

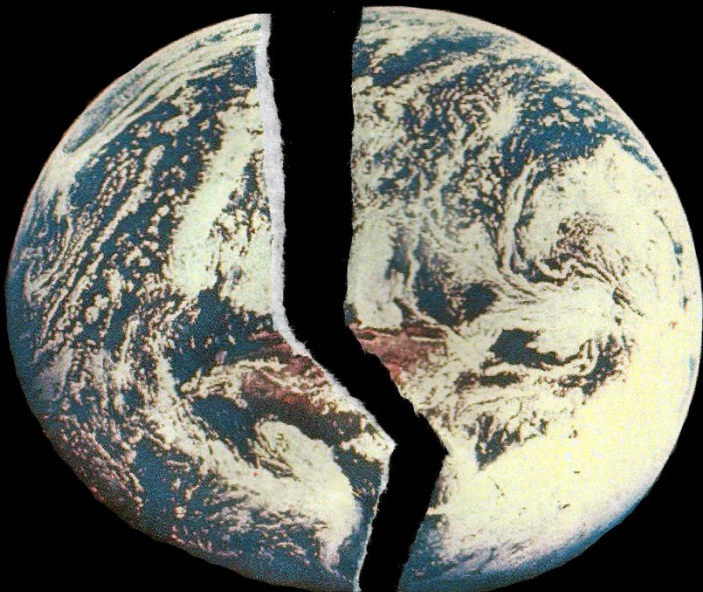
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Financial-Capital-Equity Commodity & Political Trends
History Is a Catalogue of Solutions

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Financial Armageddon

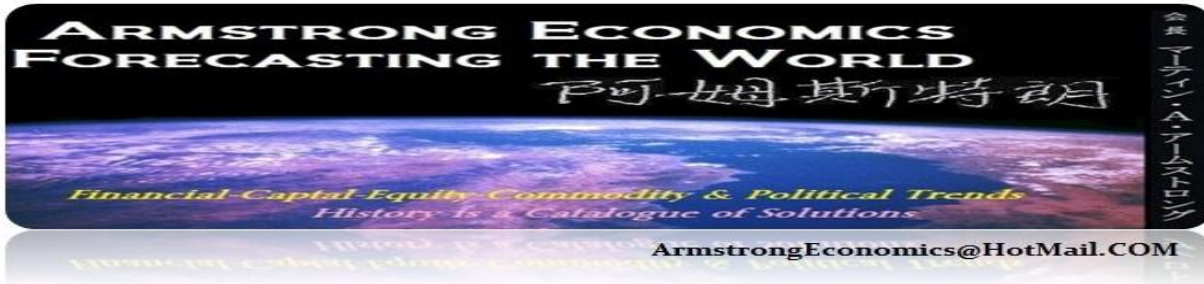


Is Western Civilization on the Verge of
the Equivalent to the Fall of Rome?

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Including Computer Written Report Dow-Gold

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ANALYTICAL & WORLD ECONOMIC CONFERENCE

DECEMBER 3RD & 4TH, 2011 AT THE

The Westin Philadelphia



99 South 17th Street at Liberty Place

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Register by sending email to: ArmstrongEconomics@HotMail.COM

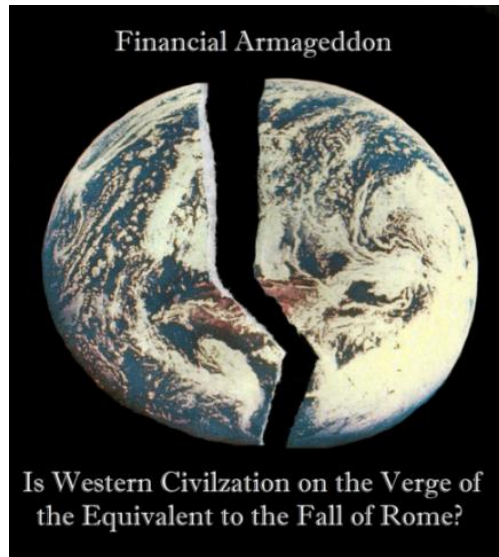
Seats \$2500 each for two days: \$750 for Only World Economic Conference

Thank you for your reservation for the **Analytical & World Economic Conference** being held in Philadelphia, December 3rd and 4th. This will be held at one of Philadelphia's finest hotels located in the heart of the city within walking distance of Independence Hall, the Liberty Bell, first Bank of the United States, US Mint, the Constitution Center, and of course Ben Franklin's print shop and his grave.



The price of \$2500 for the weekend is a substantial reduction from the normal \$10,000. However, we are trying to open this up to private individuals and fund managers in addition to the institutional clients. To preserve limited space, we are compelled to limit the attendance to 3 seats per institution.

The price will include luncheons for both days and a cocktail party Saturday night for everyone to get to meet one another. These "**networking**" sessions have been very popular over the years. We have a room block to 50 rooms. The capacity of the hotel is about 200. To reserve a room you may contact Samantha McPherson smcpherson@westinphila.com. They will be on a first come first served basis.



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By: Martin A. Armstrong
former Chairman of Princeton Economics International, Ltd.

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EVERYONE knows that something is wrong. What they do not realize is that this has **ALWAYS** been a global game. What are the implications of a global economy? As bizarre as this may sound, everything in economic theory that supports government manipulation and intervention into the domestic economy rests upon theories that the economy is exclusively domestic and takes **NOTHING** into consideration affecting local events from an external source. Why is this important to understand? The **Sovereign Debt Crisis** began in Austria in 1931. Once one country goes, capital looks around and then attacks the next country perceived to be weak. Thus, the collapse need **NOT** be some local event. Hence, if the catalyst can be external, that means we may **NOT** be able to prevent the spill-over of **GLOBAL CONTAGION**. The bottom line – we are **NOT** in control of the domestic economy as economists and politicians presume. Government presumes this recession is no different than any other, perhaps a tad deeper. Thus, they sit back and presume we will “grow” our way out of it and hence there is absolutely no contingency plan for “what if” they are wrong!

The mainstream economic theories have long supported government manipulation and intervention to control the economy from a **DEMAND-SIDE** view. People turned **SUPPLY-SIDE** economics into dirty word under President Reagan. However, there is something more to **SUPPLY-SIDE ECONOMICS** that nobody seems to pay much attention. The Fed raises interest rates to **AFFECT** consumers and to discourage them from buying, while increasing the profit margins for banks. This is in **THEORY** managing “**DEMAND**” rather than curtailing lending by banks changing their ratios affecting “**SUPPLY**”. Everything the government does is designed to influence the **PEOPLE/DEMAND** by affecting them to indirectly

steer the economy. Directly restricting how much a bank can lend would be **SUPPLY-SIDE** intervention rather than raising rates and affecting consumers causing them harm is **DEMAND-SIDE** economics.

The whole theory base in economics is seriously messed up. **DEMAND-SIDE** affects the people placing the burdens upon them directly to influence their spending to indirectly drive the economy in the direction economists and politicians **BELIEVE** it should go. Strangely the so called Marxist politicians argue that **SUPPLY-SIDE ECONOMICS** benefits the rich at the expense of the poor. Yet **DEMAND-SIDE ECONOMICS** advocates targeting “demand” (the consumer) manipulating that group to affect the rich. Nobody seems to ever think these things through.

The theories are all domestically focused assuming raising and lowering interest rates and increasing or decreasing the supply of money will influence demand. But this completely ignores both the inadequate theory of **DEMAND-SIDE** whereby lowering interest rates to virtually zero wipes out the income of the elderly reducing their **DEMAND** while diminishing the value of their cash **SUPPLY**. This fails to understand that when **CONFIDENCE** is low, people will **HOARD (increasing SUPPLY)** and not borrow when their expectations of the future remain questionable. The spread between the cost of a car loan at 3.9% and a 3 year CD-Rate at 0.7% is almost a 560% profit margin for the banks. Thus, the lower interest rates have dropped the cost of money for banks while increasing the cost to borrow fails utterly to stimulate **DEMAND**. There is **NO** consideration regarding the cost of **SUPPLY**. The consumer gets the worst of both ends of the stick simultaneously. Low interest rates does **NOT** stimulate the economy, it only benefits the banks. As always, **SUPPLY-SIDE ECONOMICS** is never considered.

SUPPLY-SIDE ECONOMICS is generally presented as a school of macroeconomic thought that argues that economic growth can be most effectively manipulated by lowering the regulation and barriers to allow people to produce more goods and services thereby increasing the **SUPPLY** and in theory stimulate the economy by lowering costs. This is normally argued that lowering income tax and capital gains tax rates creates more incentives to produce creating more jobs. Under this theory of **SUPPLY-SIDE ECONOMICS**, consumers will then benefit from a greater supply of goods and services at lower prices increasing the standard of living. Opponents argue this is “*trickle-down*” largely because they see this as only benefiting the rich. However, constantly raising taxes lowers growth and chases the rich out of the

economy. One of the great Democrats, Grover Cleveland (1837-1908), spoke to a special session of Congress on August 8th, 1893 before there was an income tax on how capital acted without taxes during the **Panic of 1893** and the ugly effect upon the wage earner.



Grover Cleveland (1837-1908)

"At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuations of values; but the wage earner - the first to be injured by a depreciated currency - is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others nor hoard his labour."

Not only do we lower the cost of savings destroying income to entice the “rich” to borrow, who do not because consumers reduce spending, but we ignore the global economy altogether. There is no global economic theory at all because economists and politicians can only regulate domestically under the Marxist-Keynesian agenda. In 1931 it was Austria. Today, it will be the first nation to default, which will **NOT** be the United States. Then, if we look at the current global economy, the catalyst for the immediate debt crisis began with the abuse of credit which emerged from the New York Investment Banks that were primarily regulated **NOT** by the Federal Reserve, but by the **SEC** and **CFTC**! The **SEC** and **CFTC** are directly responsible for everything instead of merging and reforming them, they are handed more power to abuse. They regulated the Investment Banks and derivatives. They were supposed to be the first line of defense. Yet, they have **NEVER** managed to ever prevent a single crisis or scandal from Madoff to the collapse of Lehman and Bear Stearns not to mention the quick and dirty sale of Merrill Lynch to prevent that from going into oblivion. They have served no purpose and protected the very people that created the economic crisis. Even the Pro-NY Banks mouthpiece Bloomberg News reported on October 28th, 2011: *“The U.S. Securities and Exchange Commission’s internal watchdog has castigated the agency for missing the Bernard Madoff fraud, spotlighted employees who viewed online pornography and called for a criminal probe into the ethics of the SEC’s former top lawyer.”* <http://www.bloomberg.com/news/2011-10-28/sec-enforcers-frozen-as-watchdog-unleashes-chilling-probes.html>

Everyone knows something is wrong. Not everyone can put their finger on it, but they just instinctively know something ain’t right. One participant of the **Occupy Wall Street** movement across the street from me in Philadelphia holds up a sign saying *“too many grievances to list”*. Others just assume we have a White Knight in shining armor ready to charge in and save the day. There is certainly no shortage of optimists that just want to believe everything will be alright. They argue we will *“grow”* our way out of trouble like we always have done. This group stands in contrast with those calling for the end of the world turning gold into a religion and get angry if you say there will be even just a brief pause in the price advance. Gold is the perfect hedge against a **Sovereign Debt Crisis**. However, it is a matter of TIME and the majority does not see it that way. Nonetheless, this is what makes the **Business Cycle** function. It requires two opposite extremes that refuse to consider any other alternative. In this sense, these two extremes are like the optimist who falls off of the top of the Empire State Building and as he passes the 4th floor says: *“Well so far so good.”* Both are entrenched in their ideas beyond discussion. On the one side, some refuse to think that civilization can ever collapse as it has done many times in the past. At the other extreme the Gold advocates who argue only gold is money and all fiat is evil without any realization that to create a world with absolutely no fiat is to return to the **Dark Ages** when there were no banks, no financial markets, no leveraging, no credit, and no jobs – just serfdom. If M3 shows a money supply of \$6 trillion and the total market cap of NYSE stocks is \$15 trillion, guess stocks by law should not be allowed to trade above the total money supply since this too would be fiat! According to Wilshire Associates, the total U.S. market cap of US stocks was about \$15.35 trillion at the peak in 2007 compared to the world at \$51.23 trillion. The only time that existed without some sort of fiat system in 6000 years was the **Dark Ages** when money itself was rare and you were most likely a serf. Then there is the academic crowd who only focus on the domestic economy and ignore the global economy. While everyone screams at each other, the real economic nuclear bomb keeps ticking away on a global scale with a countdown to an international **Financial Armageddon - debt**.



The greatest danger we face is the polarization of everything. Investing to many is turning into a political debate. I was invited to Capitol Hill this past week and after several meetings the number one problem everyone was complaining about was the lack of substance on the Hill. I met with the *good guys* who know we have a serious problem, but the vast majority on the Hill are consumed with control for the sake of control void of any vision of what to do with anything other than fight to keep it. There is no middle

ground anymore. Because of this, there is no immediate solution that we can expect from the political arena. The best we can hope for is to redesign the monetary system and have a plan ready to go when it all turns to dust and falls down. Most members on the Hill moreorless turn to the Fed and basically throw their hands in the air and expect the Fed to just deal with the economy. There is little appreciation for the inability to deal with the problems at the Fed. While the Democrats yell get the rich and the Republicans yell get the freeloaders, the two sides are so entrenched in dogma, there is no compromise nor discussion of the real issues. If we confiscate **ALL** the wealth of the rich, this will not pay off the debt. If we eliminate **ALL** social programs, the interest on the debt will eventually consume 100% of all expenditure so even a balanced budget fails. We see the same in financial advice. Either invest in gold or go to hell. The opposite side just cheers when gold declines and the two sides often seem to be at each other's throats. As the **LEFT** and **RIGHT** argue over philosophical issues, we are facing a collapse in *Western Civilization* as we know it that is on par with the collapse of Rome – the **Financial Armageddon**. Why? It is **NOT** that because of fiat money. We should wish it was just that. We are in the final throws of a **Sovereign Debt Crisis** upon which the entire future hinges. Pension funds depend upon government bonds. Once one sovereign nation defaults, capital will respond as it historically has – it will look at the financial landscape and ask the only question worth asking – *Who is next?* We are cascading toward a choice of **MONETIZATION** or **DEFAULT**.

Steering Down the Middle is not an easy task. There is an escalating hatred rising on both sides where in politics it prevents resolution without a **Financial Armageddon**. In the investment world, the same extreme is developing where there is such hatred of anyone who dares to say something is wrong and refuse to listen to anything that warns of the future. The just want “good news”. Both extremes, as in the academic field of economics, are so busy trying to further their own agenda, they remain ignorant of what is coming down the track. The performance of the Euro further demonstrates the optimist disease hoping and praying a miracle will appear. Yet, because of the polarization in the investment field that is mirroring the political field, the USA is continually bashed without any comprehension of the global economic trends are far worse in Japan and Europe as China begin to pause.



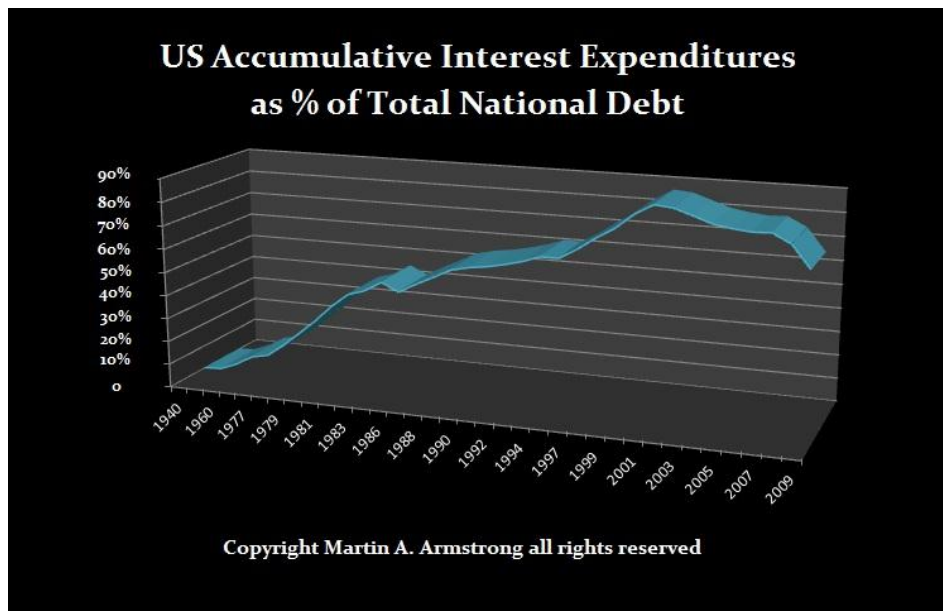
Herbert Hoover
(1874–1964)
(President 1929–1933)

Herbert Hoover's **Memoirs** are available free online. He opens Chapter 7 concerning the Sovereign Debt Crisis of 1931 explaining:

"In the spring of 1931, just as we had begun to entertain well founded hopes that we were on the way out of the depression, our latent fears of Europe were realized in a gigantic explosion which shook the whole foundations of the world's economic, political, and social structure. At last the malign forces arising from economic consequences of the war, the Versailles Treaty, the postwar military alliances with their double prewar armament, their frantic public works programs to meet unemployment, their unbalanced budgets and the inflations, all tore their systems asunder."

Chapter 7, pg 61

<http://www.ecommcode.com/hoover/ebooks/browse.cfm>



While both sides yell at each other be it in politics or investment, they fail to comprehend that the problem cannot be solved by arguing about what is money, about deficit spending, or who is getting a free ride be it the rich or the poor. This is a **SOVEREIGN DEBT CRISIS** and that negates all the issues being thrown around. This is not a problem that can be solved with making money gold. It cannot be solved by confiscating **ALL** the wealth of the rich or raising taxes. It cannot be solved by shutting down **ALL** social spending. For no matter what we try to do, this has been allowed to go too far. We have crossed the point of no return. We are on the edge of complete collapse of the **Western Financial System** that threatens to destabilize everything and obliterate our future. Pension funds depend upon **SOVEREIGN DEBT**. We are in a position where there **MUST** be a complete structural reform, or everything goes bust and civil unrest will destroy what is left.



Even a balanced budget will no longer work because the proportion of interest within total expenditure will continue to rise until it consumes 100% of the whole budget. Interest is like the Energizer Pink Bunny that keeps on going until you default or monetize the debt. If we eliminated all banking, credit, leverage, and could create a one-for-one gold standard with **ABSOLUTELY** no fiat money at all, what will that accomplish? The proponents will argue that this will create a discipline and stop inflation. Aside from creating the worst economic collapse in history eliminating credit, it would be no different than a balanced budget and the interest expenditures would eventually still consume everything. It is the unrelenting **DEBT** that keeps growing. If you only printed money to cover the spending, that would have been **FAR LESS** inflationary! As of 2010, the national debt

stood at \$13,561.60 billion while the total accumulative interest expenditures were \$8,575.5 billion. In other words, had we just printed the money and spent it, the debt would be only \$4,986 billion. Total interest is about 63% of the debt. So a gold standard will do nothing but collapse the economy and a balanced budget will probably create a civil war and **ALL** social spending would have to be cut to pay the interest on the debt. The **ONLY** resolution is **MONETIZE** the debt and **STOP** borrowing unless in time of war **ONLY**, or we **DEFAULT** and wipe out all pension funds, which would probably spark civil war. So let us stop the peripheral nonsense dancing around the real problem – **it's the DEBT, not what is MONEY or a BALANCED BUDGET!**

The problem we have is a **SOVEREIGN DEBT CRISIS** that is at **ALL** levels of government, local, state, federal, on a **WORLDWIDE** basis meaning this is out of control of any one nation. There will be only two possible solutions; (1) **MONETIZE** the debt or (2) **DEFAULT** on the debt. There is going to be no other choice. We cannot borrow forever regardless of what we call money. How can we return to a gold standard now? Everything previously spent would become payable in gold. Your mortgaged would now be payable in gold. Some lick their lips for they think gold would be \$10,000+ an ounce and they see themselves as rich. What they overlook becomes like the guy who is frozen for 50 years and then is revived. He calls his stock broker firm and the \$1 million he deposited is now \$100 million. He jumps for joy – until the operator says that will be \$1 million for the next 3 minutes. Gold cannot rise in value disproportionately to everything else on a sustained basis. It is undervalued no doubt and is playing catch-up. But under a complete monetary system collapse, everything is revalued. **INFLATION** is when a storm wipes out the orange crop. **MONETARY INFLATION** is different. That is the **COLLAPSE** in the purchasing power of **MONEY** that is seen in **EVERY** sector, not just one commodity. When you talk about revising the **MONETARY SYSTEM**, we are in the category of a wholesale change in the value of absolutely everything.

