

>: Wake Up and Smell The Coffee

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UNCOMMON COMMON SENSE

For People Who Think

WAKE UP AND SMELL THE COFFEE

The excitement in the stock market these days is not whether the economy will rebound the later part of his year, but by how much. However, after looking at some of the compelling data being used over the past couple of weeks, it makes me scratch my head and wonder; will they ever learn? The preliminary figures being used are usually revised 3 to 6 times before they finally get it right. That's 6 to 9 months from today and only fools would rely on these kinds of numbers to make investment decisions. But then again, is that not what the banks, mutual funds, insurance companies, hedge funds, brokers and pension fund managers were doing for the last 3 years?

More importantly, the Natural Laws of Economics have not been suspended. Okay, but before all the booing, name calling and accusations that my views fall into the Perma-Bear camp starts, please open up your minds and allow me to explain. First of all, I called the March bottom to the day and even now that I am expecting as much as a 650 to 850 point sell-off, I am not suggesting going short except for experienced traders and short sellers. We are probably in the middle of that 1930 type correction in an ongoing secular Bear Market and since very few investors have the ability to turn on a dime, I am recommending that you build your cash position pending the best shorting opportunity of your life. Just like I have been cautioning you to; do not sell your Gold and to continue to buy on weakness for 7 years now, the Bull Market in Gold has at least another 8 years to run. This current Stock Bear Market Rally, after a correction, has about another 2 months to run. So keep the faith and keep your powder dry.

For starters, let me remind you that the 1930, 50% rally off of the 1929 stock market bottom convinced even the most ardent of Bears that a new Bull Market had started and that the economy would be rip roaring again. We now know that the recession turned in to a Depression that lasted another 16 years.. First Hoover and then FDR did then what Obama is doing now; Lowered interest rates down from 5% to 1%, spent tons of money on propping up failing companies, began huge construction projects and lest we forget, raised taxes. It didn't work then and it won't work now. But what it did then just as it is doing now is creating one of history's biggest suck-in rally. Except for me and I assume a few others who could not speak for fear of losing their jobs (I have no job to lose), not one government or prominent economist foresaw what was about to happen and even today, do not yet realize what is happening right now. Do you really want to trust them as to what will be happening tomorrow as they continue to focus their attention in the rear view mirror? Let's also remember that the official pronouncements of recessions beginning and ending come from the National Bureau of Economic Research, which uses a great deal of hindsight to make their calls.

Since the stock market is a forward looking vehicle and the NBER calls are backward-looking, waiting for the official word that the recession has ended isn't very helpful to investors. Let me remind you that as far back as November of 07 I was calling for Recession 2008 Depression 2009/10 and that the recession probably started in the 4th quarter of 2007. It took the NBER 10 months to confirm my assertions. So who are you going to believe now?

I hate being redundant but I have no other choice, especially in the face of the best propaganda machine since Goebbles. Please remember that "doing the same thing over and over again and expecting a different outcome is the height of insanity." If ultra low interest rates, easy subsidized credit and massive out of thin air money creation got us into this mess in the first place, please explain to me how doing more of the same, only at ten times the pace, will turn the situation around? The only thing I am not sure of is the exact timing, but the US Dollar will crash, interest rates will sky rocket to new all time highs and both the bond and stock market will crash. We are headed into what history will call the greatest Depression of them all. IS THER A WAY OUT? Tune in two weeks from now for a blueprint to salvation.

The Coming Oil Supply Shock

Because of the sharp drop in the demand for oil due to the worldwide recession, 35 OPEC oil projects have been put on hold. Oil companies, large and small, are cutting back on development all over the world. Projects in Angola, Nigeria, the Gulf of Mexico, deepwater Brazil, Canada, and Venezuela have all been postponed or cancelled. Upwards of 2 million barrels/day of new oil production supply have simply been shut down. These contractions on the way down, just like the overbuilding on the way up, always overshoot their optimum levels into either Booms or Busts and will once again lead to massive price increases long before the first signs of economic recovery become obvious. Even though the world recession is worsening and threatening to turn into a depression, the price of oil has already shot up from a low below \$40/bbl to over \$60, while no

one but oil traders were looking. Just as I was warning you on the way up that prices were overshooting, it probably has already done so on the down side as well. We are already approaching \$3/gal Gas so you can forget about sub \$2/gal for gas and thatâ€™s not even counting what Cap and Trade will add to energy costs.

