peaked in 1919 and was pointing lower into 1932. The 64 Year Gold Cycle was poised to move abruptly higher into its ideal top which came into play during January 1934. Since gold was money at the time, this qualified that period by dictating that the value of money itself would rise significantly into the major peak which was projected for 1934. Therefore, deflation was in fact the outcome of this tightly knit grouping following the Panic of 1929.

Here during 1987, the Kondratieff Commodity Cycle has already bottomed, the Economic-Confidence model is beginning a new wave since the low it had projected as July 1985 and the 64 Year Gold Cycle is still pointing higher into 1998. Given the fact that gold is no longer money, this wave in and of itself suggests an inflationary atmosphere ahead as do the Economic-Confidence and the Kondratieff waves. Therefore, a major depression, which would create an atmosphere of deflation, does not seem to be indicated during this conjunction on the long-term models.

Commodity prices bottomed in 1932 and had been sliding downward for 9 years. They were in a cyclical position which demanded that they complete a 12 year Panic Cycle. In the case of commodities today, the position of the commodity cycles and the Kondratieff Wave formation dictated that the low should have been 1986 and it was.

Therefore, given the technical and cyclical position of world markets, it appears that we will see a short-lived decline in the stock market of major proportions. But it also remains entirely within the scope of reason that we will see new highs as early as the first quarter of 1989.

Now this outlook is distinctly different from what you will read elsewhere no doubt. We are not bullish long-term for the same reasons either. The difference is that we are not stock brokers and we are precluded from owning stock by our own corporate charter. We are unbiased and completely detached from earning profits based upon the movements of the stock market. We do not manage stock portfolios so there is no need to reassure clients to prevent them from withdrawing their funds. There are no ulterior motives at work here, just plain old call it like it is type of analysis.

By stating that we see the market back at new highs as early as 1989 is no doubt provocative and bold. Perhaps you were waiting for this issue to read about the end of the world and what island you should have your next issue forwarded to in November.

Nonetheless, a chart has been provided here giving you a glimpse of the number of panics which preceded 1929. In most cases, new highs were achieved within 1 to 2 years following each Panic decline. The cyclical patterns at each of those intervals was

also not in line with the various sectors within the free market as is the case today. But there is no doubt that this decline could in fact press lower taking the market as far as 53% from the August 1987 high.

That is the straight forward outlook as it stands right now. The bull market is still alive, but the bear in all of us will rise to the surface as time goes on. The timing is something different and there we have some key periods to look forward to as well.

Cyclically, this is also the Monetary Crisis Cycle target which we forewarned about in November 1986 when we made our discoveries in foreign exchange public. We see that a turning point of major proportions will also take place in the foreign exchange markets. This will be the topic of next month's issue.

As for the specific potential periods in the future which will be of major importance, they are as follows:

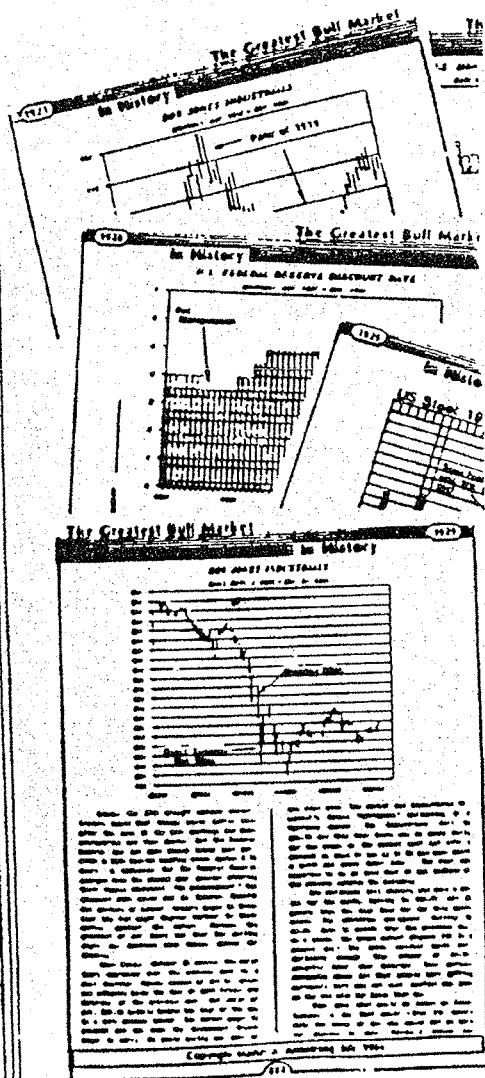
1987 October-November

1988 January - (April/May/June)
October - December

1989 May - July - December

Next month we will explore the targets providing projections based upon the closings obtained at the end of October. Then we will be able to lay out the ideal turning points with a more definitive perspective. But as it stands now, it appears as though the turning point for the market will come during the April through June period of next year or by October. The odds tend to favor a early turning point with perhaps the major top coming into play during July of 1989.

