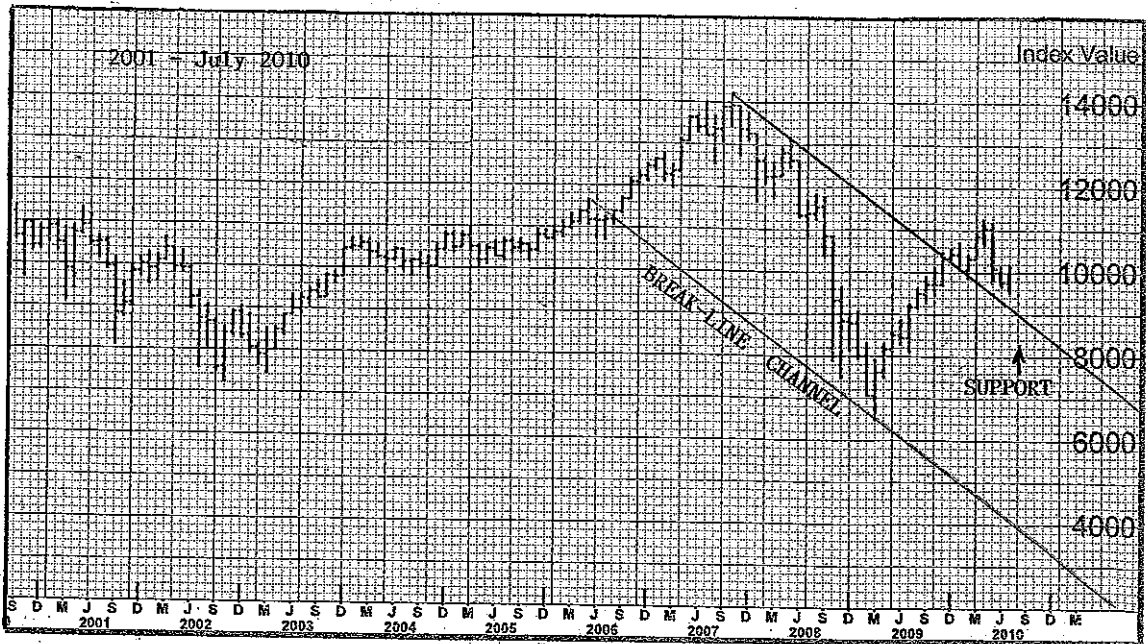


Staring into the abyss

DOW JONES INDUSTRIALS - MONTHLY



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

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

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

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

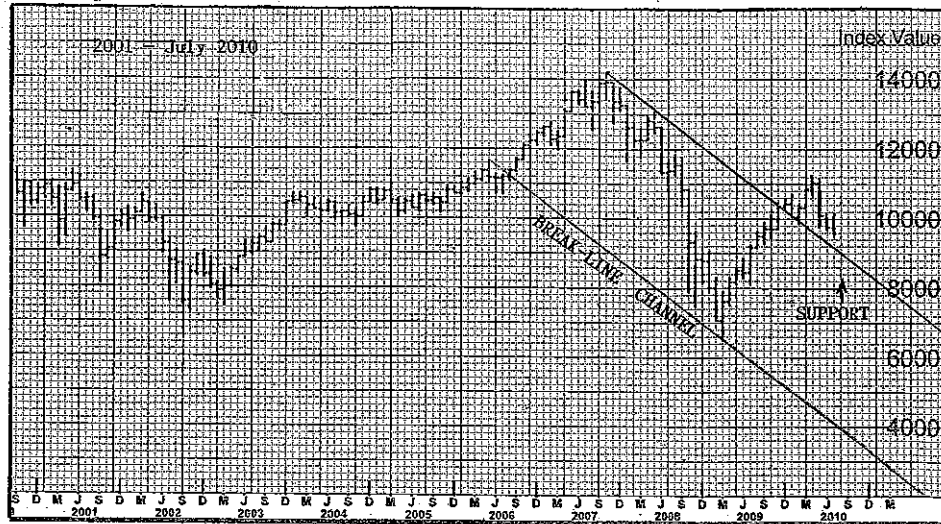
There is no hope that politicians will save us, for they only form committees to investigate after the shit-hits-the-fan. They will NOT risk their career for a future problem that may hit on someone else's watch. There was a politician and an average man standing on top of the Sears' Tower when a gust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

