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Now What's Going On?

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BROKE AGAIN?

When you get to look behind the curtain, sometimes you wish you never did. When I say we **NEED** a major reform of the **MONETARY SYSTEM**, I do not use those words lightly. I am also not a street hawker who feels I have to yell like one of those used-car salesmen to sell you something you don't want nor need driven by a little old lady who never dies. I hate to bring this up but it appears that we have little hope of saving Europe and the whole shift away from the mark-to-market accounting that was swept in during the crisis to "ease" the restrictions on banks in the West is now starting to bubble to the surface. The accounting methods of dealing with the CDS time-bombs postponed reality but did not really change anything long-term. The actual liabilities are still there and are not taken into account.

Meanwhile, the scandal in Germany this weekend that the government is spying on its citizens for taxes has spread beyond that nation's borders, raising questions about how far government officials around the globe might go to monitor citizens through spyware. The German government has been caught red-handed introducing software known as Trojan-horses that is a virus like program that allows the government to run your computer remotely to see what you might be up to. If Germany is doing this, you can bet the rest of them are as well blaming hackers. While governments bailout bankers, they are turning against their own citizens breaking every possible law and freedom that was to distinguish the West from Communism. Governments are hunting down citizens everywhere desperate to grab every dime they can to keep the sovereign debt game going. Just walking in front of these "**Occupy**" whatever crowds in a suit and tie subjects you to all sorts of insults. Exactly what is a "**corporate liberal**" I am not sure. I suspect it is what you get when a Democrat is brainwashed into being a Republican who hates liberals and still corporations. The Occupy forces are now off to protest in front of the homes of the "**rich**" which is drawing a close parallel to the early days of Germany. We may not be able to dig a hole deep enough nor will we be able to find a rock big enough to cover the hole to hide in until this all blows over.

European Survival Rate

The likelihood of Europe surviving is diminishing day by day. Europeans in general are not happy with the Euro and the common citizen feels the whole unification thing is a mess. This general feeling precludes dealing with the problem politically for they feel they have to somehow sell consolidating the bonds to the public. The choice is either consolidate the **EXISTING** national debts into a Eurobond and any new debt would then be regarded as local debt **NOT** qualified for bank reserves going forward. The **FAILURE** to do this means the banks will fail, they will have to be bailed out, and that can take place **WITHOUT** a sovereign debt default because the bonds will decline in value on **ANTICIPATION!** The slightest amount of pressure will cause the bank to fail and then the truth about the accounting will rise to the surface.

The lack of mark-to-market accounting that was installed thanks to the quick fix following 2007, has only converted the Western financial system into that of Japan. Here we have firsthand knowledge of what really took place in Japan. To make this point **VERY** clear, we **NEVER** solicited money from the Japanese to *“invest”* for trading. They were bleeding out of their eyes at that time. We purchased portfolios that had declined 40-60% that were still shown on the books at their purchase price. No loss needed to be declared **UNTIL** the portfolio was sold. Therefore, **Princeton Economics** was involved in the bailout process. We **PURCHASED** portfolios giving a note at the book value (original cost), the portfolio was then ours to be sold taking the loss while the Japanese held the note at face value with a promise to repay in 10 years. Because the accounting was **NOT** mark-to-market, the Japanese held the portfolios as they declined hoping to break-even, which never came. The government turned what should have been a 2-3 years bear market into 26 years because they held hoping to break even. The shift away from mark-to-market in the Europe and America has accomplished the same achievement. They have extended what should have been resolved out for most likely 10-13 years from 2007 pushing the low probably into 2020.