As of October 22, 2011, the gross US Federal debt was \$14.94 trillion, of which \$4.74 trillion was intragovernmental holdings leaving \$10.20 trillion was held privately as well as by world central banks with slightly more than 40% of total interest payments being exported to foreign holdings. The annual

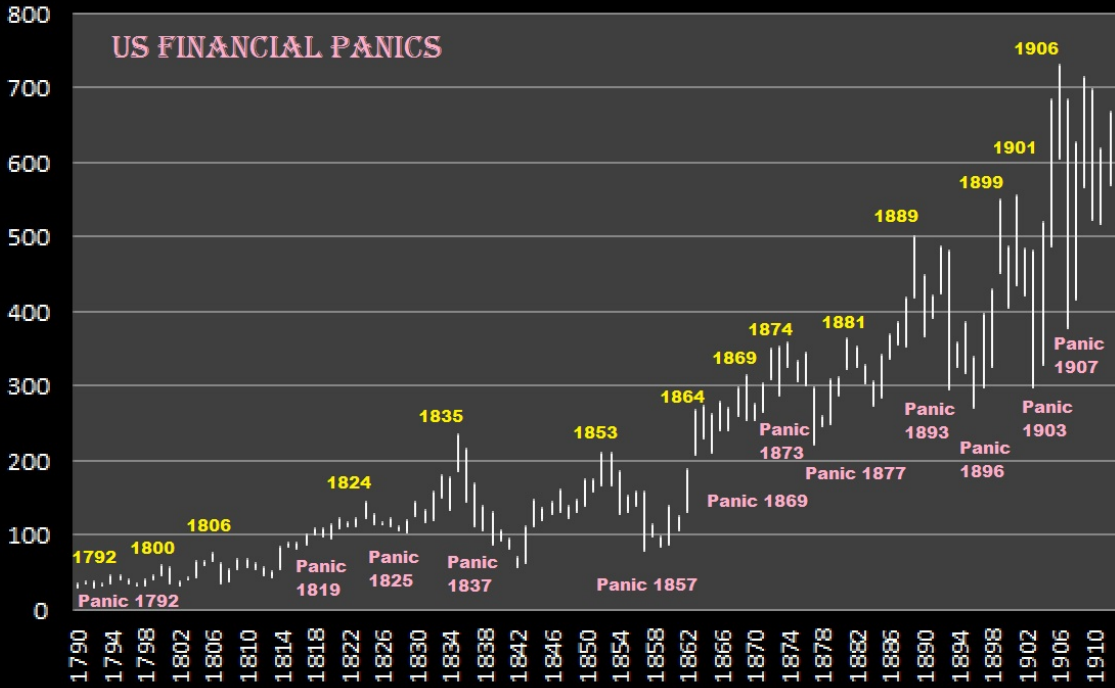
gross domestic product (GDP) at the end of June 2011 was \$15.003 trillion (July 29, 2011 estimate), with total public debt outstanding at a ratio of 99.6% of GDP, with debt held by the public at 68% of GDP. The state and local debt outstanding at the end of June 2011 was almost \$2.5 trillion compared to the mortgage market being \$9.9 trillion. This illustrates why the collapse of the mortgage backed market pools was so devastating to the entire debt market array. Consumer debt at the end of June 2011 was about \$13.3 trillion with business debt at about \$11 trillion. This brings the total debt picture to about \$36.5 trillion in the USA. www.federalreserve.gov/releases/z1/current/z1.pdf

When we compare this debt figure to the total capitalization of **ALL** world stock markets at the peak in 2007 which stood at about US\$51.2 trillion, we can get a sense of the seriousness of the debt crisis as a whole. That number is now down to about \$36.6 trillion. Therefore, the total debt just in the USA both private and public is about equal to the value of the entire world share markets. The **TOTAL** world derivatives market has been estimated at about \$790 trillion on a face or nominal value perspective, which is about 11 times the size of the entire world economy. The Economist publishes the **Total World Public Debt Clock** which stands at almost \$41 trillion. However, this is seriously understated for it includes federal debt and it assumed the normal debt growth. That means the US National Debt is in this figure at only slightly less than just \$9 trillion when we are approaching \$15 trillion at this point in time. http://www.economist.com/content/global_debt_clock

The primary reason why formal economic theories have been a complete failure has been directly the result of Marxian influence furthered by Keynes. In both avenues of thought, there is a common denominator – government is capable of managing the economy and as such it can manipulate it at will by regulations, criminal enforcement, and authoritarian control of interest rates to affect the demand of the people themselves. Two results have emerged. First, there is a bias to look **ONLY** at domestic events within control of government setting us up for the big economic tsunami that manifests in **GLOBAL CONTAGIONS** as we saw in 2007-2009. Secondly, because of this anti-*laissez-faire* economic policy where people are treated as cattle to be steered, manipulated, tempered and controlled, we have an economic philosophy of dictatorship where government assumes the **Divine Right of Kings** to do as its pleases with human behavior.

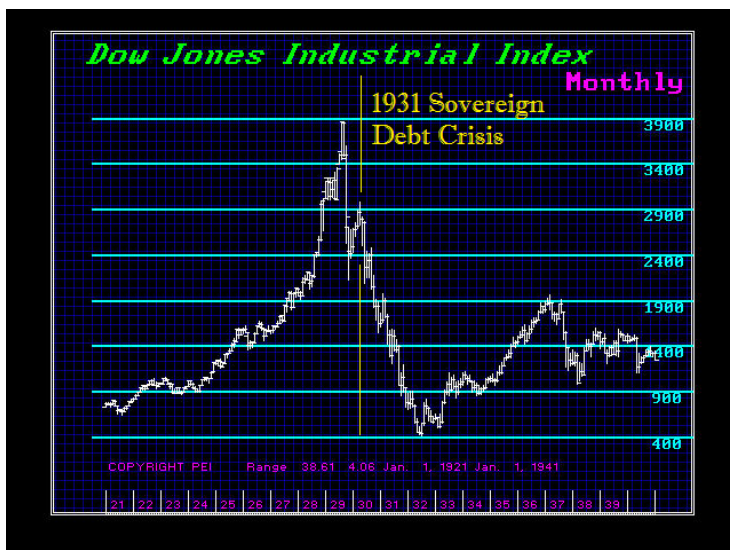
This anti-*laissez-faire* attitude in economics has seriously caused more harm than good. Keynes himself published a paper in 1926 declaring that *laissez-faire* was dead. He admitted that government was too corrupt and incompetent during the 17th through 19th centuries, but in the 20th century, somehow government acquired the knowledge, expertise and ethics. How many people in Britain lost their homes when their mortgage payments skyrocketed because the government was fighting inflation it saw in another economic sector? Where mortgages are **NOT** fixed for 30 years and credit cards are the means of financing, the presumption of the **RIGHT** to manipulate interest rates in an indirect approach to managing the economy targeting the people rather than the banks, has caused serious economic disruptions. Instead of directly regulating banks to curtail their lending, governments, championed by economists drowning in theory, choose to raise rates to force people to **STOP** borrowing and spending in other areas because a greater proportion of their income now goes to interest on previous debt. It is this focus on **DEMAND** rather than **SUPPLY** (lenders) which constantly creates more harm than good.

Dow Jones Industrials Reconstructed 1790-1913



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If we look closely at the events and market action during the Great Depression, we can draw a line dividing the 1929 high with the crash that bottomed in 3 months followed by the rally into early 1931 and the start of the **Sovereign Debt Crisis** in 1931. We can see the normal decline between '29 and '31.



It was the second hammer that hit with the **Sovereign Debt Crisis** in 1931 that sent the market tumbling down into the July 1932 by nearly 90%. The decline was finished within 3 years. The percentage decline was greater, but the time duration was normal. Previously, there were 7 year bear markets only three times following the highs of 1835, 1853, and 1889. Most other periods of panics tended to produce lows generally within just two to three years.



Paris Panic of 1889

These three panic periods that were the longest in duration amounting to 7 years in the United States following the peaks of 1835, 1853, and 1889, all involved banking and unsound finance and warn a cycle inversion with a 2014 economic low cannot be ruled out and that the downside between 2015.75 and 2020.05 may be a monetary crisis of untold proportions (inflation). The first is famous in the USA as the **Panic of 1837** for the **Bank War** of Andrew Jackson. The **Panic of 1857** is the first financial crisis that is formally recognized as a global event. Nonetheless, there was an over-expansion of the money supply between 1848-1857, that caused by the 1849 **California Gold Rush** discoveries which set in motion an inflationary bubble setting the tone for the **Panic of 1857**. Inflation had moved substantially higher as gold flooded the US economy. By 1857, gold's purchasing power had declined from 1849 steadily to the point that it purchased at best half as much as it had just 10 years prior. The vast discoveries of gold affected the trading partners of the USA strengthening the interconnectedness of the world economy. The financial crisis began during the autumn of 1857. In Britain, the Palmerston government circumvented the requirements of the **Peel Banking Act of 1844** reducing the requirement to back the currency with precious metals as they had declined in value, which set off the Panic in Britain. However, this inflationary boom was stimulated not just by the **California Gold Rush**, but in 1851 there was also the **Australian Gold Rush**. The money supply was dramatically increased by chance.



Panic of 1857
August 24th Failure of
Ohio Life Insurance & Trust Company

The investigation that always follows produced the **Report of the Clearinghouse Committee**, which stated: "**A financial panic has been likened to a malignant epidemic, which kills more by terror than by real disease.**" It was the failure of the **Ohio Life Insurance & Trust Company** on August 24th, 1857 at the end of the month, a time where most often panics begin. As the public's faith in the soundness of financial institutions continued to plummet from that point forward, the US banks

began to collapse. Although the East Coast was hardest hit—with bank closures in New York, Philadelphia, Baltimore, and elsewhere, bank failures also spread across the Missouri River to cities such as Omaha. The British withdrew capital from United States banks as did most other Europeans.

On September 3rd, 1857, the *SS Central America*, a wooden-hulled steamship which had transported about one-third of all the gold discovered in California valued then at \$150 million between 1852 and 1857, set sail from San Francisco transporting millions of dollars in gold intended to create a reserve for eastern United States banks. The ship was caught in a hurricane and sunk in mid-September with 581 persons aboard carrying great personal wealth, more than \$1 million in commercial gold, and a secret shipment of 15 tons of federal gold, valued at \$20 per ounce, intended for the eastern banks.



*SS Central America sank Sept. 11th, 1857
(the "Gold Ship")*

What became known as the "**Gold Ship**" sank off Cape Hatteras, North Carolina, drowning a total of 426 passengers and crew, including Captain William Lewis Herndon. The loss of gold set in motion a cash shortage and New York banks began to fail and stores and factories began to close, touching off a financial crash known as the **Panic of 1857**. The climax was reached on October 14th which became known as **Suspension Day**, when banking was suspended in New York and throughout New England.

A very severe depression followed in which nearly 5,000 American businesses ended in bankruptcy. From this point, gold began to rise in purchasing power as cash (gold) became scarce following the over-leveraged good times. People always hoard their cash curtailing their expenditures as uncertainty swirls around them. The depression which followed was relieved to some extent when Gold was found in Colorado in 1858 and 100,000 rushed out to Pike's Peak in search of their fortune. The silver **Comstock Lode** was discovered shortly thereafter in 1859, which yielded \$397 million over the course of the next several decades by 1882. However, like the Great Depression of the 1930s, this too was largely relieved by the subsequent Civil War that eliminated the unemployment.

The **Report of the Clearinghouse Committee** also noted the fall in grain prices that was also present in the 1930s. Russia had undersold American cotton on the open market further weakening the economy that had been largely agrarian at that time, about 70% in total. Manufactured goods lay in surplus and the economy turned down as people hoarded cash. Land prices soared due to the expansion of railroads that instantly collapsed with the railroad boom. The **railroads** had overbuilt with money supply expansion thanks to the **California Gold Rush** and some began to default on their debts, although they expanded once again between 1863 and 1869 finally joining the "First Transcontinental Railroad" on May 10th, 1869. It took one week from Omaha to San Francisco by train at a cost of \$65 per adult.

Major Financial Panics have always been international events yet economics ignores them. The French **Panic of 1882** involved a serious share market crash that was the most significant crisis in France during the 19th century. It was France's 1929 boom time when Paris was the place to invest. The crash was precipitated by the collapse of l'Union Générale in January of that year. About 25% of the stock brokers on the bourse were pushed to the brink of collapse. The **Banque de France** stepped in

and a closure of the exchange was prevented by a loan to boost liquidity to support settlement at the institution. Shares in l'Union Générale rose from 500 francs a share in 1879 to over 3,000 francs at its peak in 1882. It was a real concentration of capital in France and investors were attracted by the sharp price gains as always expecting a continued rally. As the market grew, interest rates began to rise and lenders began demanding a premium as was the case in every bull market. The price of l'Union Générale shares soared and as everyone who ever thought of buying was now in, the crop of fresh buyers was diminishing. The bank failed to sell all its capital and engaged in falsified public reports to cover it up. The crash led to the typical recession as confidence evaporated. The recession lasted until the end of the decade. The founder of l'Union Générale blamed its downfall on Jewish-German banks and Freemasons who were trying to destroy French financial institutions that backed conservative Catholic political agendas bringing into the crisis the wounds of the Protestant Reformation. No direct evidence has ever surfaced to support that conspiracy theory to destroy the French banks. Traditional economists focusing purely on domestic considerations have never been able to explain why the collapse of the l'Union Générale was so devastating. They failed as always to realize that capital migrates and at this point in history, it was France that was the main stage for international capital. The conspiracy theory was in part grounded in this concentration of capital in France and that they were taking business away from

Germany. However, the **Banque de France** was dominated by the Haute Banque whose leading members included the Rothschilds who were originally German based.



Paul Gauguin (1848-1903)



"First Transcontinental Railroad" joined on May 10, 1869

This was an era before there was deposit insurance for banks or brokers. During the French **Panic of 1882**, 14 of 60 stock brokers were in trouble 7 of which were bankrupt. This was the celebrated crash that turned **Paul Gauguin (1848-1903)** from a stock broker into a famous artist. The French share market did not return to the highs of 1882 until 1897. The French banking industry became divided into two main groups being large limited liability banks known as "deposit banks" engaging in commercial and investment banking activities, which included Crédit Lyonnais and Société générale among their



ranks. The second group was the private banks that focused on merchant and investment banking that were financed by capital rather than deposits. Within this group was of course the Haute Banque. The Banque de Paris et des Pays-Bas (Paribas), was the exception playing in both fields primarily as an investment bank that had limited liability but also some deposits.

In 1882, **Banque de France** did not intervene to save l'Union Générale, which went bankrupt. The **Banque de France** was not entirely an independent central bank, but actually had a dual role as a central bank as well as a private bank. In this respect, there was a conflict of interest just as it appears Hank Paulson refused to assist Lehman Brothers and Bear Stearns who were competitors of Goldman Sachs that gained market share with their demise. In 1882 it was the Haute Banque (*Rothschild*) who was the major shareholder in **Banque de France** that dominated its board of directors, despite the fact that the government appointed the Governor and the Deputy Governors of the bank. The **Banque de France** had a monopoly on currency issue and retained a vast gold reserve. It made a lucrative profit from discounting bank paper. Its gold reserves gave it the ability to provide liquidity in times of crisis not only to French banks but even the **Bank of England**. France had to lend gold to the **Bank of England** in 1907.

The role of a central bank has long been in conflict with politics which seems nearly impossible to resolve. Either bankers abuse the position to get rid of rivals or politicians tinker with it for political gain. The process of just renewing charters proved highly destructive in the United States and it equally resulted in changes in bank policy in both England and France to guard against political interference. Like the **Bank of England**, the **Banque de France** struggled in this dual role as a private bank on one hand and a central bank of last resort on the other. Its strategy and operations were affected by the need to renew its charter periodically, for this is when the government could exert more influence over the

bank's policy extracting political favors and more revenue. This political influence resulted in the **Bank of England** keeping relatively small reserves against potential losses out of fear that the politicians would see that reserves as a treasure to be taxed for political agendas. **Banque de France** kept large gold reserves at the time and this led it to maintain a much more stable lending rate compared to England where politicians were tempted to seize what it believed to be excess reserves. The **Banque de France** had excessive gold reserves and was able to maintain a constant discount rate after the Crash of 1882.



The Second French Empire was the Imperial Bonapartist regime of Napoleon III, between the Second Republic and the Third Republic. Louis-Napoléon Bonaparte (b, 1808; 1848-1870; d, 1873) was the President of the French Second Republic and by coup took the throne as Napoleon III, the ruler of the Second French Empire from 1852 to 1870. He was the nephew and heir of Napoleon I, christened as Charles Louis Napoléon Bonaparte. Elected President by popular vote in 1848, he initiated a coup d'état in 1851, before ascending the throne as Napoleon III on December 2nd, 1852. He ruled as Emperor until September 4th, 1870 when his government was overthrown three days after Napoleon's disastrous surrender at the Battle of Sedan in 1870, fought during the Franco-Prussian War. On September 1st, 1870 the Prussians captured Emperor Napoleon III and large numbers of his troops which effectively ended the war in Prussia's favor, although fighting continued under a new French government. The cession of the territory of Alsace-Lorraine to Prussia largely resulted in both the proclamation of the French Third Republic and the overthrow of Napoleon III.

In the European world that was still under monarchies, the Third Republic once again stood out in the political landscape. Truly republican leaders had governed only since 1876, and threats by Monarchists and Bonapartists remained ever present in France. Consequently, as most Republics seem to descend into corruption, the Third Republic of France was engulfed in a series of financial and political scandals that shook the confidence in the government. On May 16th, 1877, the President of the Republic, Patrice de Mac-Mahon, who was a monarchist, made one last desperate attempt to retrieve the monarchical form of government by dismissing the republican Prime Minister Jules Simon and appointing the monarchist leader the Duc de Broglie to office. He then dissolved parliament and called a general election for that October expecting a victory for monarchy, but the perception was that he staged a constitutional coup d'état. Republicans won an overwhelming victory at the polls. The republicans gained control of the Senate on January 5th, 1879. Nonetheless, it was this perceived freedom from monarchy that contributed to the boom times that caused capital to concentrate in France at this time. It was perceived to be the new beginning or a new age that culminated in the **Panic of 1882** with its stock market crash and financial crisis that was the worst in French history.

We cannot escape a global perspective. We must understand that the United States was still very much an emerging market during the 19th century. The turmoil of the late 19th century was greatly enhanced by government mismanagement and a disastrous Financial **Panic of 1882** that hit France and infected the United States which also entered into a recession that began in 1882 and culminated in the **Panic of 1884** on May 14th. The lack of an elastic money supply and reliance upon gold reserves, led to a knee-jerk reaction in the United States because of hoarding of gold in Europe that depleted their gold reserves. The New York City national banks, with tacit approval of the United States Treasury Department, followed suit and cut-off lending halting investments in the rest of the United States. They also began calling in outstanding loans trying to increase their own gold reserves. The investment firm of Grant & Ward, Marine Bank of New York, and Penn Bank of Pittsburgh along with more than 10,000 small firms all failed due to the cash shortage. Perhaps a broader crisis was averted when New York Clearing House bailed out banks in risk of failure in New York.



Panic of 1884 - May 14
Harper's Weekly, v. 28, no. 1431 (1884 May 24), p. 333

The French **Panic of 1889** had its origins in the efforts of Pierre-Eugène Secrétan (1836-1899), who was head of the Société industrielle et commerciale des métaux (SM) to create a market manipulation to control the worldwide supply of copper. Secrétan bought up existing copper supplies and controlled a large part of the open interest in contracts for future delivery in copper around the world. This led to yet another Financial **Panic of 1889** when the **Banque de France** was forced to quickly intervene to prevent a run on leading French banks to prevent a general panic. Like the US Federal Reserve 1998 intervention, this too was not in the traditional lender of last resort sense, but rather a contested intervention that was an indirect bailout of the banks by looking at the debtor. Indeed, the **Long Term Capital Management** in 1998 was concerned about what they owed to the banks. Similarly, the Baer Stearns crisis of 2008 likewise was an investment bank regulated by the SEC, not the Fed. The French **Panic of 1889** and unusual bailout approach taken by the central bank that arguably also involved then the issue of “moral hazard” to quote Hank Paulson Ex-Goldman Sachs/US Treasurer, however, instead of rewarding the friends of the Treasury as took place in the USA, in France there was a purge of officials involved. It is true that the **Banque de France** also had conflicts of interests permitting the crisis to develop not unlike the conflicts that have surrounded the US Treasury and the Federal Reserve.



South Sea Bubble (a scene in "Change Alley" in 1720) by Edward Matthew Ward (1816–1879)

We have been living in a global economy for a very long time. The earliest global investment was the birth of the **Mississippi Bubble** in France and the **South Sea Bubble** in England during 1720 that focused upon emerging markets from the European perspective. Panics have often been **GLOBAL CONTAGIONS** such as the **Panic of 1857**. Yet despite this, economists have confined their theories to domestic policy within their control while ignoring the global external influences. Herbert Hoover recounts the events in the 1931 **Sovereign Debt Crisis** that took place under a gold standard as well.

The interlocked functions for which gold was used—currency, deposit reserves, and settlement of international balances—were, at the time of this 1931 crisis, thrown into utter confusion by interferences of frantic governments. The Central European states, trying to attract to themselves a movement of gold and capital, raised interest rates. That failed, however, and then they tried to stop by law the flight of capital and the outward movement of gold to pay debts or to buy imports. Then they restricted imports and devised stimulants to exports, in order to create a surplus of foreign exchange in their favor. Although not initially acknowledged, this was in effect an abandonment of the gold standard, beginning in Central Europe, which was to disturb the world, including ourselves, with shocks for many a year to come. The whole process was a terrible destruction of world trade. No merchant could know what he might receive in payment by the time his goods were delivered. Risks, thus multiplied, further hampered trade.