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

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

Staring into the abyss

DOW JONES INDUSTRIALS -- MONTHLY



By: Martin A. Armstrong

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

WHEN all is said and done, no matter how we spin the story, we are in the final stages of the collapse of Western Society as we know it. By that I do not mean the sky will fall and people will be running through the streets naked fighting over 2 week old bread. That did not even happen with the fall of Rome, nor with Communism in China and Russia. It is possible that our political ruling class become so desperate that they take the tyranny path to extort every dime from the people hoping to hold on to fleeting moments of past glories. When it is all said and done, we will ask how was this citadel of the earthly powers of man fallen, and laying motionless and prostrate on the ground before all the great empires that have expired before it. The answer will be the same. **DEBT** and **FISCAL MISMANAGEMENT**. Our greatest problem has been our arrogance and presumption that we have conquered history and the laws of **PRACTICAL ECONOMICS** do not apply.

When empires die, the clash between private and public assets swings into the hyperactive mode. Those who see only the Dow crumble and fall to 1400 because that is what happened in 1929, fail to ever understand that such an event took place because of **DEFLATION** that was created by the fact that the dollar rose to extreme levels when everyone else was defaulting in 1931. This is **WHY** Roosevelt confiscated gold and devalued the dollar by raising gold from \$20 to \$35. Money was still something tangible. Today, we are looking at a massive sovereign debt default on a worldwide level.

Under a situation from the European view in 1931, the **ONLY** thing to survive was tangible assets. That is not merely gold, but shares in corporations with tangible value. **VELOCITY** is always the key for as it declines due to people then hoarding money you get **DEFLATION**. When people are afraid the money will become worthless (paper or debased coinage) they spend it faster before it depreciates and that creates **HYPERINFLATION** at the other extreme. It all depends on where the **CONFIDENCE** resides - **WITH** government or within the private sector. We are headed into the later.

I have been working at full speed to get this book complete. I have passed the 300 page mark and I am deeply in debt to those assisting me on the outside to get me the reference material I need to ensure this is more than just an opinion, but also authoritative.

Adam Smith in his **Wealth of Nations** wrote in his final volume about Public Debt and what he asked was why people had ever considered lending money to government was safe or that their debt was somehow quality. I have been working on this issue in great detail. Smith stated that never had any government **EVER** paid off its debt and that was in 1776. He was correct. I am assembling all the defaults that are a subject that no one seems to want to talk about.

Yet, there are stark and monumental conclusions that emerge from such a long list of defaults. Society does **NOT** end as the doomsday crowd portray. This seems to be just their desire or opinion. Many seem to wish disaster upon the world for they feel cheated and did not become rich with the crowd. But those sorts of claims are truly the exception. The fall of Rome ended in disaster as people fled cities and the population of Rome itself fell from 1 million to just 30,000. That was what the Romans called **suburbium** and why we still today call moving out of the city to the suburbs. That flight took place because of the collapse in the **Rule of Law** and unprecedented taxation that set in motion a migration that eventually led to feudalism.

Today, we have no place to go. We have run out of room. It is possible that government becomes so hostile that they will call the troops out against our own people. But that does **NOT** always succeed. The troops in China and Russia hesitated to slaughter the people. In the famous **Nika Revolt** in Constantinople of January 532 ("Nika" means conquer), the Emperor Justinian feared for his life because the troops would not defend him. He was lucky that there were foreign mercenaries that were nearby and they came to his aid and slaughtered about 30,000 citizens who had gathered in the Hippodrome (local stadium where chariot races took place).