This adoption of the Japanese account system the West is not being discussed in the mainstream press that just clicks their heels and goose-steps to the beat of government drums. Why did they adopt the Japanese accounting system in the middle of a crisis? The outstanding derivatives (CDS) would have wiped out much more if left mark-to-market. This shift hid the bulk of losses behind closed doors. This was only magnified by the slicing & dicing of the mortgage pools. What the **PRESS** did not tell people, you cannot pool mortgages! **Why?** In order to foreclose, you have to produce a **CERTIFIED MORTGAGE** in court. That means someone has to own it and that person must produce the mortgage to show they have a right to the property. When mortgages are made, they are typically resold and then they were pooled, sliced into tranches, and no single investor held the mortgage anymore. Anyone who understands the **LAW** and the **MARKETS** should have known this is why mortgages were not pooled previously. If a bank was trying to foreclose and did **NOT** have the **CERTIFIED MORTGAGE**, it would be like you trying to seize your neighbor's house claiming who had the mortgage. The court then in the real world says **WHERE IS THE PROOF YOU OWN THE MORTGAGE?** This is why many people could stay in their homes for 3 years or so rent and tax free. It was far worse than just the CDS pools. Nobody held

the actual mortgage since they lost the legal title to foreclose creating a pool and then slicing and dicing them. You have to know both the **MARKETS** and the **LAW!**

This whole mess of lacking the **CERTIFIED MORTGAGE** is on top of the problem of hiding losses by abandoning the mark-to-market accounting system. The rules were changed to avoid holding banks to standards that would have forced far more closures. Since the CDS sitting on the books of banks were no longer mark-to-market, they vanished into thin air in most cases. This is illustrated by events unfolding in Europe right now.

Dexia Too Important To Fail

Because governments are chronic debtors, the bankers are really financial crack dealers. I have been trying to explain that the government will not charge the bankers because they need them to sell their debt. This too is now bubbling to the surface as France and Belgium's decision to break up Dexia SA comes just three years after bailing them out during the crisis illustrating how European governments are being caught between a rock and a hard place.

The Paris-based Dexia's is a big municipal lending unit whose operations are considered to be systemically and politically critical. Dexia's other assets will be sold to limit the cost of the bailout, but preserving the financial crack dealer status is now hampering the entire economic structure going forward. They are trying to keep the cost of the bailout at a minimum.

Nonetheless, the vow by Nicolas Sarkozy and Angela Merkel to outline a plan this month to recapitalize European banks is revealing how bad Europe is becoming. Investors are hesitating to extend short-term funding to banks on rising concerns that they will be forced to write down their holdings of Greek and other European sovereign debt. What they fail to realize is the lack of a mark-to-market accounting as in the good old days. European governments are now facing tremendous pressure on their credit ratings as European economy continues to slow down and the cost of bailing out banks will only increase as time moved forward. Belgium, France and Luxembourg have announced they will provide a €90 billion-euro (\$123 billion) in a 10-year guarantee to cover Dexia's funding needs. The Belgian government is actually purchasing Dexia's national consumer lending unit for €4 billion euros while French state-owned banks are looking to take over the bank's French municipal lending unit. France is desperate to protect its AAA credit rating, but this is introducing additional problems about how to recapitalize European banks and keeping the AAA rating. Meanwhile, the accounting system is not being discussed.

Erste Press Release:

“Erste Group takes extraordinary charges with limited impact on core capital; substantially reduces euro zone peripheral exposure”

<http://www.erstegroup.com/en/Press/Press-Releases/Archive/2011/10102011;jsessionid=XRgBTTyYYfKw3QhGsk1V0vJyPhz1vSdKGCLpvHqpnwppht5gYsp!768502961>

The Austrian bank Erste, in its press release warned that losses in its Hungarian and Romanian investments would lead to €1.1 billion loss (14%), to its book value demonstrating the fallacy of the so called “**stress test**.” Erste has disclosed a major loss on its total of €5.2 billion in its CDS portfolio! This consists of €2.4 billion in cross-financial institution exposures, and €2.8 billion in sovereign debt exposures. Erste shows a €2.4bn exposure to **other** banks via writing of CDS. After what happened to AIG, you have to ask why are banks still writing this exposure? Dexia was regarded as one of the safest banks according to the EBA.

Hungary fell into the same trap that the Australian did. They borrowed in Swiss francs in the late 1980s and got killed. Hungarians have Swiss Franc-based mortgage exposure that has killed them especially when the Swiss was rising on a flight to quality. Some asked why did I say the Swiss did the right thing in fixing the Swiss to the Euro? In part, this was a serious issue that the higher the Swiss franc rose, the worse the problem in Hungary making it another meltdown. Of course, the Swiss tactic helped only temporarily for the free markets will break that peg anyway with time. Hungary is on its way toward collapse and not many people seem to pay much attention to the goings on over there. The collapse has been delayed in part because of the Swiss move and due to its lower overall public and private sector leverage.