At this time—June, 1931—the European press cried out that by our economic policies the United States was sucking up the world's gold, thereby undermining exchanges, currencies, and their gold standards. This was not only untrue, but it was the usual Europeans' practice of blaming Uncle Sam for their own failures. When questioned by the press on this, I replied that our gold stock in two years had been increased by about \$600,000,000 to its present volume of about \$5,000,000,000, but that this increase had come from domestic and foreign sources other than Europe—from which, on balance, we had received very little. In the same period the European gold stocks had increased by \$1,500,000,000. I stated that some flight of capital had now started from Europe to us because of the citizens' lack of confidence in the currencies of their own countries. This flight

of capital and the movements of gold from one country to another were subsequently to give us great anxiety. Gold coming into the United States was absorbed at once into our currency and credit structure. When it was withdrawn, it tended to cause a shrinkage in the volume of credit or even endanger our currency coverage. We were especially pregnable to such movement because of the large foreign deposits in our banks: deposits not only those of foreign individuals and banks, but also of foreign governments. During the years prior to 1931, our banks had accumulated a good deal of gold from many smaller nations who sent the reserves behind their currencies with confidence that dollars were as good as gold. By this device they earned interest on their currency reserves.

We were later to see our own citizens yielding to spasms of fright and exporting their capital, which moved gold from under our currency and credit structure. To stop gold exports would be in effect a refusal to pay our debts in gold and thus would amount to a repudiation of the gold standard.

During this new stage of the depression, the refugee gold and the foreign government reserve deposits were constantly driven by fear hither and yon over the world. We were to see currencies demoralized and governments embarrassed as fear drove the gold from one country to another. In fact, there was a mass of gold and short-term credit which behaved like a loose cannon on the deck of the world in a tempest-tossed era.

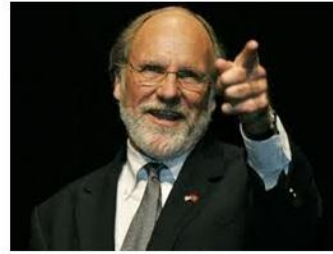
Memoirs of Herbert Hoover, pages 66-67.

Things have been global for a very long time. The academic community is still captivated by this obsession with trying to manipulate and control the behavior of the people (**DEMAND**) domestically without any perspective whatsoever for the **GLOBAL ECONOMY** or the **SUPPLY-SIDE** of the economy thanks to Marx and Keynes and the harm they are causing the people. They have advocated taxation on a worldwide basis and have justified the principle of economic servitude. To be born American is to be born a slave for if your parents lived in London and you never came to the United States, they still deem you **OWE** the U.S. government taxes even when you are never here. All other nations tax their people **BECAUSE** they use services. America does not limit its taxation territorially and forces business to move offshore just to do business internationally all at the expense of American citizens and jobs.

Until economics catches up with the real world economy, we will suffer greatly under this presumption that government has the power, knowledge, expertise, and ethics to actually steer the economy down the middle course. We are headed straight for a **Financial Armageddon** because as Hoover points out from experience, once nations begin to default, capital will begin to look around and see who should be next. Once that takes place, the **GLOBAL CONTAGION** will then spread to **Sovereign Debt** on a global scale, federal, state, and local. No single nation will be able to do a damn thing. No committee could be formed fast enough to investigate no less solve the problem. They will typically turn to either domestic bankers or academics and neither will have a clue what to do lacking global trading experience.

The **SUPER COMMITTEE** we need now must **NOT** be composed of academics and politicians, but people with real live trading experience who have witnessed **HOW** capital moves and will see the cracks in the global economy that they themselves would trade. We are looking at the entire debt game coming to an end. We have to begin to look at a strategic revision of the World Monetary System – **Bretton Woods II**. In the process, there is likely to be great pain as people try to trade this game for it will all be about **TIMING**.

Jon Corzine' MF Global appears to have lost over \$6 billion on a big directional bet on the **Sovereign Debt Crisis** in Europe, but what has been exposed is far more than that. He has revealed how there is **NO** oversight on the big NY firms at all. The regulators, CFTC and SEC, delegated their duties to the Exchanges who simply look the other way as obvious. Using client's money in New York and failing to segregate that from the firms' seems



to be common practice since that is the same precise thing that was done to Princeton Economics by Republic National Bank and HSBC. **Who the hell is regulating New York? Nobody it seems!** The latest trend is some American citizens are now shifting their money from the big banks to small regionals.

This entire affair illustrates the real guts of the **Sovereign Debt Crisis**. European leaders are out of their minds. All they are interested in seems to prevent the people from voting on anything. However, there is a far greater danger than a mere Greek default. In Germany, two thirds of Germans surveyed in recent polls believe that their parliament should **NOT** ratify more money for the euro-zone bailout fund and agree with former chancellor Helmut Kohl that Angela Merkel's government is undermining Germany's influence abroad. Chancellor Merkel is facing a revolt in her own party within parliament over a September 29 vote to ratify more money and powers for the euro rescue fund. She is being publicly criticized even by her ex-mentor Helmut Kohl who was the architect of German reunification. The real danger is that Merkel's refusal to restructure the euro-debt threatens far more than Greece. The German people cannot be suppressed forever. They will get to vote one day and Merkel will be kicked out the back door. Germany will turn inward and far more isolationist and the trade barriers will rise in Europe. A problem that could have been solved so gracefully is demonstrating to the entire world that politicians simply are incompetent to understand the economy, are a danger to our very survival, and will bring us to the brink of war rather than just for once consider that they may be wrong. The bureaucrats that run government have **NO** experience and **NO** contingency plans if this whole thing blows up in everyone's face. You would **NEVER** run a corporation like government is being run today. It is far too corrupt and the "think tanks" produce no thought whatsoever. All they do is have their hand out and will produce a study to say whatever government wants. This is becoming checkmate.

Understanding **HOW** to trade this mess is critical as MF Global has shown. Working at name institutions **DOES NOT** create the expertise for this is just not going to be trading as usual. This is why I agreed to do an **Analytical Conference** to include **HOW TO TRADE A PANIC**. You can be right long-term, but lose your shirt and pants short-term. This will be determined by **TIMING** more than anything. In 1869, the government deliberately stated they would sell more gold than they had to stop the buying panic. Government will not be able to save the day. However, that does not mean they will do nothing. They will lie and pretend to have an accord. There will be plenty of promises and because people want to believe they can do something, the swings in the markets back and forth will do their best to wipe out both sides before reaching the end game. To survive, you have to understand the difference in trading a **PANIC v TREND** and **TIME**. Greece is the first domino. But the collapse of a Merkel government may bring down the entire house of cards! The US, Japan, and China will have no place to run!

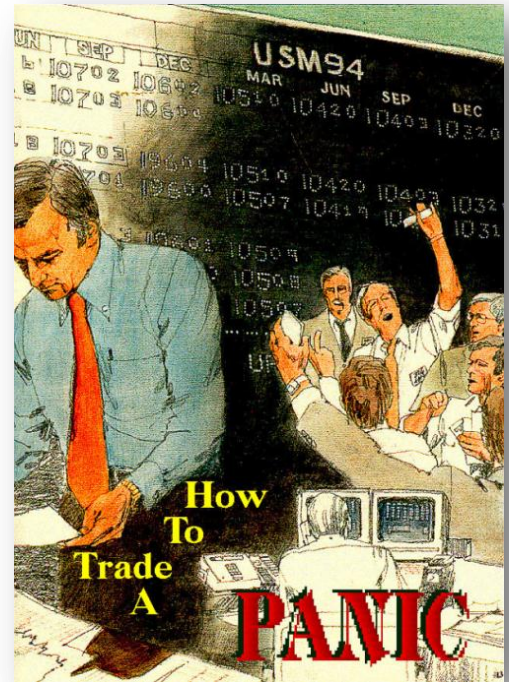
HOW TO TRADE A PANIC

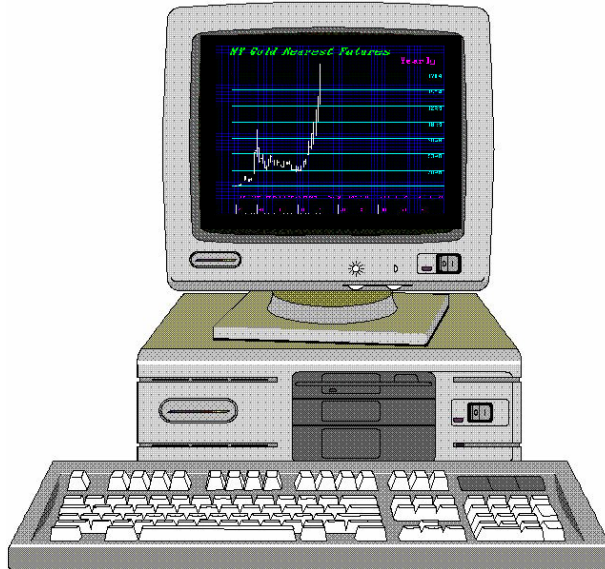
You cannot learn to trade a **PANIC** unless you understand **HOW** a wave is structured. Understanding the cyclical wave formation allows you to trade. Like a surfer sitting on his surf board waiting patiently for the right wave to ride, trading markets is the same. You will acquire the necessary *“feel”* to ride a wave **ONLY** when you understand the nature of the beast.

The key to trading and surviving a **PANIC** can only be approached from a cyclical perspective. Trying to trade this from any other approach is difficult at best if not simply impossible.

The key is always timing. **HOW** long does it take to get finish? Far too often people get way too much emotional and let that emotion overrule sound judgment. There is a **SUBSTANTIAL** difference between losing the battle yet winning the war. You cannot trade such events with long-term views. That is for academics and the spin of stock brokers who always say nobody can predict the market so just average in and scale down. Following that advice and you would have been one of

the jumpers in the 1930s. **Trading a Panic** must be approached from a practical perspective. **NEVER EVER** approach this from an emotional perspective. You will lose your shirt and pants if you do that.





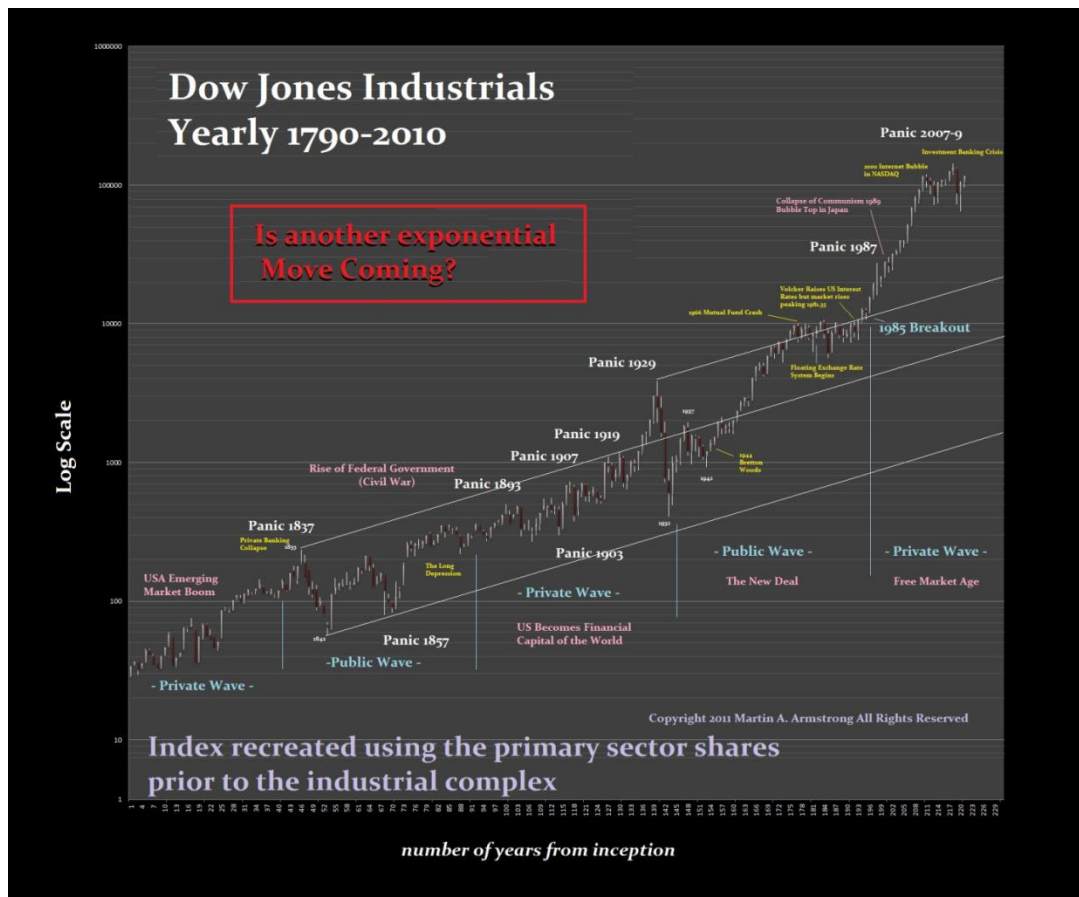
WARNING

THE FOLLOWING SECTIONS WERE WRITTEN BY THE COMPUTER WHICH HAS NOT YET BEEN FULLY TESTED.

ANY TRADING POSITIONS IT STATES IT HAS TAKEN ARE HYPOTHETICAL AND DO NOT REPRESENT ACTUAL TRADING

The trading reflected in the reports depends upon the levels that are set in the computer at the time the report is generated. The Computer Model is **fractal** in nature and as such it is not merely capable of trading for the purpose of hedging positions, but it is also capable of speculative trading for outright profit. The model is also capable of dealing with the market on a layer by layer basis. The model allows for near-term, short-term, intermediate, and long-term trading and any combination thereof. Additionally, it can also do **Finesse Trading** whereby it will attempt to pick the low and high based upon different trading strategies in **anticipation** of events rather than the Reversal System, which operates on a confirmation basis.

A TECHNICAL OUTLOOK FOR DOW JONES INDUSTRIALS



Our long-term outlook recognizes that the current bullish trend in Dow Jones Industrials may reach a final conclusion during 2014 with a potential to extend on an intraday basis into the 2015 leaving 2014 as the highest yearly closing. Nevertheless, as long as 1256700 stands as resistance on an annual closing basis, then the broader long-term trend in the market will remain in a neutral position as long as 739500 holds on an annual closing basis in the immediate years ahead. However, if we close ABOVE 1190900 on a yearly basis, then a continued trend is likely turn bullish for the near-term. If the 2011 high holds for now and we see a year-end closing below 1060700, then the next low may form during 2012 with a slim possibility of extending into 2014 with a cycle inversion pushing the high off into 2020.

A year-end closing BELOW 1060500 will warn we could see a decline into 2014 with the rally pushed off into 2015-2020. This would imply capital flees to US debt driving interest rates negative and further depressing the economy. For that development to unfold, we would need to see an annual closing BELOW 739500. Seven Year bear markets are rare, but take place during periods of unsound finance.

YEARLY LEVEL



Resistance during 2012 in the Dow Jones Industrials stands at 1200000 with initial support at 974500. The Dow Jones Industrials Index has continued to trade following the established upward channel constructed from the 1987 Crash to the 4th quarter 1990 and adopting parallels therefrom. Entropy fell back making a low in 2003 and made new highs above 2000 peaking in 2008. Nevertheless, projections still point to a substantial advance in the years ahead that suggest a high in the 40,000 level is not out of the question on this index. The high in 2008 in Entropy is a 23 year rally, from which there is normally a correction and pause in the uptrend. The oscillators on the yearly level actually peaked in 1999 and bottomed in 2003 from which there was a brief rally into 2007 where the short-term peaked but the intermediate and long-term indicators were still negative and have yet to flip into a bullish mode. The short-term appears to have perhaps bottomed at new lows in 2010. It was 1981 when these three indicators began to cross positive. This condition appears to be several years away. Nevertheless, it will be the Reversals that decide the breakout in the years ahead.

This year we find that the indications based upon the Yearly level of activity on our system model in Dow Jones Industrials remains rather mixed. The short-term momentum is bearish, while short-term trend remains positive. Even though the short-term indicators are mixed, we find that the intermediate indicators are bullish. This suggests that the 7397 level is where intermediate yearly support resides and only a closing below this would shift the market into a bearish mode. On the broader perspective, the Cyclical Strength Model is currently bullish. Everything on the long-term models, including momentum and trend, is still in the bullish mode on the Yearly level. Therefore, support appears to rest under the market at the 1049440, 97660, 90490, 83270 and 79220 levels. Resistance will be found residing above the market at 1192670 and 1427990.

YEARLY REVERSAL SYSTEM

At this time, the Major Yearly Bearish Reversal is 739730. Thus, only a yearly closing below 739730 will signal that an immediate downtrend could unfold leading to a renewed bear market ahead. On our near-term system models, the Minor Yearly Bearish Reversals are found at 974660 and 718140. Hence, only a yearly closing below 974660 will signal that a sell-off is likely to follow briefly. Nonetheless, only a close below 739730 will suggest a reversal in long-term trend.

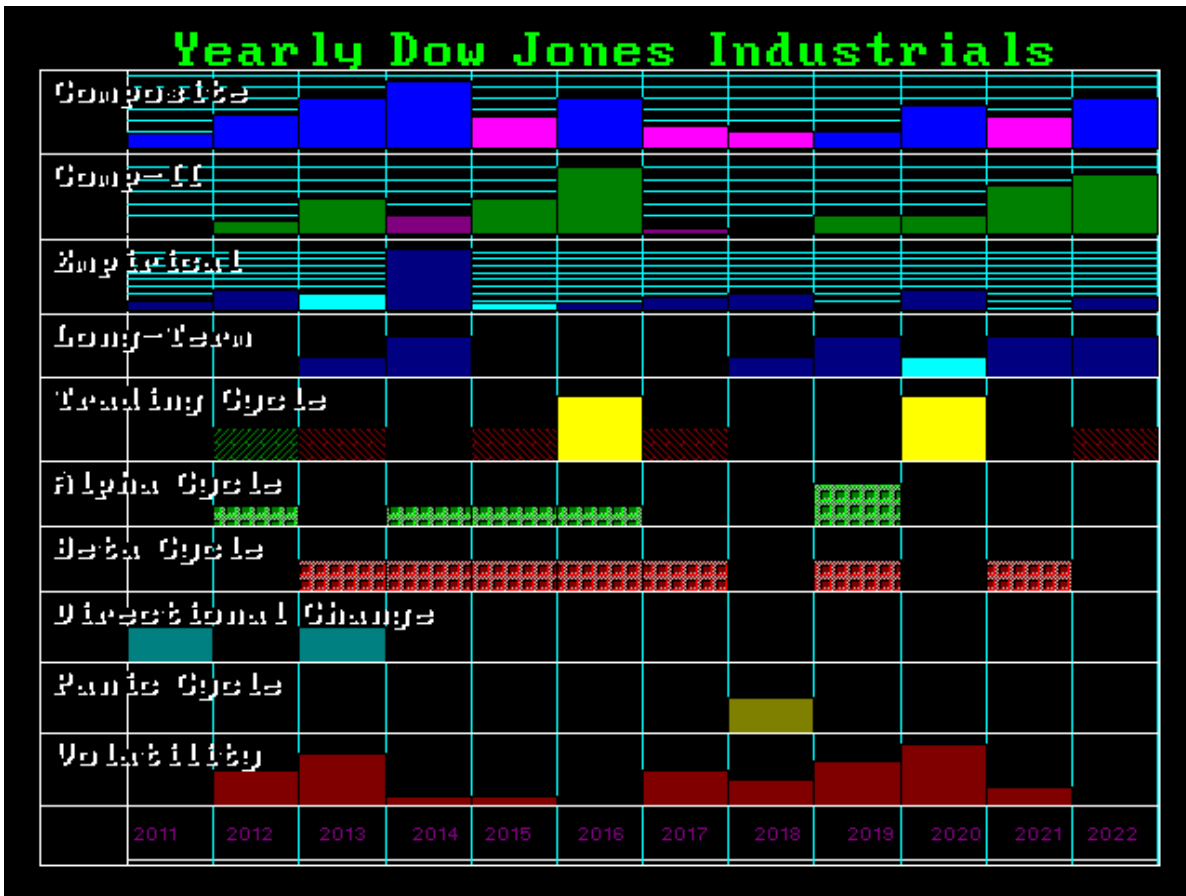
According to our Reversal System model, the Minor Yearly Bullish Reversal is standing at 1190900 and the Major Yearly Bullish stands at 1256700. Thus, only a yearly closing above 1190900 will signal that an immediate uptrend should unfold thereafter. Consequently, a yearly closing above 1256700 will signal that a rally is likely to continue from here in the short-term making new historic highs.