The consequences of our current lack of an energy policy and the current recession run deep. Every day that goes by without an energy policy that makes sense and new oil production that doesn't come on line is one day closer to a catastrophe where demand far exceeds production. The clock is ticking...

It's not that the world is running out of oil, it's that with oil prices so low combined with our governmentâ€™s attitude towards carbon based energy companies, there's little incentive for oil companies to invest in increased production. What's worse, we've seen OPEC actively work to cut back on production.

THE ROAD TO HELL IS PAVED WITH GOOD INTENTIONS: Some might argue that President Obama's push for alternative sources of energy will cut into the demand for oil - Maybe in 20 to 30 years. But right now, there are no alternative energy sources that are anywhere near ready for widespread use that could possibly replace carbon based energy (oil & coal).

The US and world remain dependent on oil for the foreseeable future. The window for the US to start a massive drilling program to assure our energy INDEPENDENCE is closing rapidly. On the other hand, China is rushing headlong into securing all the oil reserves she can lock up for her future. And that includes Canadian reserves. Are China and Russia so much smarter than we are or did they already learn first hand about the failure of Socialism? Are we now just living in a Utopian Socialist dream world?

The stage is already being set for another Huge Spike in oil and gas prices. In fact the rise may have already started.

This recession/depression is giving thinking investors a tremendous opportunity to buy small, top-quality oil exploration companies at 2002 prices. The last time oil prices started running, big oil stocks posted triple digit gains, but they have not pulled back near as much as the juniors. The last time around, the small oil exploration stocks were the place to be. Just like the junior Gold were the place to pick up real bargains. I am no expert on oil and gas stocks, but I have been accumulating the high dividend paying energy trusts like ERF as well as KMP & NAT - check them out for yourself. I am also searching for some good junior oil and gas stock plays.

RECESSION OR DEPRESSION

Based on the evidence at hand as well as Elliott Wave and Dow Theory, I am still calling for a continuing Bear Market and for a continuation of the recession that will turn into depression by the fourth quarter of 2009 or the first quarter of 2010. The rally that began at the March low is a counter-trend affair. Nothing has occurred either cyclically or from a Dow Theory or Elliott Wave perspective to change my opinion. The talk of "green spouts" is simply â€œwishful thinkingâ€• talk of false hopes for an early spring. The Kondratieff winter season in the bond and stock markets and the economy is not over by a long shot and we all know what happens to "green spouts" when the reality of winter sets back in. Just like the Gold Market, it takes time to correct prior exuberances. A 75 year Bull Market and Economy CANNOT be corrected in less than one and a half years.

Both Junior Oil and Gold stocks remain dirt cheap today relative to every conceivable measuring stick. Their prospects are very bright! Junior resource stocks, not only because of current government policy, but also because just like the Gold stocks they were driven so extremely low during last years panic liquidation, have tremendous bullish prospects today. How many of you took my advice and accumulated my recommended juniors when they were being cast aside with the bath water. Even if commodity prices only remain stable, juniors should at least double from here. And with commodity prices highly likely to rise in the coming years, the embattled juniors should come into their own. Hedge funds and retail investors return is inevitable and when they do come back, they will again bid these stocks back up in to over priced bubbles.

THE REALIZATION OF THE BOND MARKET CRASH

We're not going to go from a 1% yield to a 15% yield in the T-Bill in one year, unless there is a geopolitical event that abruptly dethrones the U.S. Dollar. This is why I hold most of my cash in the form of Gold, since the yield on the T-Bill doesn't adequately compensate for the risk of this type of event. Additionally, banks and other financial institutions aren't trustworthy custodians of cash at this point in the financial cycle, as they are mostly all BANKRUPT. People, who don't understand that Gold is money, don't believe Gold will hold its value during a deflation. Yet it has already shown that it can and will during a brutal deflationary wave (i.e. the last 12 months as well as the Great Depression proves it!).