In most cases, there is no civil war. Typically, the government collapses. In ancient times they may assassinate the head of state, but that tended to be more in the line of monarchs who ruled for life. The Puritans cut off the head of Charles I in England, but that was just when the slave becomes king, he becomes even more ruthless than the person he overthrows.



Oliver Cromwell (1653-1658)

As pictured above, Oliver Cromwell put his own portrait on the coinage as if he was king. Napoleon crowned himself Emperor, and Stalin murdered over 20 million people after claiming injustice of the monarch Nicholas Romanov justified murdering him and his whole family in July 1918. Clearly, sometimes revolution produces far worse alternatives.

Yet the unifying trend that ties all of these events together is **FISCAL MISMANAGEMENT** and a **DEBT CRISIS**. This is far more serious than a mere 1929 correction. When governments collapse, it can get very, very nasty. This is when tangible items of value, gold, antiques, art, and **MOVABLE** objects has a basic barter worth. Land typically declines to its basic value **NON-LEVERAGED** cash value. Even during the Great Depression, land that was valued at \$1.20 in the mid 1800s per acre fell to 30 cents. This is cause by the **LACK** of any credit to allow borrowing that is **LEVERAGE** in the real estate market. A 30 year mortgage brings forward 30 years of future income today. It is not money yet earned.

Even when we look at Spain and France, one must ask **WHY** these two European nations have failed to climb to the level of being the **Financial Capitol of Europe**? Both nations adopted the Economic Conquest Model. In plain words, this was the Roman model of plunder. They sought to advance by conquest gathering all the money they could from foreign lands. They **FAILED** to look at their people as any

sort of a worthwhile resource. They did not seek to develop industry. They did to some extent support merchantilism. However, in the case of Spain, they were so busy just extorting gold and silver from America, in fact they spent it long before the ships ever arrived. They did not use that money to develop the economy. They imported the menial labor from France, and spent the money on fatal conquest attempts like the conquest of Netherlands and the Spanish Armada against England.

Charles I (1516-1556) of Spain was also the Holy Roman Emperor Charles V (1519-1556). He exploited Spain to further his glorified interests as Emperor and sent the nation into bankruptcy. Spain defaulted on its debt in 1557, 1570 in Antwerp, 1575, 1596, 1607, 1647, 1662, 1695, and 1697 just for starters.

Both France and Spain were serial defaulters. Why would anyone lend them money cannot be rationally explained. This is why after wiping out both the German and Italian bankers, the **Financial Capitol** moved to Amsterdam. When William of Orange (Dutch) king took over England in 1689, he brought Dutch ideas with him and the **Financial Capital** moved to London.

During the Panic of 1896 when the US was bankrupt, J.P. Morgan convinced his British banking friends to lend to the US Treasury. After World War I, London gave up the **Financial Capitol** to New York. In 2000, New York had 60% of the world IPO market. Because of the outrageous decline in the **Rule of Law** in the United States, that has fallen to less than 5% and now foreign companies no longer feel it is prestigious to be listed in New York. The US is losing that status rapidly and the impending **DEBT CRISIS** will be the final straw.

We have a front-row seat to what will prove to be the most economic interesting times in the history of man. Will we turn to internal war or international war over a **DEBT CRISIS** our public officials refuse to discuss at all? Or can we save society and preserve our **CULTURE** for our children? These are the most important questions that need to be answered authoritatively.

Meanwhile, the markets are performing according to script. The one thing about the market and **FREE MARKET THEORY**, which the socialists hate, is that the markets are **NEVER** wrong. It our job to interpret what they are trying to tell us for they collectively see all truth and cut through all the bullshit. The socialists hate this theory because they want to manipulate society and the finances to achieve their Marxist goals that are unsupportable.

The mere problem is the markets are making a critical staging decision at this time. They are sorting out the whole idea of a **DOUBLE DIP**, how far, and how will this effect the future in terms of months, years, decades, and centuries. The markets are deciding the extent of a **FAKE-OUT-MOVE** that means there is typically a move in the **OPPOSITE** direction from the true direction the market will adopt.