Yearly Reversals

Major Bullish 1256700

Minor Bullish 1190900

Major Bearish 974660 739730 718140



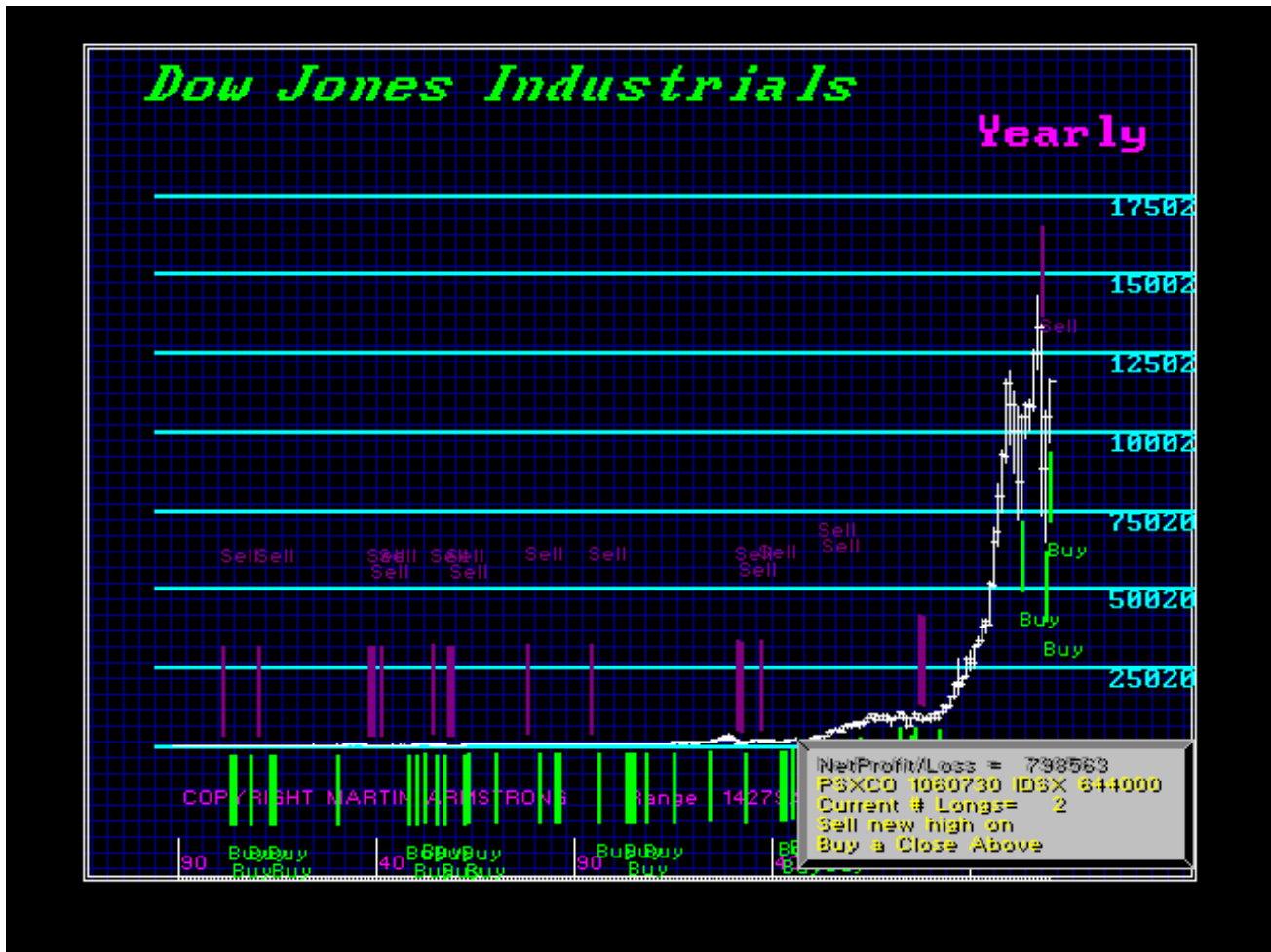
YEARLY TIMING

On our empirical models, the ideal primary target for the next major cycle turning point on the yearly level, remains 2014, particularly since our last target objective of 2009 produced a low at 644000 in Dow Jones Industrials. If this target produces a high, then there may be a low in 2016 followed by a rally into 2020. If 2011 closes below 1060500, then a decline into 2012 is possible with resistance thereafter forming at 1200000 with major support at 739730. Some caution is necessary for the failure to achieve a buy signal at year-end 2011 will warn that 2012 could still produce a low, albeit a retest of the 2009 low.

A year-end closing BELOW 1060500 will warn we could see a decline into 2014 and a Cycle Inversion with the rally pushed off into 2015-2020. This would imply capital flees to US debt driving interest rates negative and further depressing the economy. For that development to unfold, we would need to see an annual closing BELOW 739500. Directional Changes appear in 2011 and 2013 with rising volatility in 2012 moving into 2013. The big volatility appears in 2017 going into 2020. Major trading cycle targets are 2016 and 2020 that will define the strange attractors in the years ahead. The Panic Cycle is due in 2018. The key year for turning points will be 2014, 2016, and 2020. Ideally, these should produce an oscillating pattern between them.

Yearly Turning Points:

(2012), 2014, 2016, (2018), 2020



YEARLY COMPUTER RECOMMENDATION

On the Yearly level of our model we remain LONG 2 positions after selling all long positions first taken on the close of 1982 and added on the close of 2003 and reversing into a short position on the close of 2007. This short position was reversed into a long position on the close of 2009 and we added a position on the close of 2010. We would look to take profit on the close of 2013 or intraday in 2014. We would add a long position on a year-end closing above 1256700 and we would use a PSXCO on a year-end closing below 1060500. We would adopt a short position on a year-end closing below 739700. This would imply a Cycle Inversion with a low due perhaps in 2014 on an extended 7 year bear market from the 2007 high.

YEARLY TECHNICAL OUTLOOK

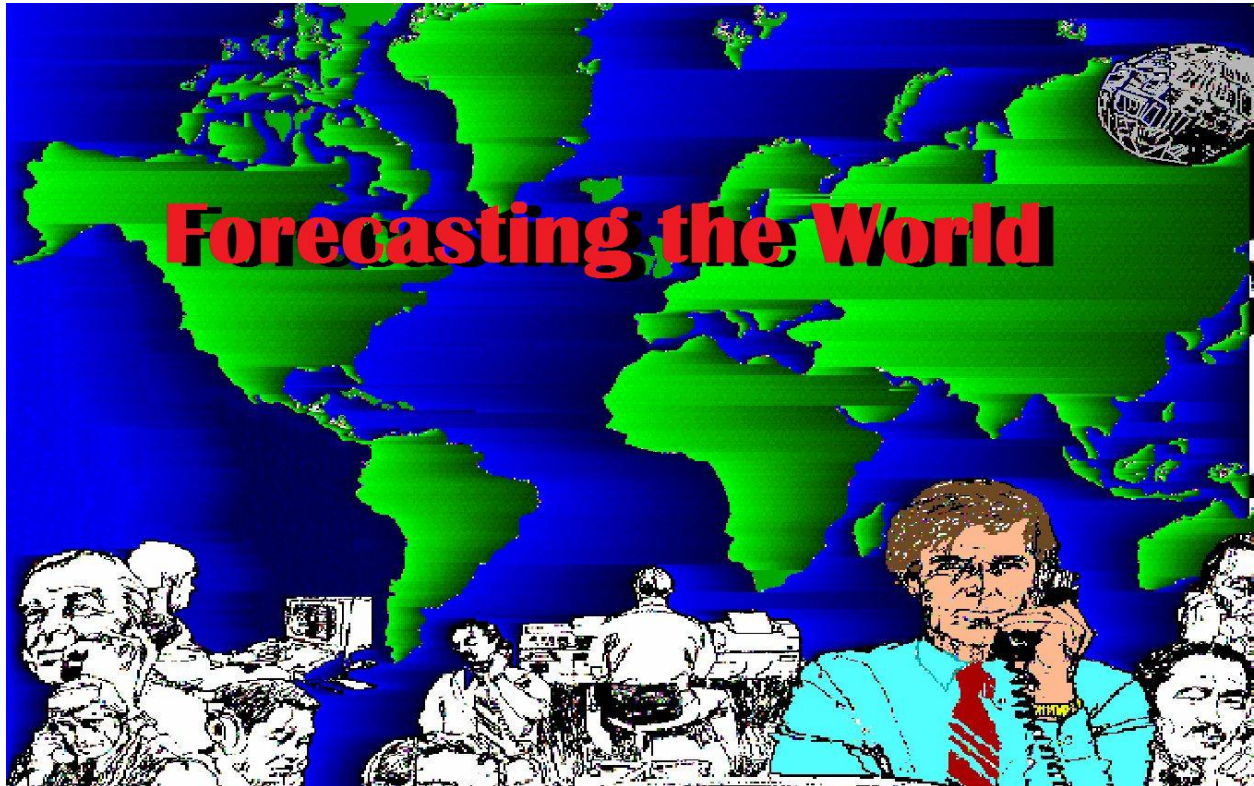
Our technical projections showing important support and resistance points for this year. From a purely technical perspective, a closing above 1237149 will suggest that this market is still in a bullish position long-term. Only a closing below 1023447 will imply a further retest of support next year.

<u>Date</u>	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>
2011	1023447	1189530	1236685	1237149

Yearly Indicating Ranges

<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
2011	739730-184600	1049440-219510	1192670-380550
2012	729220-212710	974660-280910	1089510-501480
2013	829900-234430	996150-302430	1060560-635280

2011 MOMENTUM INDICATORS HLC 1185626 778216 1026066



QUARTERLY LEVEL



The Dow Jones Industrials has continued to trade following the established upward channel constructed from the 1987 Crash to the 4th quarter 1990 and adopting parallels therefrom. Entropy turned negative during the 2nd quarter 2003 and despite the new highs, this last 8.6 year wave failed to exceed the highs on our Entropy Models established for July 20th, 1998. Entropy turned negative during the 2nd quarter 2009 showing a full decline of 40 quarters establishing the new historic low on this last 8.6 year wave that peaked in 2007. This provides a strong indication that this market is unlikely to make new record lows beneath that of 2009 at this time. Even the oscillators are starting to turn positive on the quarterly level.

QUARTERLY REVERSAL SYSTEM

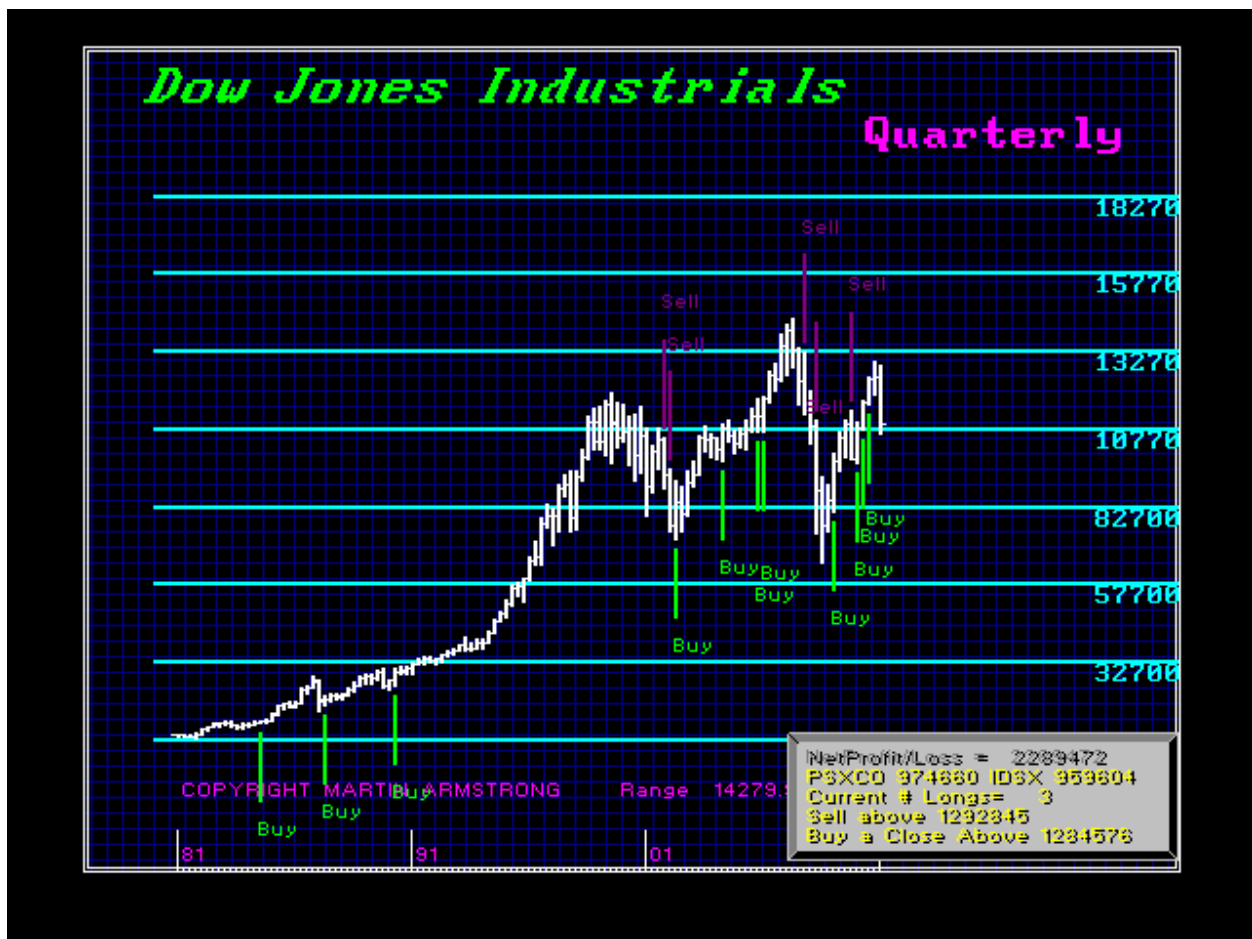
At this time, the Major Quarterly Bearish Reversals are 740030 and 718147. Therefore, only a quarterly closing below 740030 will signal that an immediate downtrend could retest long-term support. When we look at the Major level, our Quarterly Bearish Reversals are found at 697130 and 501480, with additional reversals at 744340 and 355240. It should be noted that one key reversal appears to be very important. We see that a quarterly closing beneath 501480 may signal that a serious sell-off is likely to follow thereafter.

On the Reversal System, our Major Quarterly Bullish Reversal is standing at 1319200. Our model also highlights Major Quarterly Bullish Reversals above the market at 1284580 and 1333900. Thus, only a quarterly closing above 1284580 will signal that an immediate uptrend should unfold thereafter.

Quarterly Reversals

Major Bullish 1284580 1319200 1333900

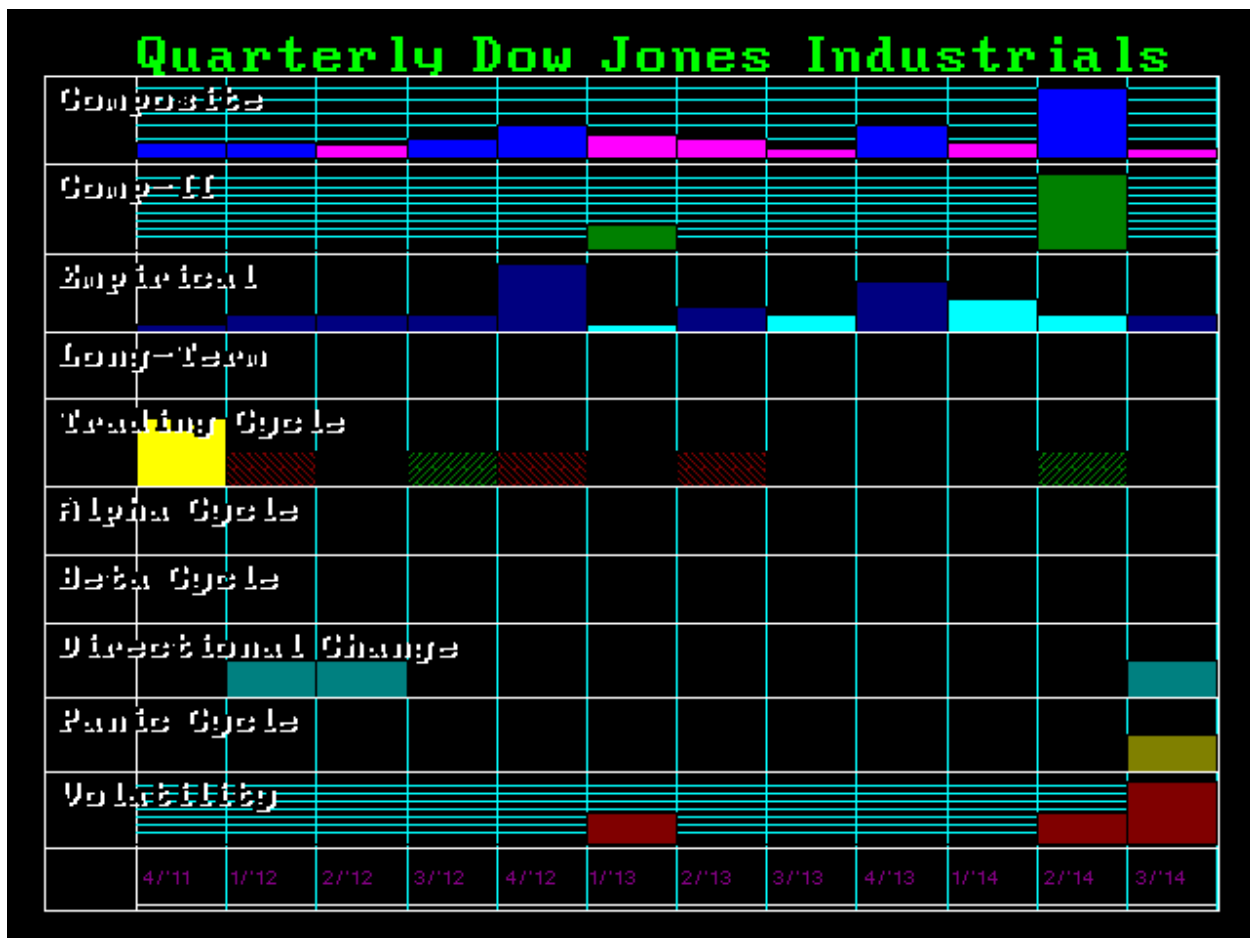
Major Bearish 744340 740030 718147 697130 501480 355240



QUARTERLY COMPUTER RECOMMENDATION

On the Quarterly level of our model we remain LONG 3 positions. The last LONG position was taken on the close of the 1st Quarter 2011 at 1231973. Our general target objective would be to Sell above 1292845. We would look to COVER all positions using an MIT just below the 1284576 price level. We would reenter a long position by buying a Quarterly close above 1284576. We would use a PSXCO at 974660 on a Quarterly closing basis OCO with an IDPSX at 959604. Reversing into a short position should be considered if 974660 is penetrated on a closing basis. From a timing perspective, you may want to consider taking profit if new highs are established during the 2nd Quarter '2012, 3rd Quarter '2012, 2nd Quarter '2013, 1st Quarter '2014, 2nd Quarter '2014 or 4th Quarter '2015.

QUARTERLY TIMING



According to our empirical models, the ideal primary target for the next key cycle high on the quarterly level remains 07/2014, particularly since our last target objective of 09/2010 produced a low at 9596040 in Dow Jones Industrials Index. If this new target objective is successful, we then expect to see a reaction in the opposite direction unfold on the next major cycle target leading into 10/2015. Thereafter, a re-

test of resistance should develop 10/2015 which is the next minor target objective. In the event that the low of 95960.40 is penetrated on an intraday basis prior to 10/2013, or the key Quarterly Bearish Reversals are executed, then a cycle inversion would be implied. A cycle inversion would also be implied if the low of the previous quarter were penetrated during the 10/2013. Therefore, under a cycle inversion scenario, it would then appear that 10/2013 should ideally unfold as a low instead of a cycle high and all subsequent targets would also invert causing the next cycle high to unfold during the 07/2014. Nevertheless, as it appears now, 10/2013 should produce a key cycle high followed by a major low in 07/2014 with a minor re-test of resistance come 10/2015. Therefore, the next major turning point is due will be the 07/2014 which will be followed by another major target due 10/2016 in the period ahead.

Our Directional Change models indicate that turning points are due the quarters of 01/2012, 04/2012 and 07/2014. Our Panic Cycle Models suggest that higher volatility is due the quarter of 07/2014.

Quarterly Turning Points:

(10/2011), (10/2012), 01/2013, 10/2013

Quarterly Indicating Ranges

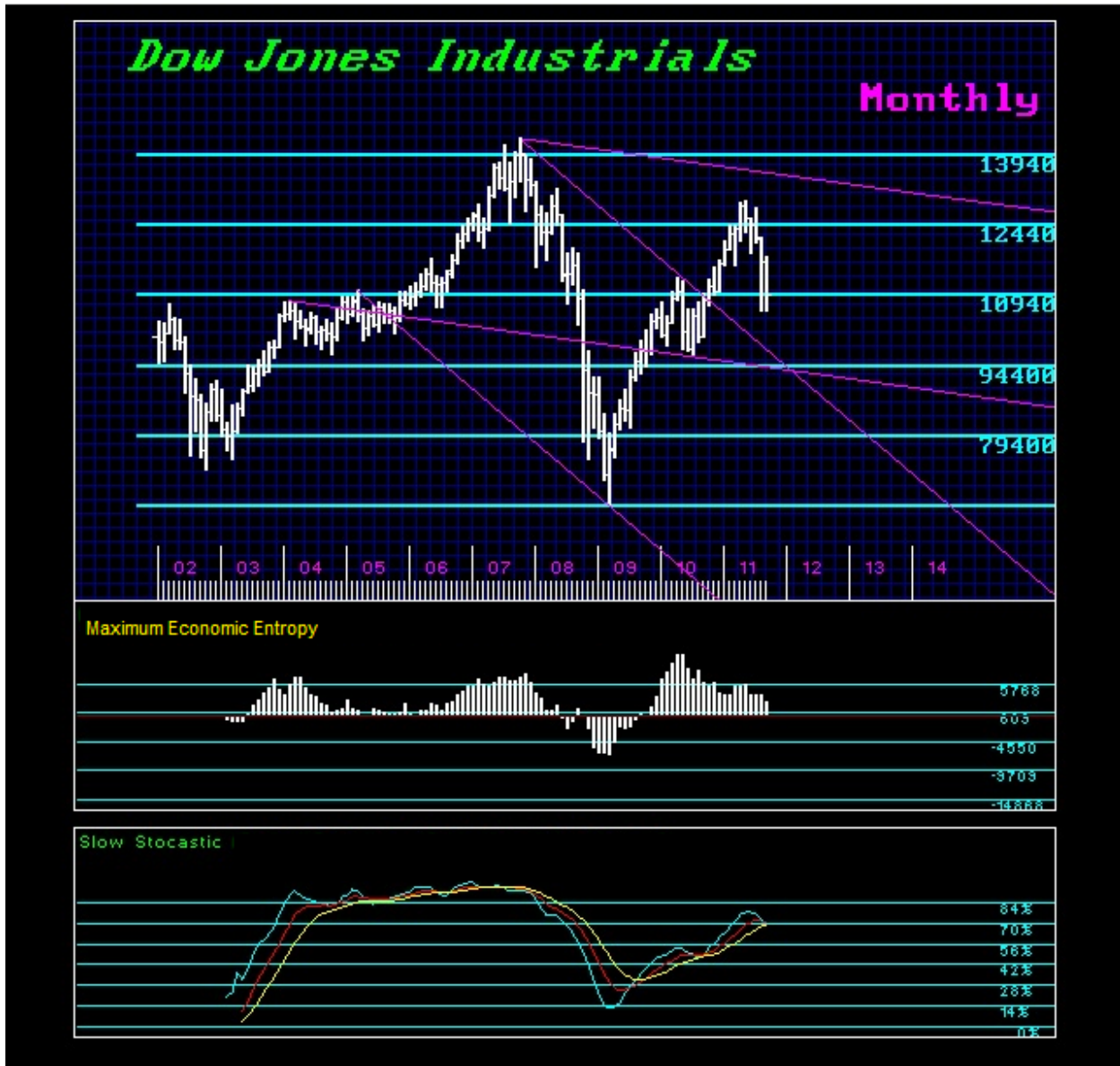
<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
10/2011	1136434-937877	1165504-1060565	1270726-1060736
01/2012	1154587-982284	1170909-1065323	1242296-1098526
04/2012	1178249-972633	1182196-1065835	1292845-1122634

QUARTERLY PATTERN RECOGNITION

Our Pattern Recognition Models warn that if the quarter of 4th Quarter '2011 makes a new recent high, then this may prove to be an important temporary high and that long positions should consider taking profit and reentering only if new highs are established next quarter.

