

Armstrong Economics 阿姆斯特朗 经济

Forecasting the World

A Total Eclipse of the Economy



& Good Old Fashion US Witch-Hunt

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

By: Martin A. Armstrong Copyright All Rights Reserved December 22nd, 2011
Please Register For Special Updates At ArmstrongEconomics.COM

Please send comments by mail to:

Please REGISTER for Special Updates

Martin A. Armstrong
FCP Fort Dix Camp
#12518-050
PO Box 2000
Fort Dix, NJ 08640

ArmstrongEconomics.COM

Copyright Martin A. Armstrong All Rights Reserved

This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted.

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

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

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

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

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

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

A Total Eclipse of the Economy



& Good Old Fashion US Witch-Hunt

By: Martin A. Armstrong

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



AS WE APPROACH 2011, the world economy is in the worse possible shape it could be in. Everything is posturing for a very major turn that is of such a rarity, the total eclipse of the Moon is about on par for the cyclical change we now face. This IS THE COLLAPSE OF SOCIALISM/MARXISM and anyone who thinks this is just a plain old recession, had better look behind the very thick curtain. We have gold reaching the top of that channel in the mid 1400 range, the Dow Jones rallying instead of declining, interest rates rising after the launching of QE2, and we have student uprisings throughout both Eastern and Western Europe, some over unemployment as in Tunisia, others rioting about cuts in social benefits as in London and Rome, as Hungary passes legislation to silence the press that is no different than in the USA that does the same thing quietly with phone calls. Yet, as we watch the rare event of a TOTAL ECLIPSE of the Moon, in ancient times, this would be an omen of bad things to come just as the comet that light the sky foretold of the death of Julius Caesar in 44BC. By the augurs of Ancient or Middle Ages, we should have a good old fashion witch-hunt by now. Oh that's right! The SEC and Justice Department are doing that. They are charging everyone they can that had nothing to do with the economic decline so they can pretend to be prosecuting somebody. But that is what witch-hunts are all about. It is not about God, Justice, and the American Way with a side-dish of apple pie. It's just about bullshiting the people to take their attention off the real culprits. Yet no matter what they do or say, the FREE MARKETS will still tell the truth and are warning that we are facing a TOTAL ECLIPSE OF THE GLOBAL ECONOMY!

Meanwhile, riots are appearing in just about everywhere in Europe where socialism is trying to be cut back - Italy, Spain, UK - Greece - France - and Ireland. Soon it will be in the USA as well once the first blood is drawn in cuts. Obama has put in to freeze all government wages for 2 years. The taxcut issue is meant to prevent riots, for they are going to unfold. Even Portugal is claiming its reforms will succeed. Hasn't anybody just bothered to notice, its the DEBT STUPID! The whole idea of borrowing to fund socialism is bringing Margart Thatcher's words alive - SOCIALISM WORKS UNTIL YOU RUN OUT OF OTHER PEOPLE'S MONEY!

China is doing EVERYTHING RIGHT so far. They are internationalizing the renminbi and consuming gold at staggering levels. Their inflation rate of 5.1% illustrates that they are the new financial capital of the world for prices are rising as CAPITAL CONCENTRATES in the East. Gold will be traded in renminbi and that opens the door for arbitrage with the dollar via gold. China is attacking the RESERVE DOLLAR status, and rightly so. There can be no individual currency that represents THE reserve currency, for its domestic policy is then exported to the rest of the world. We do live in INTERESTING TIMES.

China is starting a fund of fund and the biggest Gold Rush in history may be unfolding in China. Gold was the traditional investment in China before the Communists. It was the traditional payment for a dowry before 1949. Gold went underground in China as it did in the USA after 1934.

Gold is resurfacing in China and is returning even in the payment of dowry or a gift for the new couple. Retail consumption of gold in China is up over 70% according to the World Gold Council, reaching 153.2 tonnes. Gold imports by China for just the first 10 months of this year were up sharply to 209 tonnes, or a 500% increase from 2009. China has soared to the second largest consumer of gold just behind India.