Mark-to-market accounting was suspended during the crisis adopting the Japanese system. This quick fix to try to cover-up the true depth of the financial meltdown both in the USA and Europe, has created another time bomb waiting to go off perhaps next year. Erste has confirmed this time bomb in sovereign CDS portfolios that are not marked-to-market. Not only are these time bombs aided by the change in the accounting rules, but they are even off the radar! The EBA “**stress test**” data on Erste illustrated a **ZERO** sovereign CDS exposure. Where did this €2.8bn loss emerge from? Thanks to the new accounting rules to mask the problem and hope the system just grows out of it, this is like taking a dump and not flushing the toilet to just see what develops.

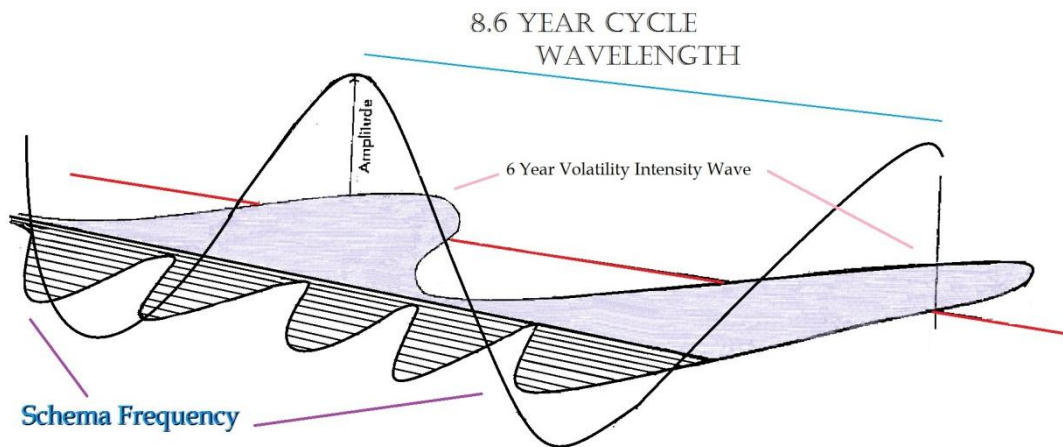
CONCLUSION

Politicians had better start waking up. This is the entire financial system they are fooling around with. For far too long, politicians have been masking reality to keep the game going. It is time to really sit down and do the right thing before this ALL just blows up in everyone’s face. It is time we start looking seriously at another Bretton Woods. We have to revise the world monetary system before it wipes out everyone’s future. This is just no longer politics as usual.