4TH QUARTER '2011 MOMENTUM INDICATORS HLC 1271513 1131334 1188248

MONTHLY LEVEL



The Monthly Level in the Dow Jones Industrial Index is still in a vulnerable position with both Entropy and the oscillator in a declining position implying a retest of support appears underway with November, January, and March forming the next key targets for turning points on this trading level. Nevertheless, both Entropy and the oscillator have not yet turned negative, yet they are in a declining mode at this time. The recent decline in the Dow Jones Industrials has not relieved much of the over-bought position on the Entropy Model suggesting that a further decline is not out of the question on a broader-term basis over the next few months. There is no indication of a bubble top with the Entropy actually peaking during the reaction rally after the March 2009 low. This indicates tremendous short-covering when Entropy makes new highs during the reaction after the fall. If the Entropy model retests the negative position, a low will most likely then be established. Given the oscillator failed to make new highs during the reaction rally, indicates that the market is no longer over-bought.

MONTHLY REVERSAL SYSTEM

At this time, the Major Monthly Bearish Reversals are 635670, 599910, 541550 and 457070. Hence, only a monthly closing below 635670 will signal that an immediate downtrend could retest long-term support. When we look at the Minor level, our Monthly Bearish Reversals are found at 1001435, 991573 and 804754, with additional reversals at 907828 and 807247. Therefore, only a monthly closing below 991573 will signal that a sell-off is likely to continue from here in the short-term. Nonetheless, only a close below 991573 will suggest a reversal in long-term trend.

Our Reversal System that the Major Monthly Bullish Reversals exist at 1120337, 1173311 and 1207217. Our model also highlights Monthly Bullish Reversals above the market at 179530, 197870, 223210 followed by 241290.

Monthly Reversals

Major Bullish 179530 197870 223210 241290 1120337 1173311 1207217

Major Bearish 635670 599910 541550 457070

Minor Bearish 1001435 991573 907828 807247 804754

Longitudinal Wave

Wave Length

Individual pulses within a longitudinal wave motion differ in shape from each wave that precedes and follows. Within the overall formation, however, there is a repeating pattern of cluster of individual waves that provide a sense of direction.

Transverse Wave

Wave Length

Equilibrium

Amplitude

Energy

Motion contains a series of equal wave length pulses which vary which on to the amplitude yet.

Superposition Principle

Constructive Interference

resulting wave amplitude is a vector sum of the 2 waves colliding within the same time-space

Destructive Interference

resulting wave is cancelled out at the same time space region upon impact

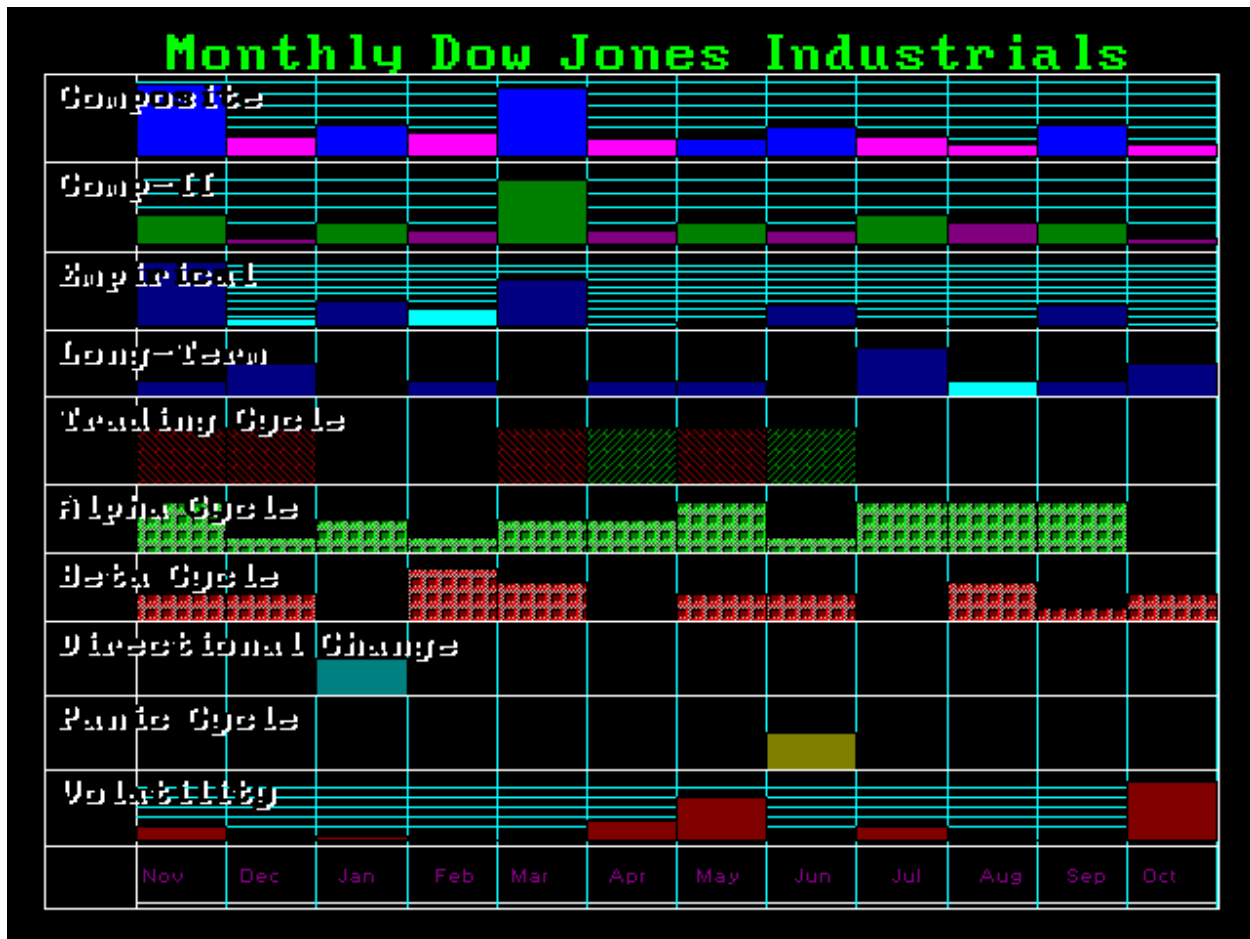
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Those attending the Analytical Conference will receive a special publication concerning the Nature of Cycles never before published by mid-November. This will provide a background to what we will be looking at with respect to understanding the Geometry of Time.



**MONTHLY
COMPUTER RECOMMENDATION**

On the Monthly level of our model we remain LONG 3 positions. The last LONG position was taken on the close of 12/2010 at 1157751. Our general target objective would be to Sell new high above 1222500. We would look to COVER all positions using an MIT just below the 1222500 price level. We would reenter a long position by buying a Monthly close above 1322700. We would use a PSXCO at 1189250 on a Monthly closing basis OCO with a IDPSX at 1057220. Reversing into a short position should be considered if 1154587 is penetrated on a closing basis. From a timing perspective, you may want to consider taking profit if new highs are established during 10-11/2011. Thereafter, key turning points will be 12/2011, 03/2012, 08-09/2012, 11/2012 or 06/2013.



MONTHLY TIMING

Looking at our empirical models, the ideal primary target for the next turning point on the monthly level remains 11/2011, followed by 01/2012, 03/2012 and 06/2012 where we also have a Panic Cycle in Dow Jones Industrials. The ideal target where a major turning point is due will be the 03/2012 in the period ahead.

Thereafter, we see turning points forming in 06/2012, 08-09/2012, 11/2012 or 06/2013.

Our Directional Change models indicate that a turning point is due the month of 01/2012. Our Panic Cycle Models suggest that higher volatility is due the month of 06/2012. Volatility Models show November, May and October as key periods for high volatility.

Monthly Turning Points:

11/2011, (01/2012), 03/2012, (05/2012), 06/2012, 08-09/2012

MONTHLY TECHNICAL OUTLOOK

SUPPORT: 934692 338203


Monthly Technical Projections

11/01... 33820 93469
12/01... 32864 93313
01/01... 31909 93157
02/01... 30953 93002
03/01... 29997 92846
04/01... 29042 92690
05/01... 28086 92534

Monthly Indicating Ranges

<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
11/2011	1154814-959604	1204421-1020729	1242296-1060565
12/2011	1076715-991573	1209389-1001435	1215296-1058855
01/2012	1096099-982284	1173311-1001601	1227190-1046855

NOVEMBER MOMENTUM INDICATORS HLC: 1206307 1050767 1149397



We live in a global economy, not a domestic one. To understand the trend, you must look to the world. Trying to see the next crash from a purely domestic perspective will only lead to disaster. The World Economic Conference is a world gathering of clients from Asia, Americas, Europe, Middle East, and Africa. These events are a mini-UN gathering of investors that produces a synergy in the room like no other conference you have ever attended. Seats at \$750 and will include a DVD after the event. The world today is a domino. It is not just who is first to fall, but the sequence of events thereafter.

WEEKLY LEVEL



The recent decline in the Dow Jones Industrials has relieved much of the over-bought position on the Entropy Model on the Weekly Level suggesting that a further rally is not out of the question on a into the end of October to early November 2011. The low point on this model was achieved the week of 10/07. There is no indication of a bubble top with the Entropy at its low end of this scale. Key weeks ahead are 10/24-10/31 and the week of 12/12. The oscillator model is starting to turn bullish with the short-term crossing the intermediate and long-term. However, we will not see a breakout until the intermediate begins to cross the long-term whereas they currently stand at 68 and 69 respectively with the short-term now at 74.

WEEKLY REVERSAL SYSTEM

Using our Reversal System, our Major Weekly Bearish Reversal rests at 1030400, 949200, and 896700. Minor Weekly Bearish Reversals are found at 1118000 and 1074900. As a result, only a weekly closing below 1118000 will signal that a sell-off is likely to continue from here in the short-term. Nonetheless, only a close below 1030400 will suggest we could see a reversal in trend with a sharp retest of support.

The Reversal System immediately displays Major Weekly Bullish Reversal is standing at 1319200. Therefore, only a weekly closing above 1319200 will signal that an immediate uptrend should unfold thereafter. The Minor Weekly Bullish stands at 128900 and a weekly closing above this will signal a retest of the May high.

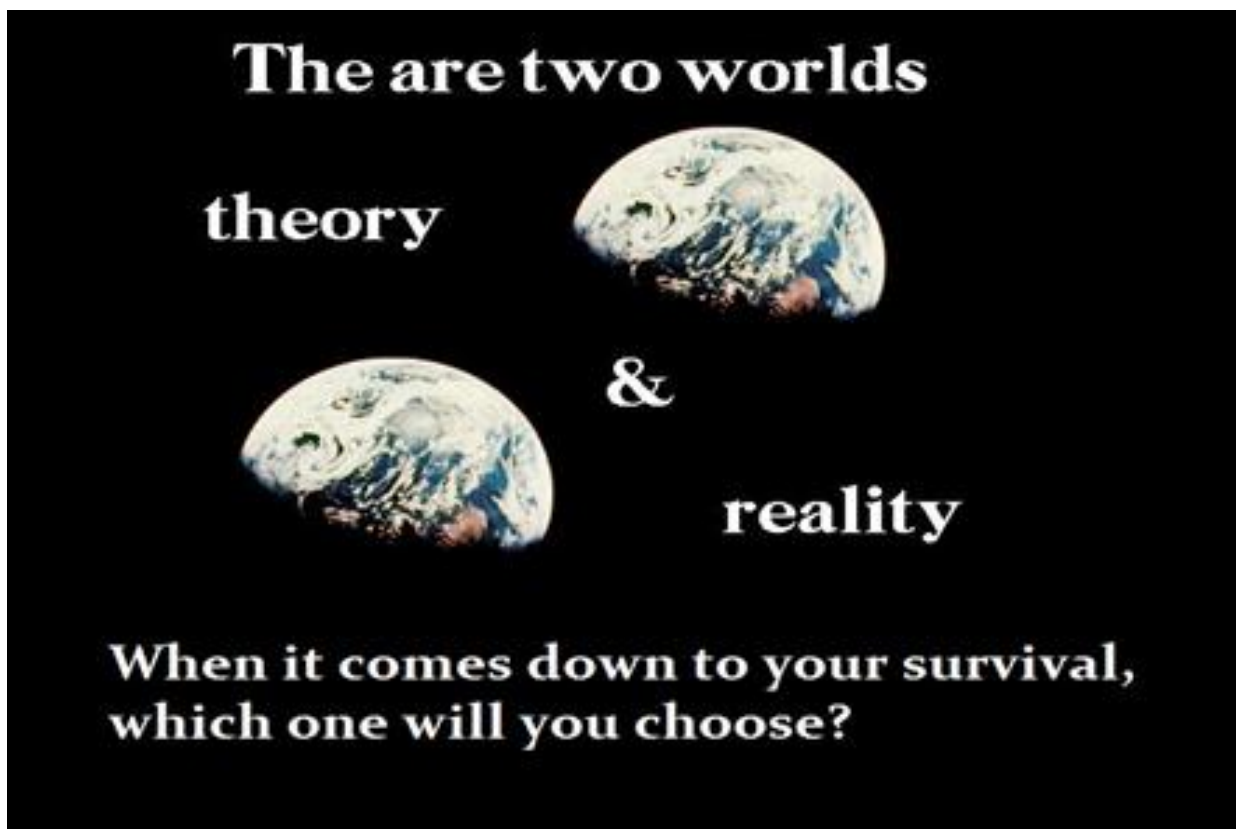
Weekly Reversals

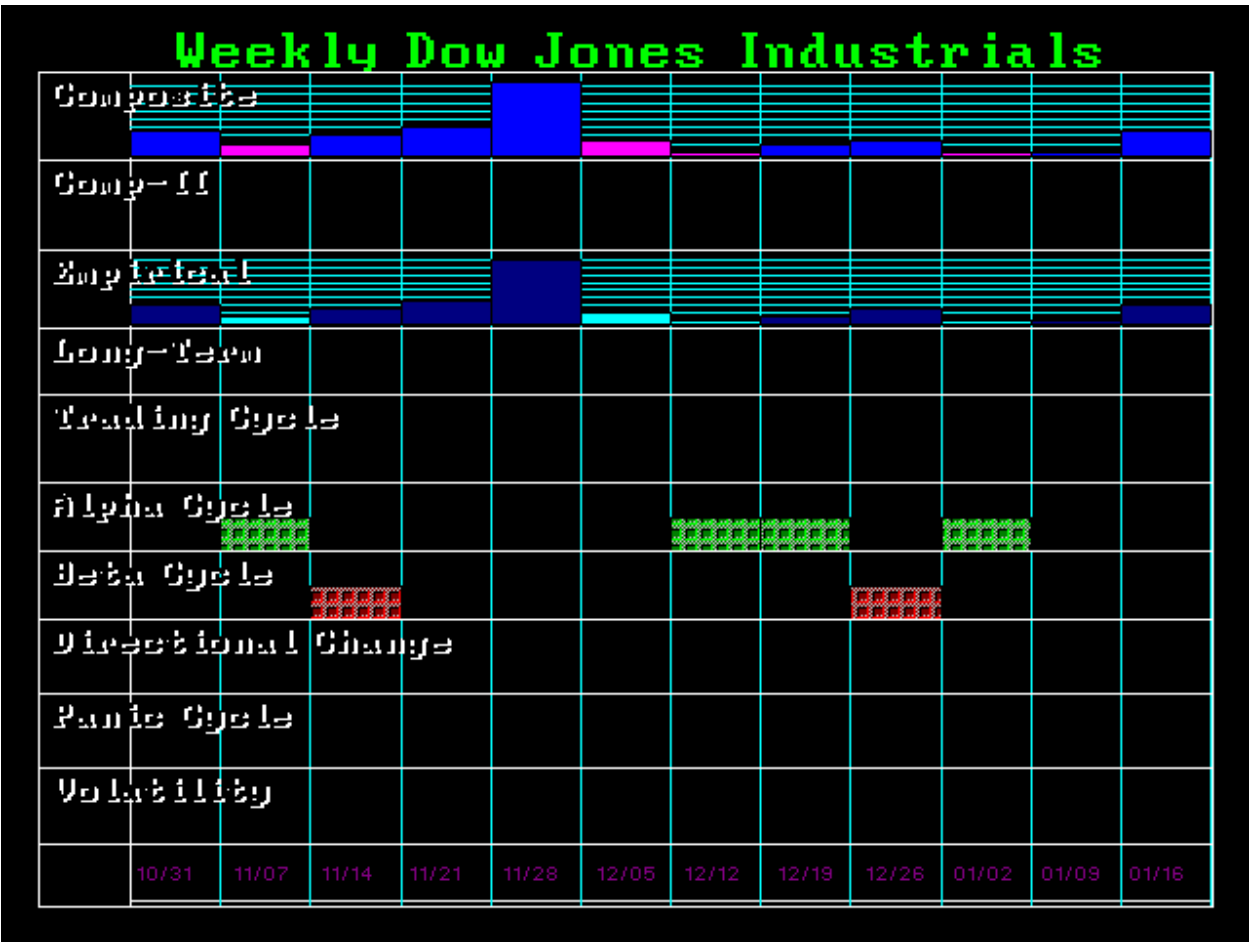
Major Bullish 1319200

Minor Bullish 128900

Major Bearish 1030400 949200 896700

Minor Bearish 1118000 1074900





WEEKLY TIMING

The primary target on an empirical basis for the next minor cycle low on the weekly level remains 10/31, particularly since our last target objective of 10/03 produced a low at 1036226 in Dow Jones Industrials. If this new target objective is successful in producing a high, we then expect to see a reaction in the opposite direction unfold on the next key cycle target leading into 11/07. Thereafter, the next target will be the week of 11/28 which is the next major target objective. In the event that the high of 122990 is penetrated on an intraday basis prior to 10/31, or the key Weekly Bullish Reversals are executed, then a cycle inversion would be implied. A cycle inversion would also be implied if the high of the previous week were penetrated during the 11/07 point to a high the week of 11/28.