US stocks have rallied instead of going down the toilet. Bond yields went UP after the Fed's QE2 buy-back showing that the very idea of how to conduct a stimulus is DEAD WRONG! Everything we look at is showing that this is the MELTDOWN of Socialism. Political interests are directly against those of our people and this is that MOMENT in time when the 1 year office of Roman Dictator is so critical. We are in desperate need of our modern CINCINNATUS (570-451BC) to come in, revise the world economy, and retire. We so desperately need someone with experience and the understanding of how the international economy even functions to save the day. It will never happen. But this is why political reform is so crucially needed to provide for such an option. The solutions are easy. The world could be saved NOT in 100 days, but in just 30 days! Taking just a few steps would reverse EVERYTHING and save the Day After Tomorrow!

Meanwhile, the SEC & Justice Department are chasing everybody BUT those responsible for the economic crisis. Insider-trading is being expanded to absurd levels and not any charges against a single firm that was in any way involved. This shows, the NY Banks still control the courts, SEC, and capital hill. The Democrats may want to blame Wall Street, but they take no action for it is all talk as they hold their hand out for money. This further ensures that there will be no such solution ahead when those who sell the debt keep it flowing. ENOUGH is ENOUGH! There will be no tomorrow without reform now!

The governments around the world have lost their way. They are suppose to HELP SOCIETY, not send it into oblivion! How can a drug addict ask advice from the drug dealer if he should stop taking drugs? Yet we run to the NY Bankers soliciting their advice to manage the economy when in fact all they care about is selling the next issue of debt and collect their fees, while shorting against them as was just shown how rates when UP - NOT DOWN - with QE2.

Goldman hired David Markowitz, deputy NY Attorney General. This is Goldman's main strategy to keep government officials on the pay to buy immunity. This strategy helped Goldman keep the spoils of war and kept the prosecutors at bay. But governments will jail Julian Assange of WikiLeaks for exposing the truth, but they will not investigate any NY Bankers unless the firm they worked at went bankrupt. As long as government refuses to be honest, we do not stand a chance in hell of reaching any kind of solution to our economic implosion.

Goldman and others in New York are traders. How can you ask them what to do when you know they are trading against you? Isn't that giving them insider information?

Goldman is not the only firm, for the government needs them to sell their junk bonds to the public to ensure your pension is also wiped out. Anyone who retains a FREE AND INDEPENDENT MIND, knows we are in serious trouble. They also know that the markets are the REAL forecaster of the future. They tell you what is going on once you understand.

SOMETIMES UP IS REALLY DOWN

There are far too many so called analysts who do not understand of what they are writing about. They see the end of the world and then assume that means stocks down. They have been calling for the end of the world, new lows in the Dow, and sell everything before it is too late. Far too many people are losing their shirts because they have listened to this non-sense. WHEN IT IS GOVERNMENT COLLAPSING, YOU SELL THE BONDS & BUY PRIVATE SECTOR ASSETS!

Why would anyone buy government bonds in times like this? You have to be nuts!!!!!!!!!!!!!!!!!!!! This is a collapse of PUBLIC assets & sector against the rise of PRIVATE assets & sector.

This is a global **MELTDOWN** in sovereign and public debt at the municipal, state, and federal levels. UNDER NO CIRCUMSTANCES BUY LONG-TERM DEBT FROM ANY OF THESE PUBLIC LEVELS OF GOVERNMENT! You WILL lose everything you invest **PERIOD!** This has been the course of public debt since the **FIRST** default in 1788BC. There is no government that has ever paid off its debt and stopped borrowing **EVER!** It was the city of Detroit that suspended all debt payments in 1932 and resumed in 1963. Yet, the course of inflation devalued the original debt and made it only then possible to pay the nominal amounts owed about 30 years before.