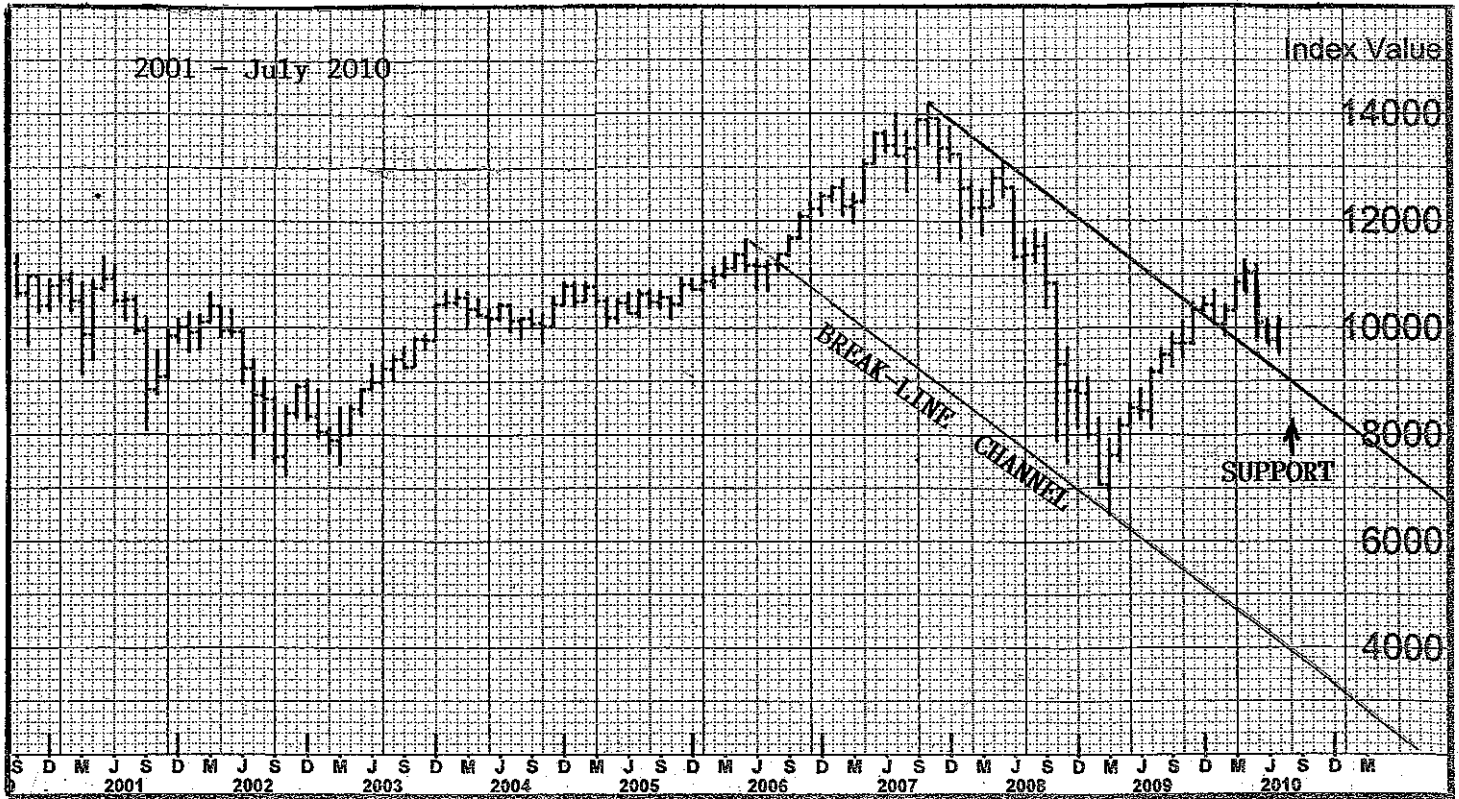
In other words, from the 2000 high, the Dow Jones Industrials moved down into 2002 for the bottom of the Economic Confidence Model. It elected the first three (3) monthly sell signals generated from each event but tested the fourth at 7318 (intraday reaching 7181.47 in October 2002 yet the lowest monthly closing was 7591.93 in September. The January 2000 high at 11908.5. Therefore, the fourth reversal held and that signaled the decline was over. To create a downtrend, the first four **REVERSALS** must give way or else it is just a reaction.