Weekly Turning Points:

10/31, 11/07, 11/28, 12/05, 12/19, 12/26, 01/09

WEEKLY TECHNICAL OUTLOOK

Weekly Technical Projections

11/04... 60430 1031337 1233222 1247540
 11/11... 59923 1029043 1230929 1251654
 11/18... 59415 1026750 1228635 1255767
 11/25... 58907 1024457 1226342 1259880
 12/02... 58400 1022164 1224049 1263994
 12/09... 57892 1019871 1221756 1268107
 12/16... 57385 1017577 1219463 1272220
 12/23... 56878 1015284 1217169 1276334

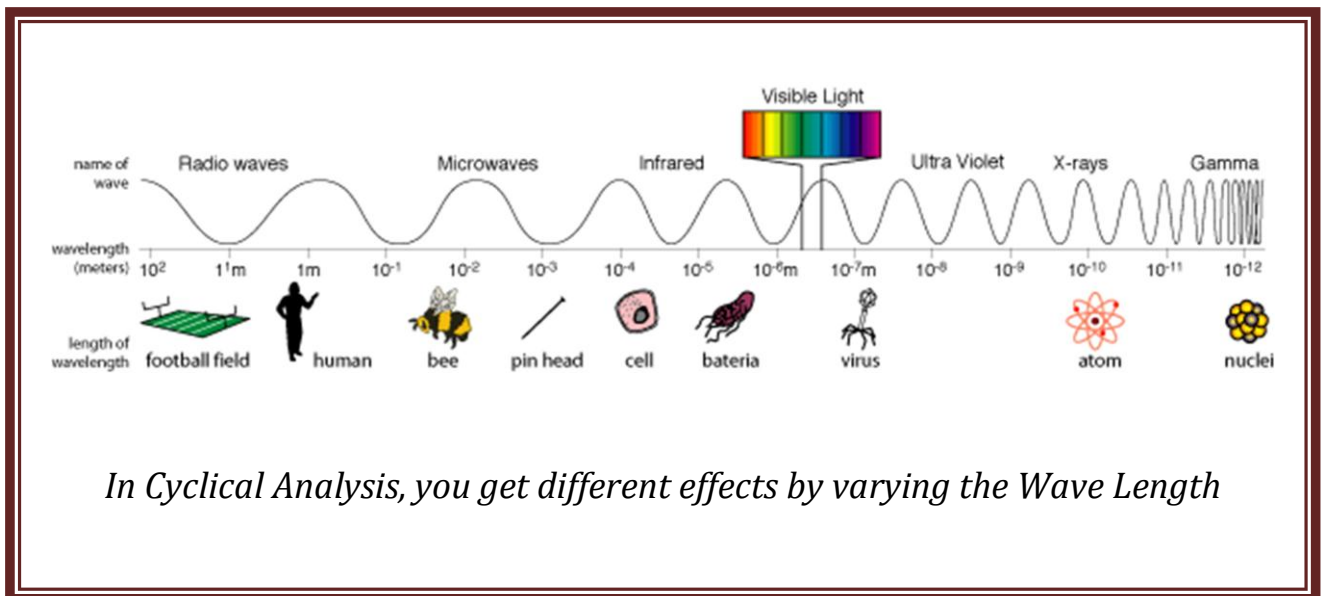
Weekly Indicating Ranges

Date	Momentum	Trend	Long-Term
11/04	1227190-1036226	1237475-1089011	1251935-1128268
11/11	1206196-1078987	1227659-1110464	1261168-1158216
11/18	1191203-1057220	1204421-1136673	1221446-1158133

WEEKLY PATTERN RECOGNITION

If this week closes below 1188727, then the upward momentum has been lost which implies that a temporary top is in place and a near-term retest of support should begin.

WEEK OF 11/04 MOMENTUM INDICATORS HLC 1194054 1137848 1188727



The Purpose of this Event is to Bring Together Investors from round the World to Experience the Global Economy in a Synergy Like Never Before



The **World Economic Conference** is a unique event in the financial industry. Not only are the forecasts focused on the global perspective, but the audience is also international allowing a synergy to develop that encourages everyone to share ideas, concepts, and perspectives broadening your understanding of the events on an international scale. There has never been such a global focus with a robust international audience other than at the WEC that enables you to see the world through everyone else's eyes. Only then will you understand the true magnitude of international capital flows.

Classroom style Seating is limited so that everyone has a table to spread out.

\$750 PER SEAT INCLUDING A LUNCHEON

Materials will be begin to be sent in advance 30 days prior to the event. Timely materials will be supplied at the conference and DVDs will be provided by mail after the event. Additionally, there will be an update service for 1 year covering any updates to the forecasts provided that day.

Cancelations are acceptable up to 30 days prior to the even. Thereafter materials will be supplied and DVDs as well as the update service. Refunds are not acceptable once materials are delivered.

World Economic Conference

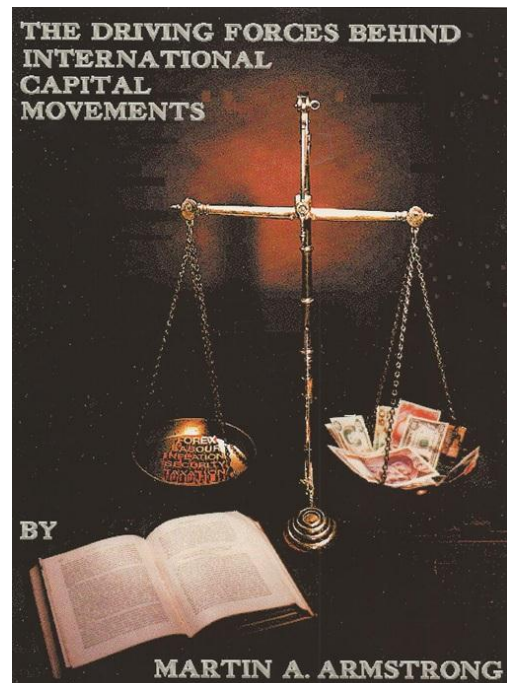
Our World Economic Conferences are global events with an international audience that enables one to see the capital flows right in the room. All major markets are covered with the specific forecasts based upon the model provided to all attending.



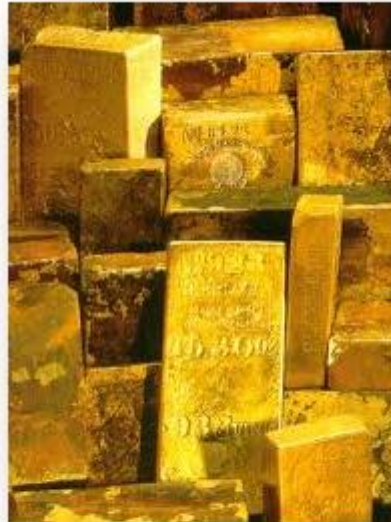
The **World Economic Conference** is a special event. Seating is limited to foster of learning experience rather than a warehouse auditorium. This is a special think tank session where there is always a good two-way flow. You will have ample room for writing, keeping notes, and reviewing the different an international gathering affords. Attendance is generally worldwide and this affords the opportunity also for friendships and networking on a global scale.

These events have often been called a mini-UN. It is this dynamic flow that creates more than just the sum of the parts – it produces a synergy that further enhances the attendance. Often, one can get a real sense in the room of how global capital investment flows.

Those who arrive the night before will be welcome to join a cocktail gathering between the two sessions Saturday evening. Just be prepared to see the world in a much more dynamically connected manner.



A TECHNICAL OUTLOOK FOR NY GOLD



**Gold Bullion
recovered from SS Central America**

Our long-term view in NY GOLD maintains that only a temporary high maybe in place at this time. In the event of new intraday highs developing beyond this year, then the final high could extend into 2013 if we see a yearly closing above the 2011 high. On the other hand, continuing to make new highs beyond 2013 would warn of a broader rally extending into as late as 2017. However, if new intraday highs are not sustained next year, then 2011 may produce the temporary high on a closing basis as well as on a cyclical basis with a retest of support into 2012 on a year-end closing below 131050. To remain in a bullish position for 2012, gold needs to close above 143600 at year-end.

Forecasting the World

Coming soon, computer generated reports on any market in the world available on a per access basis. You will be able to tailor the computer recommendations to the level of activity between speculation and hedging all via the internet.

YEARLY LEVEL



Gold still remains vulnerable to a pause in the uptrend. Nevertheless, it does not appear ready to enter a bear market. Our long-term models in Gold remain bullish as long as it closes above 143600 at year end 2011. Support during 2012 will begin at 122500 followed by 109500. Currently, our indications on the Yearly level in NY GOLD are bullish on both the short-term momentum and trend according to the system model. We also find that intermediate indicators are in a bullish position. The Cyclical Strength Model is currently bullish. Everything on the long-term models, including momentum and trend, is still in the bullish mode on the Yearly level. Therefore, support appears to rest under the market at the 122500, 101120, 72500 and 71250. Resistance, however, is largely technical at 194100 and 230400.

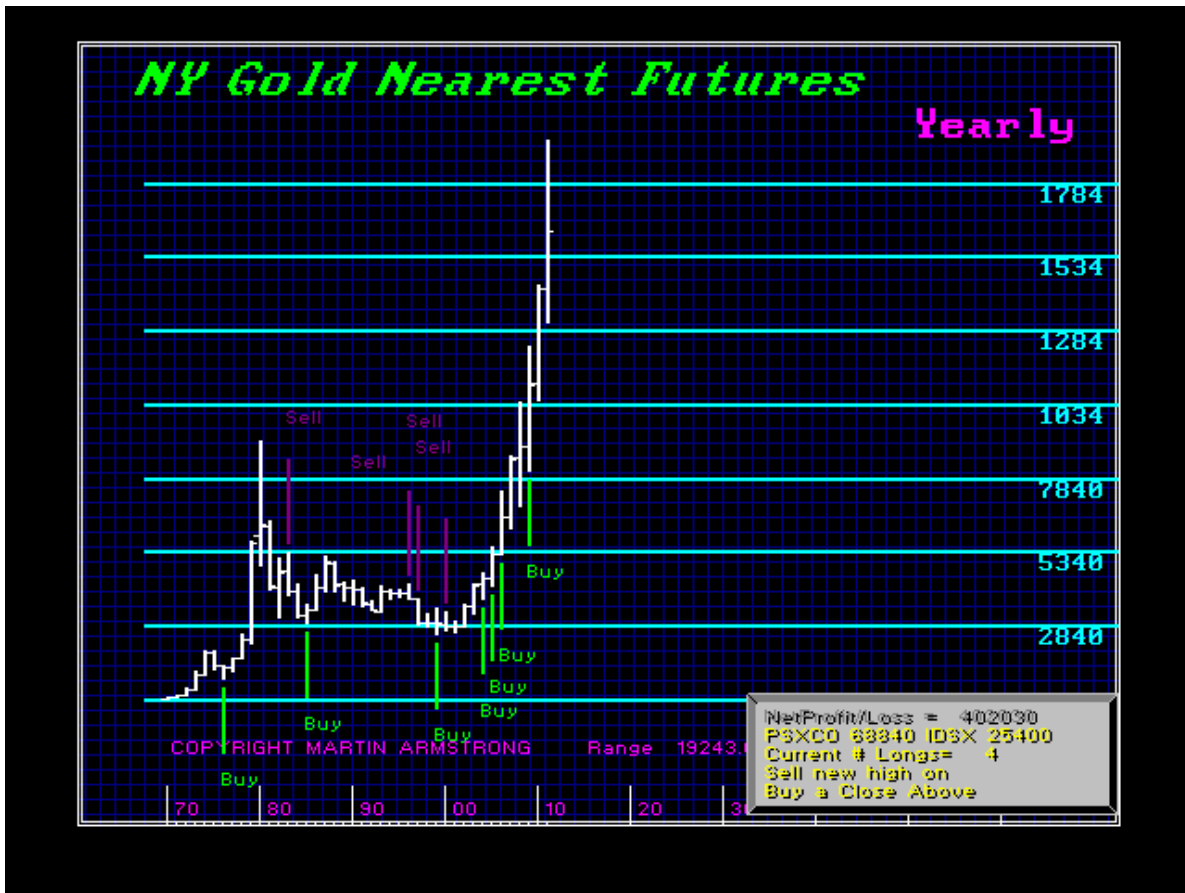
YEARLY REVERSAL SYSTEM

At this time, the Major Yearly Bearish Reversal is 68800. Consequently, only a yearly closing below 68800 will signal that an immediate downtrend could unfold leading to a renewed bear market ahead. On a short-term basis, our Minor Yearly Bearish Reversals are found at 131050 and 60950. Consequently, only a yearly closing below 131050 will signal that a sell-off is likely to follow near-term. Nonetheless, only a close below 68800 will suggest a reversal in long-term trend.

NY GOLD remain in an extremely strong position. As long as this market holds ABOVE 131050 on a closing basis, then new record highs are still possible. Our Yearly Bullish Reversal stands above the market at 210400. A yearly closing above 210400 will signal that this market should continue to advance to new record highs.

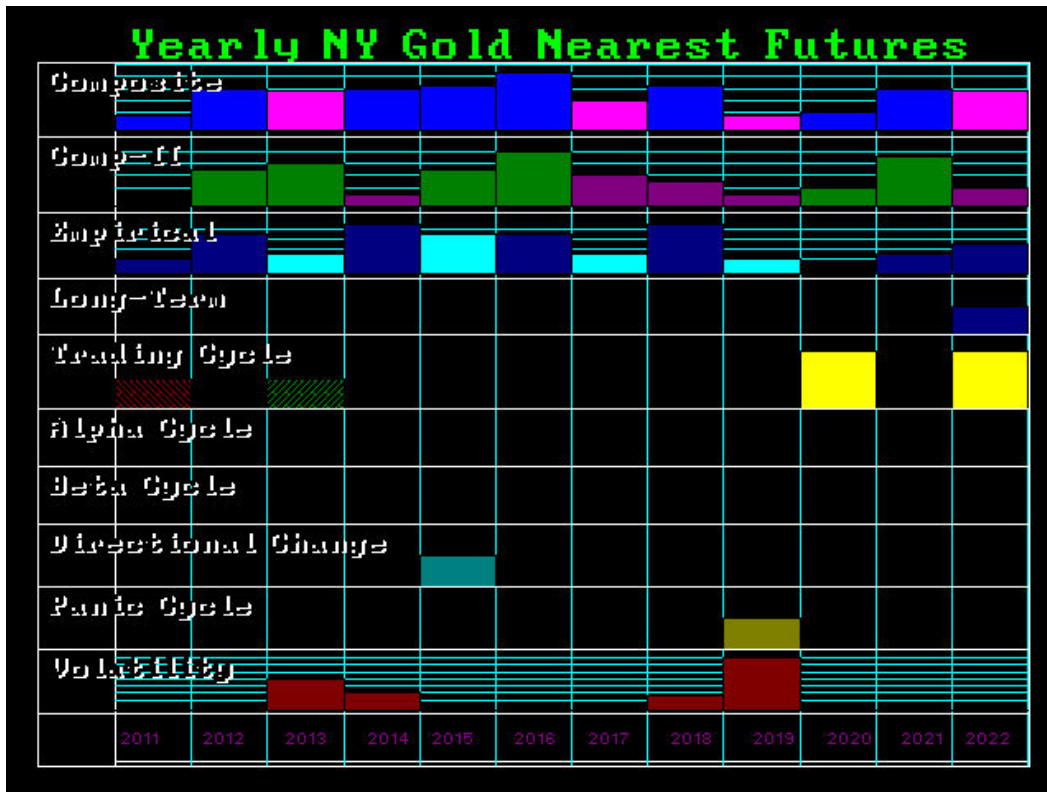
Yearly Reversals

Minor Bullish 210400
 Major Bearish 68800
 Minor Bearish 131050 60950



**YEARLY
 COMPUTER RECOMMENDATION**

On the Yearly level of our model we remain LONG 3 positions. The last LONG position was taken on the close of 2009 at 109800. Our general target objective would be to Sell new high in above 220000. We would look to COVER all positions using an MIT just below the 230000 price level. We would reenter a long position by buying a Yearly close above 170500 and a IDBX at 237000. We would use a PSXCO at 130900 on a Yearly closing basis OCO with an IDPSX at 80350. Reversing into a short position should be considered if 68840 is penetrated on an annual closing basis. From a timing perspective, you may want to consider taking profit if new highs are established during 2014, 2015, 2017, 2020 or at the latest 2027.



YEARLY TIMING

On our empirical models, the ideal primary target for the next minor cycle low on the yearly level remains 2012-2013. If this new target objective is successful, we then expect to see a reaction in the opposite direction unfold on the next major cycle target leading into 2016 which may extend into 2019/2020 which is the next vital key target objective. In the event that the high of 2011 is penetrated on an intraday basis in 2012, or the key Yearly Bullish Reversals are executed, then a cycle inversion would be implied. Therefore, under a cycle inversion scenario, it would then appear that 2013 should ideally unfold as a high instead of a cycle low and all subsequent targets would also invert causing the next cycle low to unfold during the 2016 with a rally thereafter into 2020.

Utilizing a composite structure in cyclical timing analysis, the key years for a turning point in NY GOLD will be 2012 and 2029. Our Directional Change models indicate that a turning point is due the year of 2015. Our Panic Cycle Models suggest that higher volatility is due the year of 2019. Our Volatility Models indicate that we should expect a rise in volatility going into 2013. This would be particularly the case if we have a Cycle Inversion whereby 2013 produces a premature high.

Yearly Turning Points:

2012-2013, 2016, 2020, 2022, 2028

Yearly Indicating Ranges

<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
2011	52470-27220	71250-28050	72500-31470
2012	60950-25250	81000-32610	84110-33640
2013	71250-26380	101120-31270	105800-38820

YEARLY PATTERN RECOGNITION

If this year closes below 112506, then the upward momentum has been lost which implies that a temporary top is in place and a near-term retest of support should begin going into 2012-2013.

YEARLY STOCHASTIC

The Yearly Stochastic on NY Gold has turned downward suggesting that a pause in trend is possible short-term. The primary channel constructed from the 1970 and 1999 lows using a parallel from the 1980 high indicate broad technical support for any correction should be found in 2012 at the 115149 level.

MOMENTUM INDICATORS HLC 152903 105350 138036

Analytical & World Economic Conference

December 3rd & 4th, 2011 - Philadelphia, Pa - USA

Because of new IRS Rules that deny deductions for attending conferences outside the USA in yet another desperate measure to increase tax revenue, this may be the last tax-deductible such conferences for Americans. There are also no plans to do any future Analytical sessions.

Seating is highly restricted - \$2,500.00 per seat for 2 days

QUARTERLY LEVEL



Gold on the Quarterly Level has not broken through the primary channels technically constricted from the Breakout Lines of 1985 and 1999. Our oscillators are showing that we are starting to turn down and the Entropy Model shows that this too is starting to turn down. These indications warn that a retest of support and consolidation may be necessary to rebuild a strong base of support from which to advance further in the years ahead. A Quarterly closing below 148000 will indicate that the trend will turn back down to retest support. A closing below 130900 will not indicate that a bear market could be developing into 2013 or at least a near-term consolidation. The major support begins at 111300 and a quarterly closing beneath this level will signal a sharp decline becomes possible down as far as 850000.

QUARTERLY REVERSAL SYSTEM

At this time, the Major Quarterly Bearish Reversals are 111300, 85200, and 64900. As a result, only a quarterly closing below 85200 will signal that a serious change in trend is likely. The Minor Quarterly Bearish Reversal is found at 148000 followed by 130940. A Quarterly closing below 148000 will signal that a sell-off is likely to follow with a retest of 111300 area becomes possible.

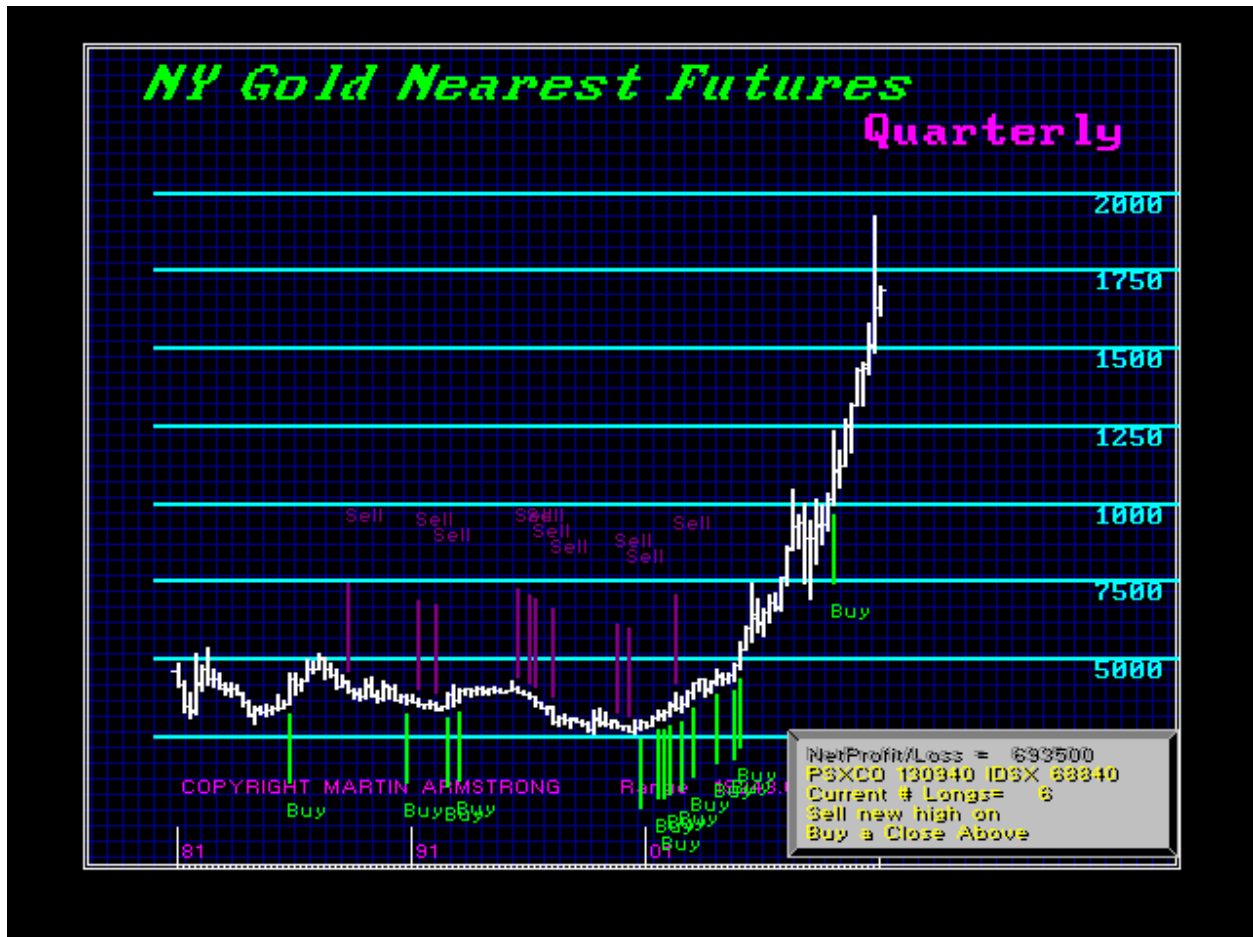
NY GOLD remains in a neutral position. As long as this market holds ABOVE 148000 on a closing basis at the end of the quarter, then it remains in a neutral position. Our Minor Quarterly Bullish Reversal stands above the market at 205190. A quarterly closing above for 2011 at 205190 will signal that this market should continue to advance to new recent highs.