The Greatest Bull Markets In History Will It Happen Again?



"The most thoroughly researched report I have ever read!"

Thomas J. Hendersen
New York

Are you feeling confused about the general trend of the markets from stocks and bonds to gold and the dollar? Let's face the facts here. Gold has been moving higher when oil drops, stocks rise when bonds decline, the dollar rose to record highs in 1985 when everything in economic theory said it was impossible and interest rates soared back in 1981 to 20% when no one dared to think of such levels just a few short years before.

It takes a lot more to understand the markets these days and if you aren't a trader but purely a long-term investor, you better know what the real trend will be in the future. Why do these various relationships change from time to time? Just when you think that a particular market should be following another, that relationship suddenly fades away into the night. To make matters worse, everyone excuses the confusion by simply saying it must have already been factored into the market's price.

At Princeton Economics it's our full time job to research the past and project the future. The economic theories which have been taught in universities around the world for decades have crumbled in the face of modern reality. Even the notion that rising deficits of major proportions cause massive inflation have failed to guide us these past 5 years when the U.S. National Debt doubled and inflation steadily declined.

We have taken the time when no one else has bothered to search through the centuries on a quest for realistic answers. That journey has brought to light countless facts which posterity chose to cover up and ignore. After 5 years of research conducted here in the United States and in Europe, the truth at last has surfaced.

In a special report of monumental importance hard bound by hand in a series of three volumes, the "Greatest Bull Market in History" has provided the answers to unravel the confusion of today as it brings new understanding for tomorrow.

The Greatest Bull Market In History starts where no other research work has; at the beginning! Volume I deals with the origin of the bull market which held the Roaring '20s spellbound. It traces the movements year by year quoting contemporary news items verbatim. Read how the majority had been bearish until 1928. Read first hand of the debt crisis which eventually brought the entire world economy into shambles as South America and European nations defaulted on their bond issues.

This classical study involves not merely the U.S. events of the era, but those around the world as well. Hundreds of charts have been provided offering a visual data references of most leading commodities from copper, lead, gold, silver, wheat, corn and more with some stretching back as far as 1860! Charts on interest rates extend back to the mid 1800s. Countless economic statistics from GNP, inflations, labour, and the balance of trade are provided for most leading world nations from 1900 to date. Foreign exchange charts take you back to the turn of the century including not merely all major European nations, but South America, Australia and Japan as well.

Never before has such a reference work been assembled. Much of the research included within the report was assembled by manually searching through the newspapers of the day collecting quotes for each day and then the next.

"This should be nominated for a Nobel Prize!"
Dr. Chris Kircher
Ohio

Did you realize that in 1927 the Federal Reserve got together a group of 4 nations who attempted to manipulate the dollar and interest rates to solve the problems of world debt and trade? Did you realize that the stories of the Great Crash in the stock market have been exaggerated? Did you realize that more people lost money in the bond markets including U.S. municipal bonds than they did in stocks? Did you realize that the bond market began to drop sharply nearly 2 years before the stock market peaked?

Did you realize that some of the "hot" issues of the day such as U.S. Steel reached a PE ratio of 75:1 before the top was reached? Did you realize that the interest rates on call money reached a peak well above 100% in the United States?

This entire special report of over 700 pages, 8.5x11" in size, traces the movement of not merely the U.S. stock market throughout this century, but also the European markets as well. In addition, this research project provides charts on interest rates back to 1876, many commodities back into the 1840s and railroad bonds back to 1857! Countless charts on vital economic data from GNP, CPI, Debt, Trade, Unemployment, Taxation, Wages, and more are provided for the U.S., Europe and Japan.

Read how and why the relationships prior to 1929 viewed that lower interest rates were a sign of deflation and that stocks only did well when interest rates rose! Read first hand the book reviews for Keynes' economic theories and how they called him a communist thanking God no one was listening to him for if they did we would have massive Federal Deficits and record high inflation in the years ahead. That was published by Time Magazine in 1923!

Read how Roosevelt introduced inflation as a last resort to bring an end to the Depression and how the public rushed back into stocks as the Wall Street Journal reported that stocks were the best hedge against inflation. Read how nations began a series of competitive devaluations in foreign exchange to win the battle for world trade. Read how the U.S. lost its gold reserves despite the fact that it had maintained a trade surplus! Read of the parallels of the Monetary Crisis of 1971 and 1981 and why the current floating rate monetary system will eventually collapse forcing the world back to a complete new system in the years ahead.

Also provided is a detailed look at prices and earnings of many companies during the 1920s and 1930s. See which ones were hard hit and who were the survivors. Follow the foreign exchange markets from 1900 to date as this classic work provides the only published source of all leading currency movements unavailable in any other reference work.