So far, the intraday low was made in March 2009 at 6440.08. The lowest monthly closing was in February 2009 at 7062.93. That same number today from the 2007 high sits at 6935.

On the upside, the highest closing came in April on a monthly basis at 1108.61. The actual **BULLISH REVERSAL** stands at the 11025 level. We did reach intraday 11308.95 but that has been unsustainable. **ONLY** a monthly closing below 9640 will suggest a retest of the 2009 low. The July low has been 9596 so far.

As we look into August, there still appears to be that this upcoming month will present the decision point. The main vital support during August lies at 9295 with the major support at 8050 level.

DOW JONES INDUSTRIALS - MONTHLY



As we look into the abyss between this August target and June of 2011, the markets are going to tell us the future. Those who are the perpetual bulls who presume life will go on and society will never falter, are already touting that gold will decline just as soon as people get back to normal. They do not address the fact that their opinion is merely the triumph of hope over cold hard experience. NEVER has such a debt crisis of this magnitude been able to hide under the covers forever.

This is NOT the end of the world. It is merely the end of **FISCAL MISMANAGEMENT**. This is not even the clash between paper currencies and gold as many wish to point out. Hard money is not the answer either. The issue is simply about spending more than we **WILL EVER EARN** and the constant pushing off to tomorrow what we cannot pay today. That is when the music stops. It has NEVER been avoided even once in history out of countless times. Do you think that Russia or China honor the debts owed to capitalists after their Revolutions? Did Iran honor its debt after it chased the Shah out? NOBODY has ever honored the debts and all go broke just has taken place every time without a SINGLE exception. Japan who tried to

claim it did not default, did so in 1942. So did Britain in 1342 and the USA never honored its debts of the Continental Congress despite the Constitution stating it would do so.

So we can talk OPINION and spin the people with more bullshit hoping they will run around in circles and overlook what is going on, but the pinata has suffered several deadly blows and it will soon fall and the hidden contents will be exposed for all to see. When the first debt auction is not fully bid, look-out. The pinata is about to fall.

The week of June 14th produced the highest weekly closing in the cash Dow. We fell to a new low for the last week of June. Looking into August, we have a couple of weeks that will be interesting. August 2nd and the last week August 30th-Sept 3rd. A weekly closing BELOW 9700 would signal further weakness. So we much watch this area on a weekly closing basis and what is produced the last week of August. If we see a high, then there may be a sharp drop into October, rebound into January 2011. However, an August low may lead to a rally into May with a Panic in June 2011, but even that looks like a 2 month panic at best.

A PERSONAL NOTE

SECURITIES LAW of the New York Second Circuit has been overturned going back to World War II. I have received a tremendous support and a lot of congratulations. I believe this is just a bit premature. Lawyers have informed me that this is the biggest "slap in the face to the Second Circuit" or any circuit perhaps in history. New York has always prided itself as being the premiere court in securities law because that is where the New York Stock Exchange resides. What did the Supreme Court actually say?

"[W]e think that the focus of the Exchange Act is not upon the place where the deception originated, but upon purchases and sales of securities in the United States. Section 10(b) does not punish deceptive conduct, but only deceptive conduct 'in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered.' 15 U.S.C. §78j(b)."