Quarterly Reversals

Minor Bullish 205190

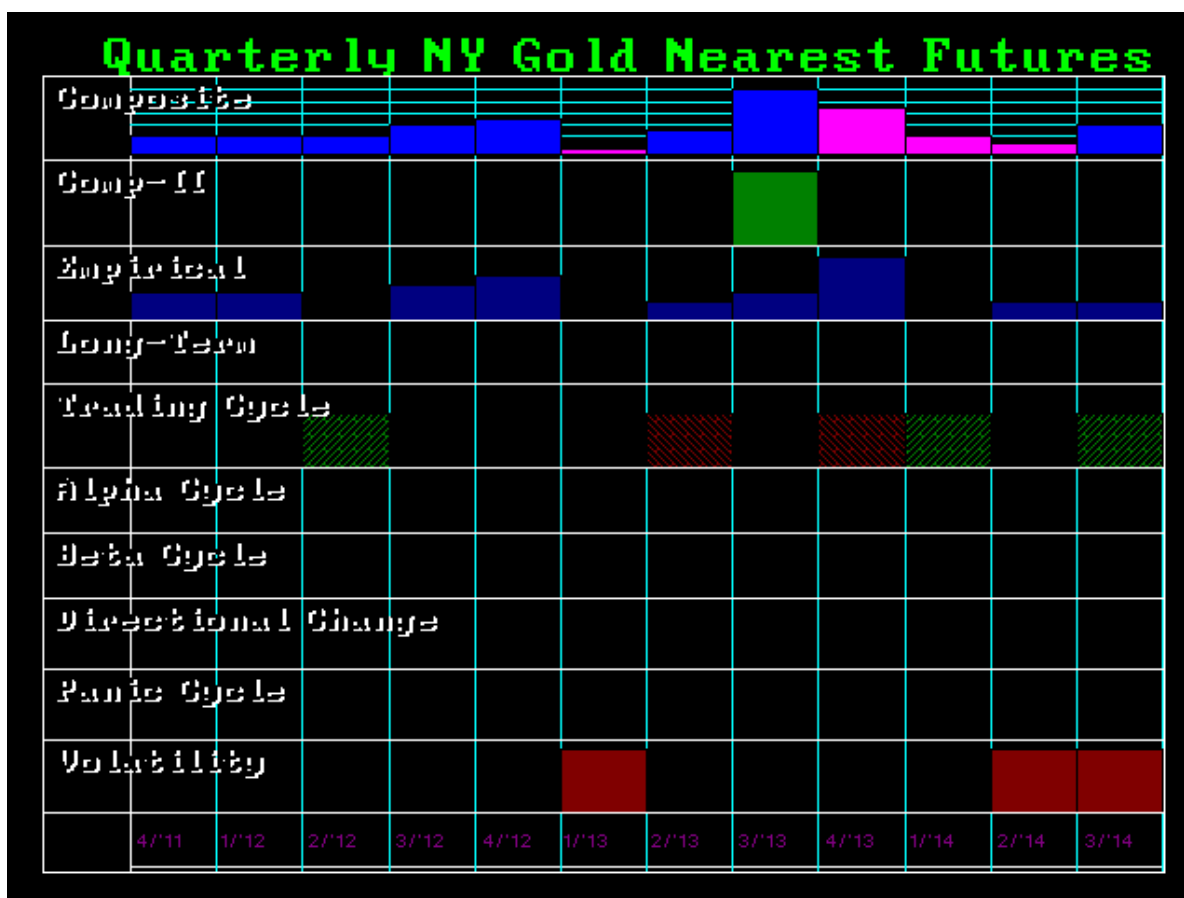
Major Bearish 111300 85200 64900

Minor Bearish 148000 130940



**QUARTERLY
COMPUTER RECOMMENDATION**

On the Quarterly level of our model we remain LONG 8 positions. The last LONG position was taken on the close of the 4th Quarter 2010 at 142760. Our general target objective would be to Sell above 240000 going into 2013. We also see a technical objective for profit taking at the 180000 and reenter a LONG position using an IDBX at 193150. We would use a PSXCO at 111300 on a Quarterly closing basis with an IDPSX at 109200. Reversing into a short position should be considered if 111300 is penetrated on a quarterly closing basis. From a timing perspective, additional key turning points will be 1st-2nd Quarter 2012, 4th Quarter 2012, and 4th Quarter 2013.



QUARTERLY TIMING

According to our empirical models, the ideal primary target for the next minor cycle low on the quarterly level remains 04/2012, particularly if the 2011 high is not exceeded and this quarter closes below 162300 in NY GOLD. If this new target objective is successful, we then expect to see a reaction in the opposite direction unfold on the next major cycle target leading into 10/2012-01/2013 where there should be also high volatility. Thereafter, the targets will be the 10/2013 and 04/2014.

Using a composite of cyclical analysis, the key quarters for a turning point in NY GOLD will be 04/2012 and 10/2017. We see very high volatility during 01/2013 and during 04-07/2014 quarters.

Quarterly Turning Points:

04/2012, 10/2012, 01/2013, 10/2013, 04/2014

QUARTERLY TECHNICAL OUTLOOK

Quarterly Technical Projections

10/11...	93224	142345	170298	211196	248176
01/12...	94462	143291	171536	212143	249414
04/12...	95700	144238	172774	213090	250652
07/12...	96938	145185	174012	214036	251890
10/12...	99176	146132	175350	214983	253128
01/13...	99144	147079	176488	215930	254366
04/13...	100652	148025	177726	216877	255604

Quarterly Indicating Ranges

<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
10/2011	115890-41870	131050-44850	131800-74190
01/2012	130940-42300	141510-48110	143400-68840
04/2012	131050-46150	145100-54850	148010-80450

QUARTERLY PATTERN RECOGNITION

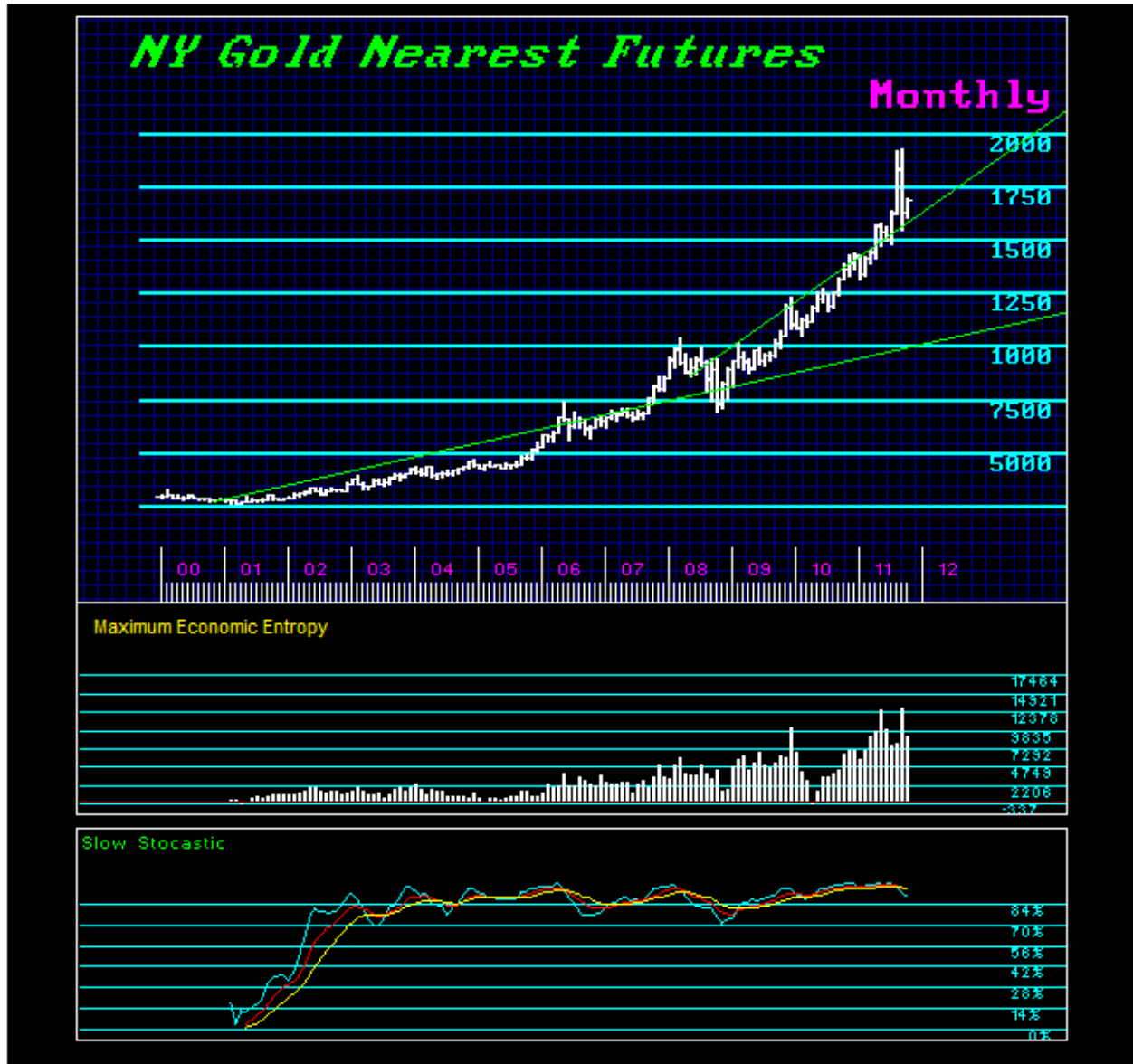
If this quarter closes below 152306, then the upward momentum has been lost which implies that a temporary top is in place and a near-term retest of support should begin.

QUARTERLY STOCHASTIC

The Quarterly Stochastic on NY Gold has turned downward with the high remaining as the first quarter of 2011 suggesting there is a pause in uptrend short-term. The Breakout Line constructed from the 1985 low and 2008 high indicates broad technical support for any correction should be found in 2012 at the 116996 level.

4TH QUARTER 2011 MOMENTUM INDICATORS HLC 165120 140190 152306

MONTHLY LEVEL



On the Monthly level in NY GOLD, we see November, January, March, May and June/July followed by August as all key turning points ahead indicating choppy seas ahead. We have a Panic Cycle due in July 2012 with a Directional Change in December 2011. Volatility should pick up starting in March 2012 building into August 2012.

As of September, our Monthly level on the system model for NY GOLD, is pointing to short-term momentum indicators being neutral. Short-term trend, on the other hand, is in a bullish posture just yet. Intermediate system levels in NY GOLD, presently provide a bullish indication. This tends to suggest

overall that the 131800 and 123890 levels is where intermediate support will be found. Clearly, this area must not be violated, or the present trend will indeed shift into a bearish mode near-term. On the broader perspective, the Cyclical Strength Model is currently bullish. Everything on the long-term models, including momentum and trend, is still in the bullish mode on the Monthly level. Therefore, support appears to rest under the market at the 158000, 148000 and 146500 levels with major support forming at 99700, 97400, 93100 and 90100 levels. Resistance will be found residing above the market at 163730 followed by 193730.

MONTHLY REVERSAL SYSTEM

At this time, the Minor Monthly Bearish 161700, 146500, 138600, 115800, and 90700. At this time, the Major Monthly Bearish Reversals are 123800, 115800, 104500, and 68800. It should be noted that one key reversal appears to be very important. We see that a monthly closing beneath 115800 may signal that a serious sell-off is likely to follow thereafter since it appears twice as a Minor and Major Monthly Bearish Reversal. A Minor Monthly Bearish Reversal rests at 161700 and a monthly closing below this level will signal that a pause in trend is likely at this immediate time.

NY GOLD remains still in a bullish position in the long-term monthly level. The next Major Monthly Bullish Reversal stands at 215800. The Minor Monthly Bullish Reversal stands at 193500

Monthly Reversals

Major Bullish 215800

Minor Bullish 193500

Major Bearish 161700 123800 115800 104500 68800

Minor Bearish 146500 138600 115800 90700

Analytical & World Economic Conference

December 3rd & 4th, 2011 - Philadelphia, Pa - USA

Because of new IRS Rules that deny deductions for attending conferences outside the USA in yet another desperate measure to increase tax revenue, this may be the last tax-deductable such conferences for Americans. There are also no plans to do any future Analytical sessions.

Seating is highly restricted - \$2,500.00 per seat for 2 days

INSTITUTIONAL SYSTEMS UPDATE



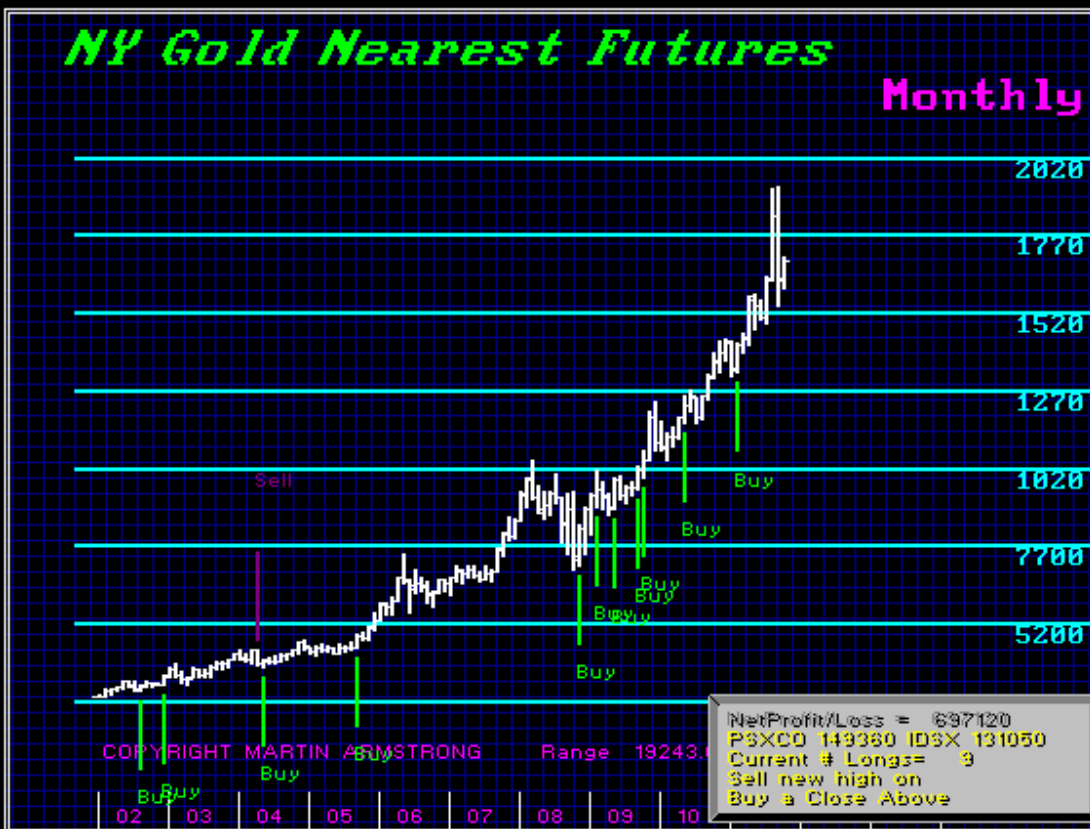
We are working very hard to get the computer fully functional to write the reports. We greatly appreciate the overwhelming support and the return of so many institutional clients. We will not have the stand-alone systems ready before next June. Please keep in mind that this system is extremely advanced and it is difficult programming to say the least. We have not yet set the price for these systems and we respect that the previous price was \$25 million annually. Our costs will have to be considered and we intend to come up with a price by year-end. This system will **NOT** be available in the United States.

We appreciate the urgency in this matter expressed by clients. We have received requests to provide systems for several governments given the urgency of what is taking place. Because of the extraordinary financial crisis facing us today, we will run studies for governments at this time to bridge the crisis. A full blown system that will monitor the entire world economy will be provided at a cost of \$100 million. This will require a support team to assist and a massive database. Lead time on this will be 6 months to 1 year.

INSTITUTIONAL UPDATE

Starting in January we should have our fully functioning currency systems and in place of the individual European nations, we are reconstructing the Virtual Currency through the merger of debt and Forex databases.

SEMINAR: We apologize that seating is restricted to 3 seats per institution. The price is very reasonable at only \$2500 per seat instead of \$10,000.



MONTHLY COMPUTER RECOMMENDATION

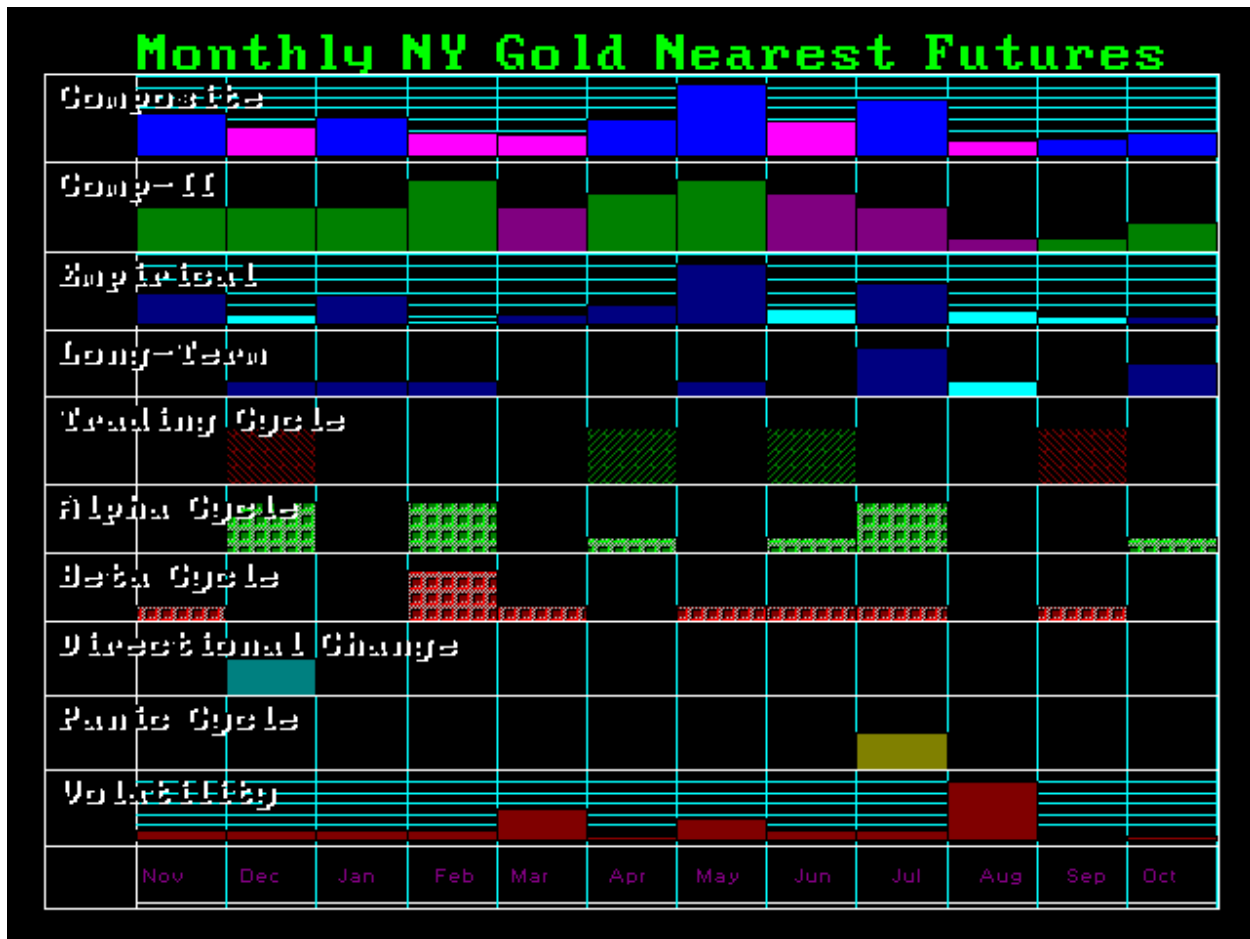
On the Monthly level of our model we remain LONG 8 positions. The last LONG position was taken on the close of 07/2011 at 163120. We would use a PSXCO at 160400 on a Monthly closing basis OCO with an IDPSX at 156100. Reversing into a short position should be considered if 146500 is penetrated on a monthly closing basis. From a timing perspective, you may want to consider taking profit if new highs are established during 11/2011, 12/2011, 03/2012, 04/2012 or 10/2012.

(WEC) World Economic Conference

December 4th, 2011

This will be our famous World events with people flying in from Canada, Asia, Europe, and the Middle East. Forecasts will cover the world and you will see the capital flows in the room.