DO NOT TRUST THE REPORTS OF BIDS FOR THE PUBLIC DEBT AUCTIONS. They reported that Spain was more than twice the bid for the amount of debt being offered. If anyone wants to play with the numbers, if the issue is 1 billion euros, you can enter a bid to buy 2 billion at 5% when the rates are 2%. That will make it look like there are still a lot of people willing to buy giving confidence to keep the rates still down. **PUBLISH** the bids and then let us see who is real and who is not. It is far too easy to play games with that statistic. The problem, that will never happen for it would expose the thin bidding that could be the first step toward a **PANIC**.

As we head into 2011, we are merely just descending into a deep and dark debt crisis from which there is just no escape without major reform. Of course, that major reform necessitates a reduction in political economic control.

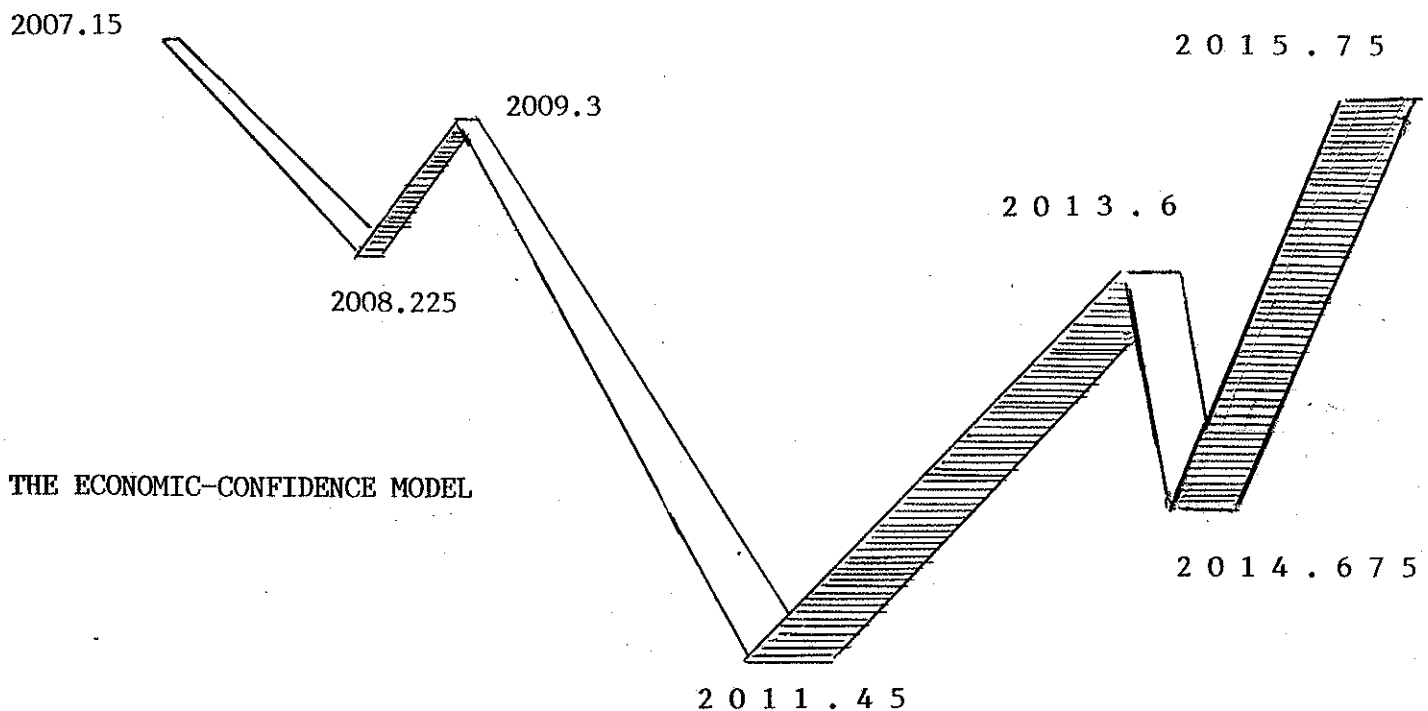
The SEC is going after hedge funds to make up for the fact that they cannot touch the NY Bankers. During the Great Depression, they summoned everyone before the Senate and subjected them to public inquisition as to whether they were short stocks. The result of those public trials I covered in the Great Bull Market In History, was they indeed frightened just about everyone from going short again. This contributed to the collapse in the Dow Jones Industrials from 386 to 42. The **SHORT PLAYER** is the **ONLY** person who has courage to buy in the middle of a panic. If you outlaw short-selling, you outlaw those who provide support in a panic decline. Of course, those in government are too stupid to figure this out. So the SEC is now going after hedge funds trying to somehow pretend prosecuting insider trading makes up for the economic decline.