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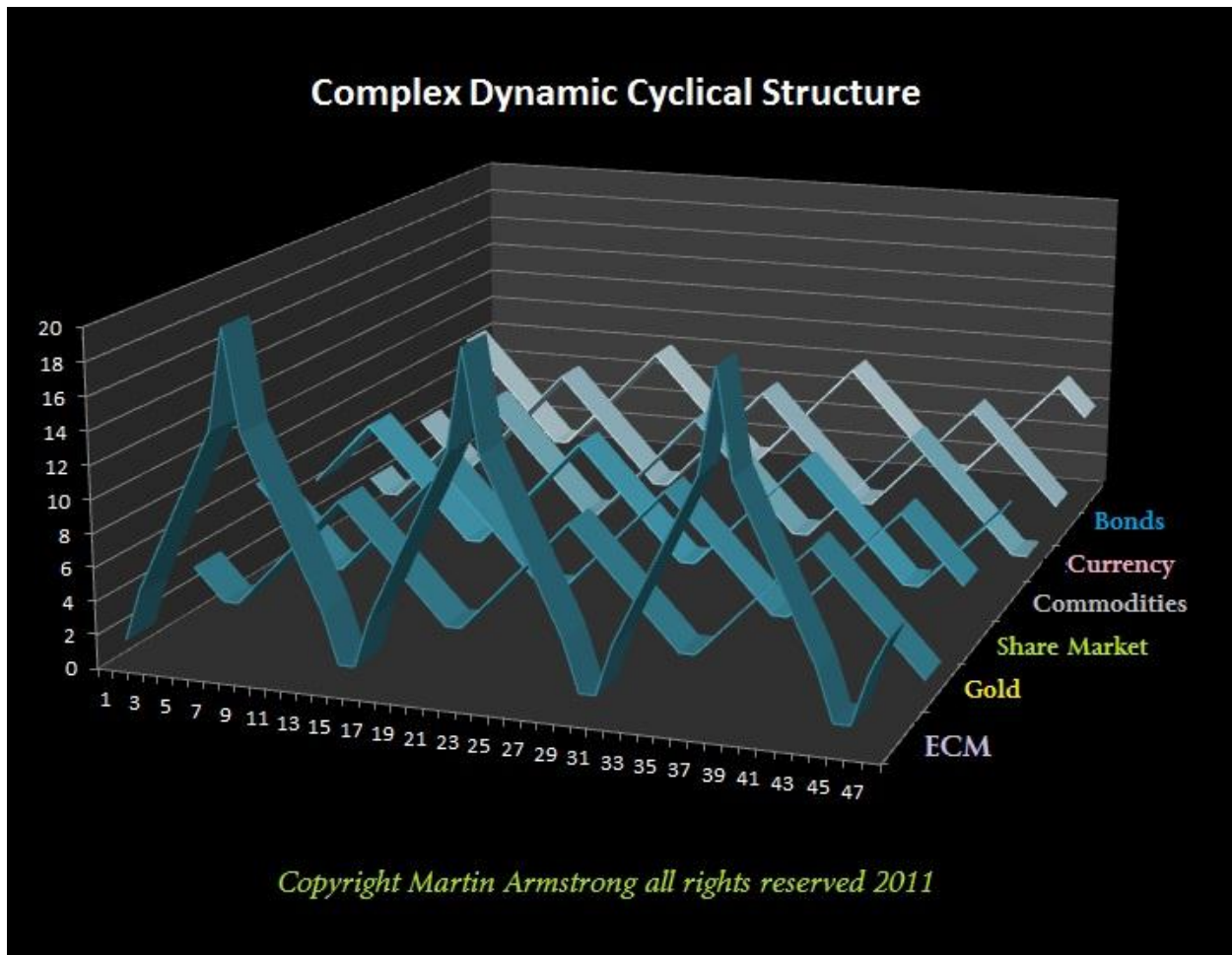
Economic Confidence Model Dynamic Structure



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THE CYCLICAL ANALYSIS

This **Analytical Conference** on December 3rd, 2011 is going to introduce you to a form of cyclical analysis that is substantially different than anything you may have read about. There is a dynamic structure that is clearly defined and illustrates the design of nature. For cyclical analysis is far more interesting than most even contemplate is possible. There is a hidden order by which all things function. It is the very essence of how all forms of energy are transmitted regardless of the medium through which it passes.



The stunning ability of the **Economic Confidence Model** to function targeting a specific day years in advance demonstrates that there is a far deeper hidden order by which all things function. What cyclical analysis is all about is being able to dissect the global economy so you can see the trends unfolding and avoid getting slaughtered. The Economic Confidence Model was discovered by studying PANICS rather than the business cycle. While most trends seek to find only Transverse Waves failing to even understand there are more complex wave structures and others have been obsessed with trying to measure each wave or explain why the wave takes place, these myopic views have curtailed investigations into the truly **Complex Dynamic Cyclical Structure**.

IFWELOOKATTIMECLOSELYWECANUNDERSTANDITSNATUREANDHOWTOUSEIT

If we run a sentence all together failing to delineate it into words, we cannot understand what we are looking at without close inspection. **Time** presents the same problem. By breaking the above sentence into words, we can suddenly see the structure, and comprehend its meaning: "***If we look at time closely we can understand its nature and how to use it.***" Just as we divide the letters into comprehensible words, we must do the same with **Time**. Once we learn that **Time** can be dissected into understandable segments, like words, an entirely new world will appear. We will look at cyclical structure like never before!