Governments cannot stop this cycle from playing out, but they will end up prolonging it by increasing public debt in the midst of a debt crisis.

Japan has been doing just that for almost 20 years now. Meanwhile, we in the United States are also now speeding blindly down this very same road. By ignoring the lessons of the past, we are doomed to repeat the exact same cycle of a prolonged economic Depression.

Buy Gold stocks. Perhaps not right now if one is a trader, because we may be near a short term temporary top, but I believe this summer will provide potential life-changing (in terms of finances) opportunities in the Gold mining sector. Those with a buy and hold mentality or those who are not yet invested in this sector should scale in and simply dollar cost average into the only decent bull market in town. Remember, Gold miners thrive during deflation (for those who haven't looked at how Gold mining stocks did during the last deflationary depression in the 1930s).

HISTORY LESSONS

The renowned Economist, Joseph Schumpeter, argued that "monetary measures do not allow policymakers to eliminate economic depression, only to delay it under penalty of more severity in the future". In a government manipulated market economy, economic depressions are painful but unavoidable. "Counter cyclical monetary measures to provide more money and credit to keep ill-timed investment on a high level in a depression are not creative destruction, but positive destruction, and such measures will ultimately be detrimental to the general welfare". This is exactly what I've been preaching to you all for the last few years and long before the current GM and Chrysler debacles.

The economics of monetarism are nothing more than a formula promulgated to save the financial sector and not the country, by using an elitist trickle down theory, which throughout history and as recent as the 1980s, had been proven to be unworkable. Bail out the rich on Wall Street, the bankers and insurance companies (the government's "Frat Buddies" and major financial contributors) and let the middle class, the poor and working poor fend for themselves. This is class economics. They then blame Free Market Capitalism, which helps turn the masses toward Socialism so that the politicians and their main supporters, the brokers and bankers, can grab (steal) more power and more money for themselves. The culprits who caused the problem are bailed out by the masses and the public is left to drown on their own. We are told the bankers and Wall Street must be saved or we'll have no economy. We call this the compassionate myth of saving the criminals.

NEW AND MORE REGULATION

This manmade disaster was created by the Federal Reserve, Banking Industry and Wall Street and this same corrupt group has been chosen by our government to rectify the problem. Their answer is to take the funds from the public to cover their losses, be it by inflation or taxes.

Have you not noticed that the only people that the government went after to recapture a measly \$185 million in bonuses were the working stiffs who truly earned their bonuses. The billions of dollars taken by their buddies are not even mentioned as trillions of dollars are used to prop up their companies, so as to preserve their billion dollar personal investments, so that they can continue to prosper, at least on a personal basis.

WE MUST BREAK THE UNHOLY ALLIANCE OF GOVERNMENT, BROKERS AND BANKERS. THE ONLY POSSIBLE WAY IS FOR THE PEOPLE TO RISE UP AND DEMAND TERM LIMITS OF ONE TERM AND ONE TERM ONLY.

SOCIAL SECURITY MEDICARE AND THE ECONOMY

It's been more than 70 years since we have seen unemployment drop as much or as fast as it has in the current recession. The volatility is breathtaking. "Normally, labor markets lag the economy because incremental spending transactions are financed by debt, stimulated by interest rate cuts. But as long as credit remains frozen, (why shouldn't it - who in their right mind wants to lend at today's interest rates) spending will require income, and income comes from jobs. Today, debt service payments can only be made out of income. Therefore, in a de-leveraging economy, job growth becomes an important leading indicator of demand. The so called bounce in the economy and stabilization in markets reflect government actions that may be big enough to impact near-term growth, but are of the one shot variety and not sufficiently directed at the root problem of excessive indebtedness to produce a permanent fix. The drop in employment will continue because companies' profit margins are so deeply damaged that a little bounce in growth won't do much to alter their need to cut costs. Obama's anti-business rhetoric, like Hoover's and Roosevelt's before him even infuriated Keynes, is certainly not helping. Continuing increases in unemployment will undermine demand and continue to pressure loan repayments, which will keep the pressure on the banks and the inevitable rising cost of capital will continue to inhibit credit expansion. This illustrates the problem of choosing which past period's performance to compare our current situation, in order to project future results. You have to look at the underlying conditions in order to get a real comparison, and we have not seen a de-leveraging recession in the US for 78 years.