What this **BRAIN-DEAD** strategy is doing is repeating history. Attacking the hedge funds and trying to prosecute everyone on this flawed theory of **INSIDER-TRADING**, will make things much worse! Why? Destroying the hedge funds will wipe out systematically the very largest market for buying debt/equity. It makes absolute sense that in the middle of a debt crisis, we prosecute those we need the most, to pretend to be doing something because of the **HANDS-OFF-NEW YORK** policy that has plagued the markets for decades?

The Insider-Trading of today is by no means **ADVERSE** to the markets, harms **NOBODY**, and is precisely opposite of what it was originally. Ever since the Mike Milkin prosecution of the late 1980s, the government, with the aid of the courts in New York, flipped the idea of insider-trading on its head in order to intentionally destroy Drexel Burnham Lambert that was a Philadelphia firm that created the junk bond market and stole the thunder from the NY Bankers. New York would never allow competition by another city. This is why the prosecutions in New York were always firms of other cities until Madoff. Drexel, was Philadelphia, the Frank Quatrone Case was First Boston, and then there was REFCO the Chicago firm just to mention a few. **ALL** were major players in competition with New York. If they did something wrong, why were they **NOT** prosecuted where the firm resided? The NY Courts have routinely been used to thin the herd of competitors for the NY boys.

INSIDER-TRADING use to be a director of a company knew it was broke and sold his shares first, then announced the company was bankrupt. To destroy Drexel and Milkin and allow NY to grab the junk-bond market, they claimed that if Milkin and another were going to buy a company, they were defrauding the public out of **MAKING** the same profit that they did. The SEC idea now is anyone who has any info whatsoever is guilty of insider-trading giving them the right to fine them and now destroy their fund.

This type of theory for insider-trading is itself a denial of **EQUAL PROTECTION OF THE LAW** because it is not a crime in currency, debt, or any other economic number-driven market. It is **UNIQUE** to the SEC and it is a very serious **ABUSE** of prosecution that the courts allow because most judges are former prosecutors. This will destroy the economy even more just as they did in the 1930s.



Copyright by Martin A. Armstrong

The SEC and the Justice Department will try to make up for their profound policy of **HANDS-OFF-NEW YORK** by attacking everyone but those who really manipulate markets and government for their personal interests. If we even look at the Madoff case, his son now committed suicide leaving a message that they did not know half the truth. Indeed, I was asked by a journalist "Did you think that Republic Bank was illegally trading in your accounts for the Russian Mafia and Columbian Drug Cartel as they were doing in Madoff?" I was taken by surprise. I had stood up in NY court and informed them that I went to my lawyer Richard Altman who sent a email to Dov Schlien President of Republic demanding all missing funds be returned from their staff who were illegally trading in the accounts. There were some trades that were huge in the bond market and then were backed out. Even the forensic accountant noticed that about 1/3rd of the trades were being backed out as error by Republic's staff. How could they be making so many errors? That question posed to me by a journalist from the NY Post was in fact shocking. I had read nothing about the Madoff case that raised such a issue. Suddenly, it became clear. Madoff pleading cut off the trial or investigation and that meant we would never know what really took place. The whole thing may be covering up conduct that nobody wants to admit.

As we now approach the bottom of this current BUSINESS CYCLE in June 2011, this parallel with the 1930s is getting scary. The degree of bullshit may be so bad, the desperate attempt to charge insider-trading to divert the public from what really has been going on may backfire into fueling the collapse in our debt structure even more.