Morrison v National Australia Bank, Ltd., 561 US - , Slip at 17 (June 24, 2010)

In other words, "there is no affirmative indication in the Exchange Act that §10(b) applies extraterritorially, and we therefore conclude that it does not." Id./Slip at 16. For you see, we NEVER offered, sold, nor solicited ANY listed American securities EVER. The private notes we issued were to PURCHASE pre-existing toxic portfolios of purely Japanese stocks that were then sold in Japan. Each note had to be approved by the Japanese Ministry of Finance individually. The yen had to be converted and then sent to Philadelphia to OUR proprietary accounts. The Commodity Futures Trading Commission admitted nothing took place in the United States.

O'KEEFE [CFTC COUNSEL]: Our focus is slightly different. It focuses on the fact that futures trading is done in those accounts at Republic that you have heard about after the notes were solicited in Japan. So our focus is on what happened to the money after it got to the United States.

(99-Civ-9667; Tr: 10/14/99, p33, L6-14)

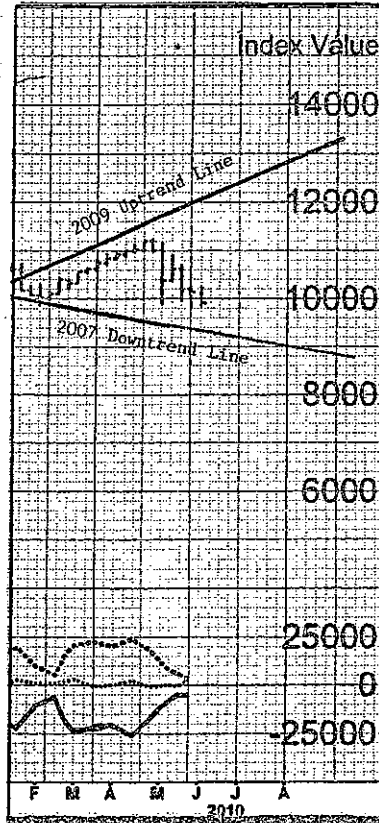
Justice Scalia speaking for a unanimous court, has rejected what was done to me, about 240 employees, a partners around the world on every continent.

"[W]e reject the notion that the Exchange Act reaches conduct in this country affecting exchanges or transactions abroad ..."

Id./Slip at 20

To all former employees, noteholders, and partners, your day has finally now arrived for the damages caused by Alan Cohen of Goldman Sachs, the SEC and the CFTC. These people have acted ruthlessly in my belief to cover-up illegal trading in our accounts by bank staff. It was AFTER I contacted our lawyer Richard Altman to bring suit against the Republic National Bank in New York demanding all money be returned within 1 week or we would file suit. By the end of that week, the FBI was raiding the office, the SEC and CFTC were protecting the New York banks, and the research materials exposing the organized manipulation of markets was seized by Alan Cohen who became head of Goldman Sachs Compliance. My lawyers were chased out, the court appointed David Cooper as counsel, whose wife I believe was counsel to AIG, who had flew to Princeton and asked me personally not to publicly talk about market manipulation. And who does the SEC & CFTC protect? The bankers & AIG.

Dow Jones Industrial Index
Weekly - CASH



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

The Dow Jones Industrials (CASH) is showing that the big **TURNING-POINT** will be August. Thereafter, it appears that the opposite trend should unfold into Oct/Nov. The primary support lies at 9400 level and a monthly closing beneath 9675 will warn that the downtrend would become severe, but not new lows.

There are two primary resolutions. There is the crowd that is calling for the Dow to collapse and a Great Depression as was the 1930s. We must understand that all of the world defaulted on their debts with few exceptions (Britain called for a suspension of debt payments) France was the last nation to cling to the gold standard even after the US devalued the dollar under Roosevelt. The dollar rose because it was GOLD. Once Roosevelt confiscated gold, he introduced inflation and that sent stocks up between 1932 and 1937.

Therefore, if the Depression were to repeat, the Doomsday Boys got it wrong! Capital flight was to the dollar because it was GOLD! That's it! Therefore, it is GOLD, not the dollar, that would soar in price!