See for yourself that the closest relationship that the stock market has is not interest rates, but instead, foreign exchange! The wealth of information contained in this exclusive report has cost more than \$100,000 in gathering the raw data alone.

This classic study will demonstrate why this is only the beginning of another Great Bull Market and why the world will soon enter another massive wave of inflation with rising interest rates and serious world debt crisis as we continue on our journey to meet our final destiny.

Volume I & II (1900-1946) including a review of the bull and bear market from a technical, fundamental and economic perspective. Available for immediate delivery (Hard Bound)..... \$200.00

Volume III (1947-Date) including the Monetary Crisis of 1971 and the parallels between the Great Depression and the Present Also included is a cyclical review of the entire century from 1900 to the year 2000. (Hard Bound) (Publication Date July 1987).... \$150.00

COMPLETE SET OF ALL THREE VOLUMES..... \$300.00

OUTLOOK FOR GOLD:

The key buy signals remain a weekly closing above \$500 and a month-end closing above \$466.20. If either or both of those develop by the end of the week of October 26th, then, given the panic cycles lined up for November in the Precious Metals, we would look for gold to test the \$608 level. If neither signal develops by the end of October and instead we close below 453 on spot on a weekly closing basis, then look for a sharp decline into a November low which may test the 444-434 or even as far down as 408 to 383.

OUTLOOK FOR SILVER:

Silver still has support at the 695 level on a weekly closing basis and resistance at 837 and 954 on a weekly closing basis as well. Unless we start pressing off to new highs in rather short order, silver still has the potential to decline down to as far as \$3.80 even as early as January.

BOTTOM PICKING IN STOCKS:

The best values remain in the oil industry. This group of stocks are our favorites. With dividends in the 8% area and the tensions which will not go away in the Middle East, those with the uncontrollable urge to buy something at this fire sale should explore the solid oil companies.

OUTLOOK FOR BONDS:

The bonds have typically staged a rally in the wake of the stock

massacre. This is always the initial urge for capital but the long-term outlook will not change. The major resistance on a nearest futures basis stands at 9216 on a weekly closing basis. The Fed will be the key here. The charts published on the discount rate in the July 1986 issue have worked extremely well. The discount rate moved up precisely to the 6% level we had been looking for. We also stated that 6% was resistance and that to confirm the start of a major uptrend in interest rates, the discount rate itself must exceed the 6% level.

The Fed will not raise that rate so easily just yet by sheer popular demand. Whether or not the Fed will cut the rate remains to be seen. They can expect the banks to ease, which they will do. The banks and the bond market were starting to get a little ahead of themselves and at the end of the week of October 12th, they were factoring in a 7.25% discount rate anticipating the trend.

The trend for interest rates is still clearly higher. Despite the recent debacle, the true underlying forces will continue to build in the credit markets. We see that the rate will most likely begin to rise once again but most likely not before May of next year. In the meantime, look for some easing as a temporary measure but don't count on a depression just yet.

OUTLOOK FOR REAL ESTATE:

Here we are still bearish in many respects. Commercial will actually do better in this next wave formation on our economic models. That is a distinct change from our forecasts for the

period of July 1985 to October 1987 where we foresaw a boom in residential with a decline in commercial.

The areas where prices will recover will be those that decline during these past two years in residential. That means areas like Houston we believe are excellent buys as long as mortgage rates can be fixed. Areas such as California and New England look a bit topy at this stage and should be hedged.

OUTLOOK FOR WORLD STOCK MARKETS:

Here we are still in favor of selling foreign markets and buying the U.S. shares. The two non-U.S. markets that will do excellent will be Canada and Australia.

Percentage declines will be more felt in the German, Swiss and Japanese markets. The German and Swiss have been the worst performers when you factor out exchange gains.

We see that the saviour for the U.S. market will eventually be two factors. In the Greatest Bull Market in History, it was illustrated that the two main forces at work were the foreign buying and the average cash investor in the stock market.

The losers were actually the professionals, not the average investor who everyone generally refers to as the snuck. The pros were all bearish in 1928 and turned bullish only going into the highs in 1929. The little guy put the market low in during 1921 after the Panic of 1919. The pros were all calling for the end of the world which never came quite similar to what we saw in 1982.

The foreign markets peaked in advance of 1928 due to foreign exchange and a declining economic growth. Our

models indicate that we should see a recession in Europe which will spark capital to flow out of those markets and into the U.S. market.

A survey taken by CNN the day after the collapse, indicated that 53% of the people did not believe that a depression was coming. We believe that the general consensus, excluding the so called knowledgeable investors, will in fact smell inflation ahead. This coupled with foreign buying and a turn in the dollar, will plant the low in the U.S. market at the expense of the overseas markets.

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