Seating is limited \$750



MONTHLY TIMING

Looking at our empirical models, the ideal primary target for the next turning point appears to be November with a Directional Change due in December with key targets ahead being January, February/March, May, July and September with July being a Panic Cycle and high volatility appearing in August. We may see a cycle high in November since September was an outside reversal to the downside creating an intraday low following the August high closing. If this new target objective is successful, we then expect to see a reaction in the opposite direction unfold on the next cycle target leading into 01/2012 with a Directional Change 12/2011. The retest of support could extend into March. Thereafter, a re-test of resistance should develop into 05/2012 which is the next key target objective followed by a retest of support into July. In the event that the 2011 high so far of 192430 is penetrated on an intraday basis after November and December closes above 183300, then a cycle inversion would be implied suggesting a high 01/2012 low 02-03/2012 with a retest of resistance into May.

Using a composite of cyclical analysis, the key months for a turning point in NY GOLD will be 02/2012 and 09/2013. The Directional Change models indicate that turning points are due the months of 12/2011. Our Panic Cycle Models suggest that higher volatility is due the month of 07/2012. Our Volatility Model warns of rising volatility in March, May, and August of 2012.

Monthly Turning Points:

11/2011, 01/2012, 02-03/2012, 05/2012, 06-07/2012, 08-09/2012

MONTHLY TECHNICAL OUTLOOK

Quarterly Technical Projections

10/11...	110031	126001	131840	149188	199901	156970	179180
11/11...	110172	126143	133590	151419	202132	158720	180930
12/11...	110314	126285	135340	153651	204364	160470	182680
01/12...	110456	126427	137090	155883	206596	162220	184430
02/12...	110598	126569	138840	158115	208828	163970	186180
03/12...	110740	126711	140590	160347	211060	165720	187930
04/12...	110882	126852	142340	162579	213292	167470	189680

Monthly Indicating Ranges

<u>Date</u>	<u>Momentum</u>	<u>Trend</u>	<u>Long-Term</u>
11/2011	149360-94880	156020-102620	161860-130940
12/2011	148010-98870	154130-107260	163730-132870
01/2012	159920-104500	161860-119740	175580-136490

MONTHLY PATTERN RECOGNITION

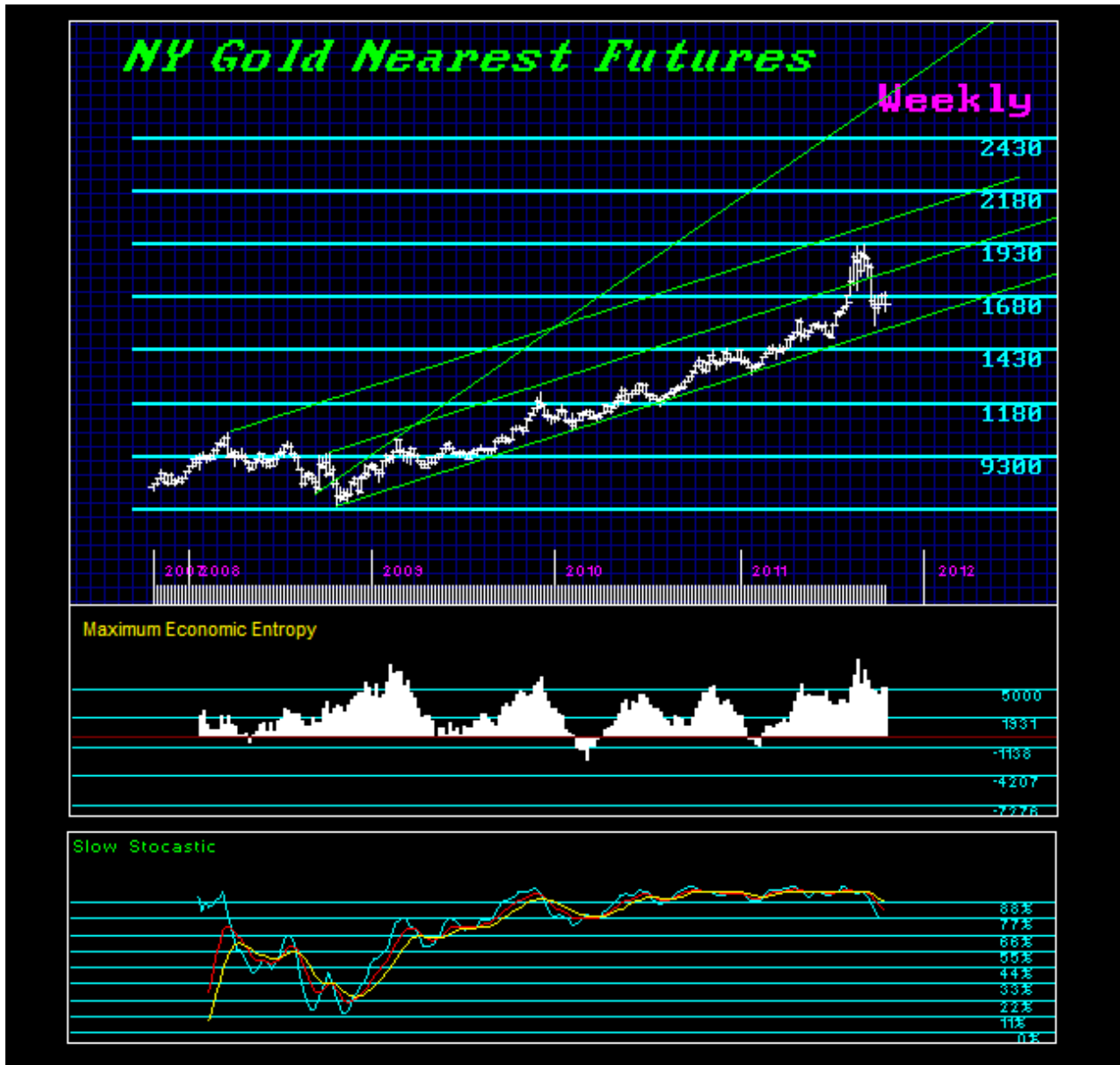
If this month closes below 172800, then the upward momentum has been lost which implies that a temporary top is in place and a near-term retest of support should begin.

MONTHLY OSCILLATORS

Our independent market oscillators have turned negative since September warning that a pause in the uptrend is likely at this time.

NOVEMBER MOMENTUM INDICATORS HLC 186586 158636 172800

WEEKLY LEVEL



Gold on the Weekly Level reached a new high on our Entropy Model in August. While it has declined moderately since then, it remains still at the upper end of the overbought level warning that a further decline in the near-term is still possible. This indicates that a large number of traders have bought and remain long waiting for the rally. The oscillator also remains in a near-term bearish mode warning that a further decline to retest support appears likely. Such a decline suggests a pause in trend is possible rather than a long-term change in trend. There is no indication of a bubble top at this time.

WEEKLY REVERSAL SYSTEM

At this time, the Major Weekly Bearish Reversals are 160400, 152200 and 140500. Hence, only a weekly closing below 160400 will signal that an immediate downtrend should follow with a retest of long-term support beginning at 140500. Presently, the Minor Weekly Bearish Reversals are found at 141270, 133200, 132100, 123400 and 118900 followed by 113000. Thereupon, only a weekly closing below 113000 will signal that a major sell-off is likely to continue from there in the short-term. Nonetheless, only a close below 160400 would result in a near-term change in trend suggesting that a temporary high may be in place at this time.

Presently, our Reversal System indicates that the Major Weekly Bullish Reversal stands at 193600 with the Minor Weekly Bullish standing at 191800. As a result, only a weekly closing above 191800 will signal that an immediate uptrend should unfold thereafter.

Weekly Reversals

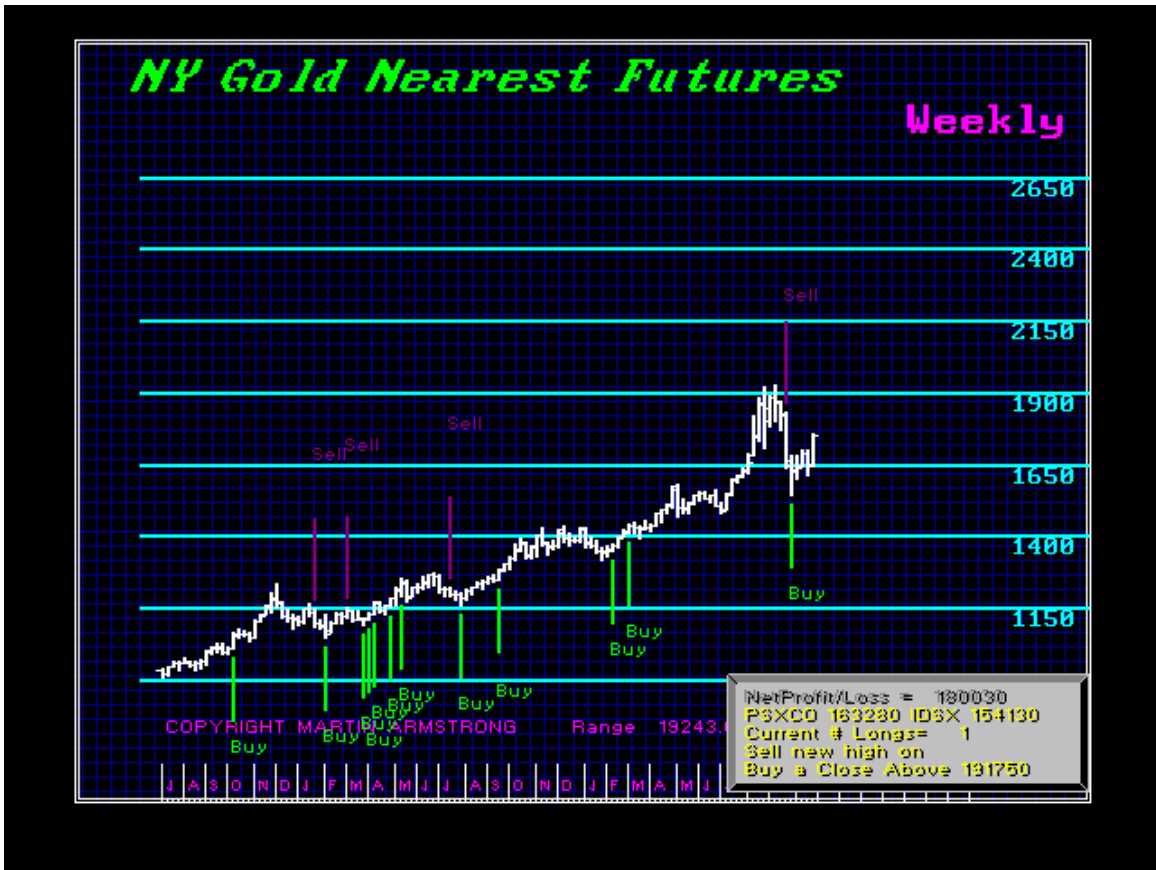
Major Bullish 193600

Minor Bullish 191800

Major Bearish 160400 152200 140500 133200 132100 123400 118900 113000

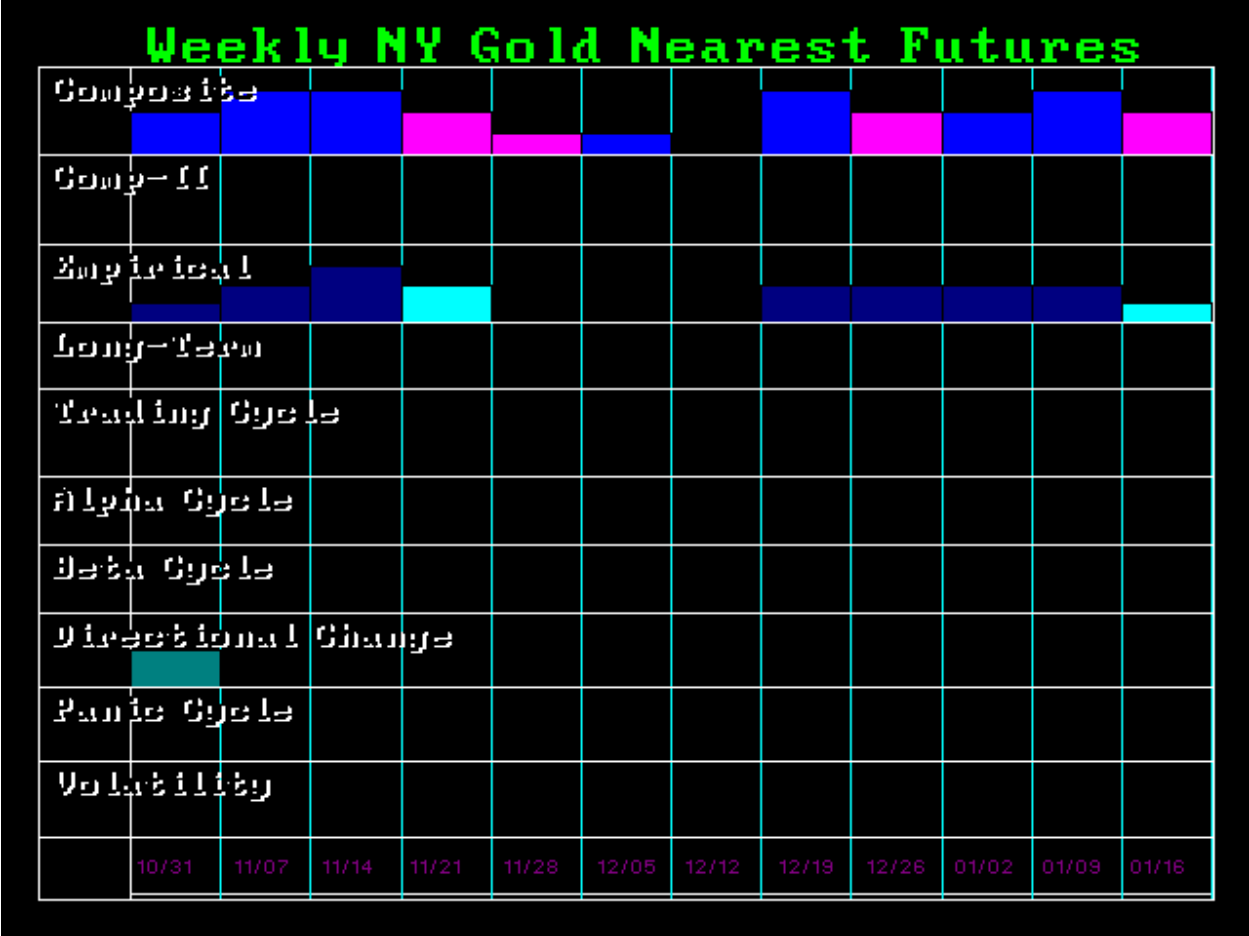


The trading provided by the computer is set for intermediate without Finesse trading



**WEEKLY
COMPUTER RECOMMENDATION**

On the Weekly level of our model we remain LONG 1 position. The last LONG position was taken on the close for the week of 09/30 at 162390. Our general target objective would be to Sell on an MIT just below the 181900 price level. We would reenter a long position by buying a Weekly close above 191750. We would use a PSXCO at 164150 on a Weekly closing basis OCO with an IDPSX at 163190. Reversing into a short position should be considered if 163280 is penetrated on a weekly closing basis. From a timing perspective, you may want to consider taking profit if new highs are established during the weeks of 11/14, 12/12, 12/19, 01/06 and 02/24 and key targets for highs and lows ahead.



WEEKLY TIMING

The primary target on an empirical basis for the next key cycle low on the weekly level remains 11/14-21, particularly since our last target objective of 09/26 produced a low at 154130 in NY GOLD. If this new target objective is successful producing a high, we then expect to see a reaction in the opposite direction unfold on the next minor cycle target leading into the week of 12/19-26. Thereafter, a re-test of resistance should develop 01/02-09 which is the next major target objective. A cycle inversion would be implied if a low developed for the weeks of 11/14-21. Therefore, under a cycle inversion scenario, it would then appear that all other targets would produce the opposite effect.

Using a composite of cyclical analysis, the key weeks for a turning point in NY GOLD will be 02/10 and 02/17.

Our Directional Change models indicate that a turning point is due the week of 10/31.

Weekly Turning Points:

11/14-21, 12/12, 12/19-26, 01/09

Weekly Indicating Ranges

Date	Momentum	Trend	Long-Term
11/04	164260-146570	168010-154130	168480-157830
11/11	168150-147970	168160-152740	169860-159920
11/18	169520-147430	173120-151690	175580-164000

WEEK OF 11/04 MOMENTUM INDICATORS HLC 171653 163006 169103

TERMS USED IN REPORTS

Cyclical Strength:

Indicates the strength of time-related trends. This indicator tends to pick highs and lows in extremely volatile moves (see "How to Use the Indicating Ranges").

Long-term Trend:

The long-term direction of a market (see "How to Use the Indicating Ranges").

Momentum:

The market's ability to move quickly in either direction (speed) (see "How to Use the Indicating Ranges").

System Support/Resistance:

Refers to levels of market support or resistance as represented by the REVERSAL SYSTEM and the INDICATING RANGES (see "How to Use the Reversal System" and "How to Use the Indicating Ranges").

Technical Support/Resistance:

Refers to levels of market support or resistance as determined through chart analysis (see "Technical Trading Lines").

Bifurcation Analysis:

Refers to a proprietary methodology developed by Princeton Economics which attempts to find a specific point in time and price that acts as a "strange attractor" in market or economic movement.

TRADING ORDERS USED IN REPORTS

1. BXCO (Buy Stop Close Only)

Example: BUY YEN 73.25BXCO. An order to buy Yen only if the close is at 73.25 or HIGHER. This type of order would be used if our computer models indicated that a close at or ABOVE a specific price would warn of a breakout to the upside.

2. GTC (Good Till Cancelled)

Example: BUY GOLD 375.60BXCO GTC (OR SELL GOLD 366.60SXCO GTC). GTC orders are used when the order is to remain in force for longer than 1 day. Usually, all orders are day orders and expire at the end of that day if they are not filled. Entering a GTC order signifies that the order is to remain in force until it is either filled or the order is cancelled. This is also called an "OPEN" order.

3. GTW (Good Through the Week)

Example: BUY GOLD 375.60BXCO GTW (OR SELL GOLD 366.60SXCO GTW). Same explanation as above except the order will be cancelled at the end of the current week if not executed.

4. IDBX (Intraday Buy Stop)

Example: BUY YEN 73.35 IDBX. An order to buy Yen only if it trades at a price of 73.35 or HIGHER. This order would be placed above the current price and be used to initiate a long position.

5. IDSX (Intraday Sell Stop)

Example: SELL YEN 73.35 IDSX. An order to sell Yen only if it trades at a price of 73.35 or LOWER. This order would be placed below the current price and be used to initiate a short position.

6. IDPBX (Intraday Protective Buy Stop)

Example: BUY GOLD 371.5IDPBX. This order would be used to protect a short position against an unexpected move to the upside. The short position would be covered (bought back) only if Gold rose to a price of at least 371.5. If this occurred, then the order would become a market (buy at the prevailing price) order and the short position would be closed (offset). This type of order is usually placed as soon as the original short position is entered into.

7. IDPSX (Intraday Protective Sell Stop)

Example: SELL GOLD 366.5 IDPSX. This order is used to protect a long position against an unexpected move to the downside. The long position would be liquidated (sold out) only if Gold fell to 366.5 at which time, the order would become a market order to sell. This type of order is usually placed as soon as the original long position is entered.

8. LIMIT

Example: SELL S&P 374.45 IDSX 37145 LIMIT. An IDSX is entered at 374.45, but may not be executed below 371.45. A limit establishes a maximum price level beyond which the order may not be executed.

9. MIT (Market If Touched)

Example: BUY SWISS FRANCS 62.20MIT. An order to Buy is placed BELOW the current market price. *If* the market trades DOWN to this price or LOWER, a market order will be executed by the broker. This type of order is used for profit taking for a short position. It could also be used for entry into a long position.

Example: SELL YEN 75.25MIT. An order to SELL is placed ABOVE the current market price. *If* the market trades UP to this price or HIGHER, a market order to sell will be executed by the broker. This type of order is used for profit taking for a long position. It could also be used for entry into a short position.

10. OCO (One Cancels the Other)

Example: BUY CRUDE OIL 22.31 IDPBX OCO 21.91PBXCO. This is a dual order consisting of an INTRADAY PROTECTIVE BUY STOP (IDPBX) and a PROTECTIVE BUY STOP CLOSE ONLY (PBXCO). The IDPBX will always be at a higher price than the PBXCO. Execution of ONE order will CANCEL the OTHER order. (OCO)

Example: SELL GOLD 362.4 IDPSX OCO 364.5 PSXCO. This is a dual order consisting of an INTRADAY PROTECTIVE SELL STOP (IDPSX) and a PROTECTIVE SELL STOP CLOSE ONLY (PSXCO). The IDPSX will always be at a lower price than the PSXCO. Execution of ONE order will CANCEL the OTHER order. (OCO)

11. PBXCO (Protective Buy Stop Close Only)

Example: BUY GOLD 369.5PBXCO. Unlike the IDPBX, this order is only executed on the close. The short position would be closed out (bought) only if the closing range of the market was ATLEAST 369.5 or HIGHER. This order would be used if our models indicated that a CLOSE at or ABOVE this price indicated a change in trend and a short position was no longer warranted.

12. PSXCO (Protective Sell Stop Close Only)

Example: SELL STERLING 159.80PSXCO. A long position in Sterling would be closed (sold) if the closing range of Sterling was AT LEAST 159.80 or LOWER. This order would be used if our models indicated that a CLOSE at or BELOW this price indicated a change in trend and a long position was no longer warranted.

13. SXCO (Sell Stop Close Only)

Example: SELL D-MARKS 55.22 SXCO. An order to sell D-marks only if the close is at 55.22 or LOWER. This order would be used if our computer models indicated that a close at or BELOW a specific price would warn of a downward move.