In the book I am rushing to get done, I go over also forgotten Depressions of the 1340s and the Financial Crisis of 1557 to 1647. This was the period of a series of sovereign debt defaults from Spain and France. In fact, it was so bad, France could not borrow a dime in 1574.

Short-term, there is a potential for the Dow to make a low in early June and then rally into August with the traditional drop in the Sept/Oct time frame. However, making new lows beyond the week of June 14th, will warn of a August low. A key week appears to be the week of August 2nd.

By: Martin A. Armstrong Copyright All Rights Reserved June 9th, 2010
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SPECIAL UPDATE REPORTS BY EMAIL

Because of the dramatic increase in volatility, a **SPECIAL UPDATE REPORT** has been created on a specific market outlook. As we head into the economic storm of **Sovereign Debt Crisis** that is brewing around the world, it is going to be critical to be able to address key events on a more timely basis. Everyone is invited to sign up for this **FREE** service at:

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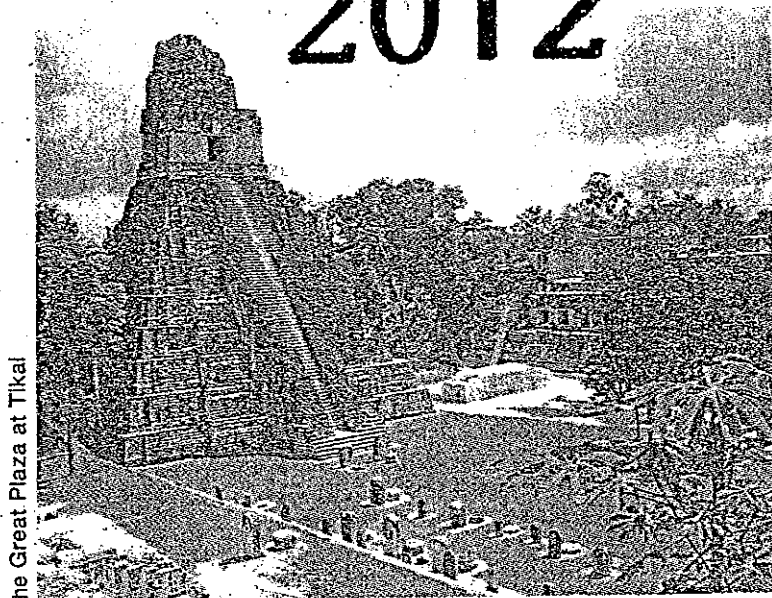
This will cover the world markets and economies. Please sign up as soon as possible. The event horizon is coming in rapidly. We need to stay vigilant to survive the years ahead for government will only form committees **AFTER-THE-FACT** to investigate why something happened. They will **NEVER** take steps to prevent an obvious economic crisis. We are on our own. The best course of survival is to stay **INFORMED** and to understand the nature of what is taking place since no one should ever follow anyone blindly. This is all about educating what is the new reality.

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2012



The Great Plaza at Tikal

The Mayan End of the World

December 21st, 2012

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

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THE TRUTH BEHIND THE MAYAN CALENDAR & 2012

A Special Report has been underway to test the validity of this Mayan 2012 forecast that has sparked books and TV shows. This is an objective authority on the subject, not hype. This report will expose BOTH the falsity as well as the TRUTH behind this coming date for the end of the Mayan Calendar on December 21st, 2012. What lies at the core of the Mayan Calendar is one of the most remarkable and profound cyclical studies conducted historically. We may in fact be headed into the high for this **Global Warming** trend. It is also curious that 2012 will be the next target for the reversal of the poles on the earth whereas the last such event took place on earth 780,000 years ago. The poles flip regularly every 11 years on the sun and 2012 is the next target there as well. Some scientists have contributed data regarding the shifts in the poles going back 160 million years. This also allows us to back test the Mayan cycle of 5,126 years or so in conjunction with the Precession of the Equinox that has its only cycle of 25,800. While this may not be predicting the End of the World, it is predicting a change in trend. Sign up for notice of this report's publication.

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