Long term budgetary trends show that we are now on an unsustainable path that will result in massively higher taxes. By as early as 2010, we will have to fund Social Security out of general revenues as the surplus we now have will be gone. Trust funds? What trust funds - they are just a myth, there are none. Social Security makes Bernie Madoff look like a Wall Street Three Card Monte Piker.

Medicare is in far worse shape.

We now have \$1.8 trillion deficit that is in reality going to be at least \$2 trillion, with at least another \$2 trillion for a revised health-care program that will mean at least an additional \$2 trillion in deficits for as far as the eye can see. How will we pay for it? Even getting rid of the Bush tax cuts

will only produce a few hundred billion a year and I am not so sure about that either. Raising taxes has always been shown to actually reduce total revenue: But since when does the Left look at history or care about the truth?

It is a simple fact that you cannot increase the debt-to-GDP ratio without limit. We hit the wall on personal and corporate debt this past year. We pushed the limits until the system crashed. And now the US Government is basically doing the same thing. Are they planning to see where the limits on government debt-to-GDP will end up being? Unless cooler and more rational heads in government prevail, what is coming is not going to be pretty. Sometime in the middle of the next year, or two at the most, we will hit that wall, and it will make the current crisis pale in comparison. Is there even an emergency Game Plan? I think not.

The only way to solve the problem is to grow GDP more rapidly than debt and the only way for that to happen is through the use of FREE MARKET CAPITALIST policies. Unfortunately, right now we are barreling head first into a more and more Socialist agenda. Cap and Trade is hugely anti-growth as it is nothing more than a disguised Income Tax Increase. So are high corporate taxes, which Obama is proposing to effectively raise. Everybody knows that it is lowering taxes that creates growth -- don't they? Just think back what \$4.50/gal gas did to our spending on other products. Cap and Trade will push gas into the \$6/gal range. Then what?

PROTECTIONISM KILLS TRADE AND TURNS RECESSION INTO DEPRESSION

Border towns in Ontario, Canada have already effectively barred US contractors from doing business with them in retaliation for job losses stemming from US protectionism in the stimulus plan. That movement is spreading. A US steel mill with 600 union jobs will have to close down because its owners are not US-based, and thus it is not technically a US supplier. They are losing jobs to US-owned mills -- but those are US jobs. And the insanity goes on!

Reading the media's description of our financial crisis and how wonderful our brilliant leaders' expert management is, has reminded me of my university days when I used to read Pravda. Do we really want to emulate the failed USSR and Mao's China?

GOLD AND THE DOW, WHAT TO DO NOW?

There is a time and a place for everything and now is the time to just watch and wait and continue on with our strategy of the last two weeks of Buying into weakness. Both Gold and the Stock markets are overbought and are due for some correction in order to stay healthy. Even though the sell-off may be as much as 500 to 700 points it may not be and it is not wise to trade against the Major or Intermediate term trend. Keep your powder dry and wait for some fantastic opportunities that are fast approaching. Have some patience and stay tuned. I will send out a SPECIAL BULLETIN should any good opportunities present themselves.

Wake up call. Stop waiting for the news and then chasing the markets: It's time to start getting in ahead of the news by anticipating it. Stop buying into news induced rallies that are about to reverse and sell off after a day or two, and start learning how to anticipate those moves instead: By getting on board with the UNCOMMON COMMON SENSE winning team now:

GOOD LUCK AND GOD BLESS

I have spent my entire career studying history and reading between the lines trying to identify new major trends that will be developing in the markets and figuring out how to profit from them. These are trends that will be happening in the near future; trends that most analysts and investors notice only long after they have already been well established and we have made the majority of the easy money. In my newsletter, "UNCOMMON COMMON SENSE", once I uncover changes to the major trends, I then present specific, actionable recommendations that will help you profit even during the worst of times and before they become obvious to everyone else. The worst year since 1973-74 was our best year. The worst of time is a matter of perspective.

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