There are those still putting out the nonsense that gold will collapse because the economy will turn-around. Do they have any self-respect at all? It is not the ECONOMY stupid - its the DEBT? Just how are we going to get out of this? Those who were insuring municipal debts are folding. States are in trouble. They FROZE government salaries for 2 years. Are they paying attention to what is really going on, or are they mouth pieces for the government?

Gold should back off and retest the support. If the Dow Jones does the same into June, this will set the stage for the next 4.3 year wave into 2015-1016 where we should see the decoupling of debt and equity so that we will see the stocks take off and public debt decline. Interest rates will rise as they always do in a bull market and it will be the state that collapses like you will think was simply impossible. We should see gold at \$5,000+ by the end of 2015.

The Witch-Hunt is more likely to set in motion serious shifts in capital flows. If the United States is going to prosecute the hedge funds for insane insider-trading that is not a crime in any other investment, as a fund manager, you have to start making a rational judgment and weigh the risks of doing business in the USA. It is far less risky to deal in foreign shares and index ETFs than tangle with the SEC who is now desperate to pretend it has teeth it never showed against anyone in New York.

The long-term capital flows appear to be setting up for a massive capital flight from the USA after the crisis boils to the surface in Europe. That will at first drive capital into the USA. That will push the US\$ up, and then it will crash and burn looking at a massive capital flight.

The EURO is still a key to watch for year-end. The sell signal would be the 123 level, but that does not seem likely without an immediate crisis in debt. Support lies at 129, and that will be the key area to watch not just for year-end 2010, but throughout 2011. The pivot point will be 134 and the resistance will be 139. A 2010 closing below 134 will warn that weakness next year is still in the cards.

The Dow Jones Industrial CASH index is at 11478.13 as of this writing. While a buy signal for year-end is possible, that still requires a year-end close above 11927. Yet a year-end close above 10600 will be good enough to keep things in a bullish posture long-term. Key support for 2011 will lie at 9400 level.

SILVER has been the target of the same old manipulators as usual. So be very careful in this market. The key area to watch is \$21. To sustain any bullish posture for the immediate terms, 2010 MUST close above this area.

The Australian All Ords is neutral now trading at 4862. The key support is 4700 for year-end and a close below that would point to a retest of the low for June. If that holds, then at worst, the 3200 level should hold. A close above 4900 would firm up this market suggesting the 2009 low will hold.

The Japanese Nikkei 225 is trading at 10370. A closing below 15000 will keep it in a neutral position whereas a closing for 2010 BELOW 8700 will signal new lows.

The German DAX is trading at 7077.5 and this is showing the internal capital flow problems in Europe as a whole. The pattern, though, is very choppy. A year-end close above 6600 will keep the DAX in a bullish posture, but it is perhaps setting itself up for a high in 2015. Only a close for 2010 BELOW 6000 would be BEARISH, but this does not seem possible.

The Australian dollar remains bullish with a year-end close above 9800 on a short-term basis. The British pound is still in a bearish mode with a closing at year-end BELOW 174. The main support lies at 140. To save British, the pound needs to drop back to par. This will help the economy tremendously.

The Canadian dollar has resistance at 103 against the US\$. A closing ABOVE that level is necessary to keep a short-term bullish posture. This will remain as the pivot point in 2011, but there is no danger of a major sell signal at this time. That requires a year-end closing below 7100 and a neutral closing would be below 8385.

The Japanese yen is currently trading at 83.71. A year-end closing BELOW 9000 will keep this dollar in a bearish mode against the yen. This still looks like the yen is likely to make new highs on a massive capital contraction.

This is just a glimpse of what it looks like going into year-end. Once we have all the numbers for year-end, I will produce the outlook going into June of 2011. Until then, we must realize that this is the COLLAPSE of socialism. That means we will see government get much more aggressive and desperate to raise capital. We should be most concerned about using the criminal and civil law to confiscate property and that will be the historical knee-jerk reaction that government ALWAYS enacts.

HEDGE FUNDS BEWARE. They will look to raise money from your investors!