

THINGS THAT MAKE YOU GO *Hmmm...*

A walk around the fringes of finance



“Safe upon the solid rock the ugly houses stand:
Come and see my shining palace built upon the sand!”

– EDNA ST. VINCENT MILLAY

“Ah, this is obviously some strange
usage of the word ‘safe’ that I wasn’t
previously aware of”

– Douglas Adams

“Finally I understand - I think I know the meaning of
Quantitative Easing. What I no longer understand is the
meaning of the word ‘money’. That to me is the most
clarifying couple of sentences of the crisis”

– JIM GRANT, QUOTING A LETTER IN THE FT

“Is it safe?... Is it safe?”

But for a bailout of sorts, one of the most villainous performances in cinematic history would never have made it to the silver screen.

Producer Robert Evans was set upon getting Laurence Olivier to play the part of Dr. Christian Szell in the movie adaptation of William Goldman's book, *Marathon Man*. However, because Olivier at the time was riddled with cancer, he was uninsurable so Paramount refused to use him. In desperation, Evans called his friends Merle Oberon and David Niven to arrange a meeting with the House of Lords (the upper body of the UK's parliament). There, he urged them to put pressure on Lloyds of London to insure Britain's greatest living actor. The ploy succeeded and a frail Olivier started working on the film. In the end, not only did he net an Oscar nomination for Best Supporting Actor, but his cancer also went into remission. Olivier lived on for another 13 years.

[The iconic scene in *Marathon Man*](#) that, to this day has me squirming in my chair whenever I see it, involves Dr. Szell using particularly nasty dentistry techniques to torture poor Dustin Hoffman's character, 'Babe', in order to establish whether the security of the stash of diamonds Szell has hidden has been compromised. Babe, however, genuinely has no idea what Szell is talking about.

As Babe's fear mounts, he tries giving Szell any and every answer to avoid the pain he is clearly about to face. He tells him 'it' is safe. He tells him 'it' is in grave danger - anything he thinks Szell wants to hear - but, unfortunately, Babe's pain is inevitable and it is dispensed without compassion or humanity.

Such is the way of the world.

“You're talking to me?”

Yesterday, the pantomime in Europe continued apace as the first headline hit the tape:

ATHENS-SENIOR EUROZONE OFFICIALS AGREE IN PRINCIPLE ON NEW 3-YR ADJUSTMENT PLAN FOR GREECE-SOURCE -- Reuters

So, it appeared, 'it' WAS safe (the 'it' in this case being, of course, Greece). A new three-year plan had been tentatively agreed upon which would successfully kick the can down the road and avoid the pain of a default/restructuring/reprofiling/rejuvenation/revitalization (delete according to taste).

According to Reuters:

Senior euro zone officials have agreed in principle on a new three-year adjustment program for Greece to run until mid-2014 and involve increased external funding, a source close to the negotiations said on Thursday.

The Economic and Financial Committee (EFC) of deputy ministers and senior officials of the 17-nation currency zone approved the Greek program in principle in talks in Vienna that ended after midnight, the source said.

The second program for Greece, which will effectively supersede the 110 billion euro (\$160 billion) bailout agreed in May 2010, will involve some participation of private sector investors but limited to avoid triggering a credit event, the source said.

Details of that involvement, and the apportionment of the additional official international funding, remain to be worked out in time for a June 20 meeting of euro zone finance ministers, the source

said.

He declined to comment on figures but said the program would cover Greece's funding needs on the assumption that it could not return to private capital markets in 2011 or 2012. The original bailout envisaged Athens raising 27 billion euros on the markets next year and 38 billion in 2012.

The Euro leapt on the wonderful news that the tax payers of the world's greatest flawed experiment would be on the hook for tens of billions more while the banks which were most exposed to the potential ramifications of a Greek default/restructuring/reprofiling/rejuvenation/revitalization (delete according to taste) would once again be spared any further pain.

“Is it safe?”

Of course, as things stand, the ECB has now succumbed to Stockholm Syndrome as it has managed to fill its coffers to bursting point with Greek bonds pledged as collateral by those same banks, increasing the vested interest it has in prolonging the game with every tap on its window.

But wait. What's this? A short while later, another headline lit up the wires:

EU COMMISSION DENIES AGREEMENT ON NEW GREEK AID PLAN – Bloomberg

So, the new, new bailout hadn't been agreed after all it would seem. The Euro dived as the follow-on headlines rolled by:

**DJ Greece Agrees To Quicker Privatization Efforts –Reuters*

**DJ Greece Agrees To Deeper Austerity Measures –Reuters*

What was needed were some calming words from someone on whom the public could count to not only tell the truth, but to be reassuringly correct in his assertions.

If only such a man were..... hold on. Up there, in the sky. Is it a bird? Is it a plane? No.... it's even better than that. It's the CEO of a major Wall Street investment bank:

**DIMON SAYS GREECE DEBT CRISIS WILL NOT 'TAKE DOWN' EUROPE*

(cue rejoicing, a renewed surge in the Euro and the kind of back-slapping, high-fiving scenes normally reserved for the moments when Bruce Willis, Morgan Freeman or Tom Cruise - or any combination of the three - have saved Earth from extra-terrestrial peril).

“Is what safe?”

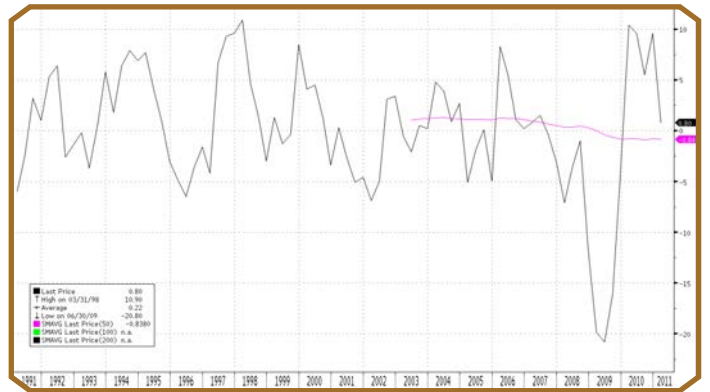
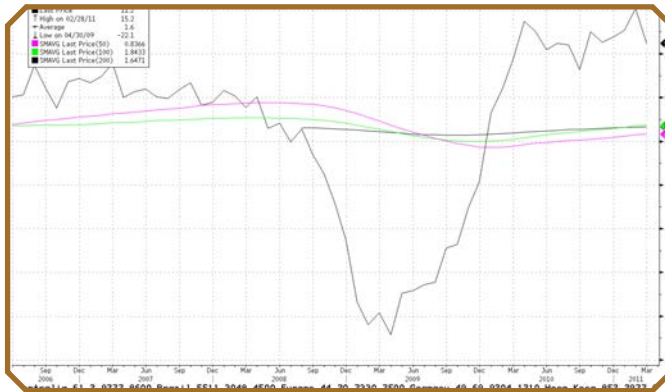
But the thing is, it's not about Greece anymore – and it hasn't been for a while now if we're honest. All the huffing and puffing that has surrounded the 'Rumble in the Crumble' is basically irrelevant. Greece will default. It's just a matter of whether it will default sooner or later. It's a matter of whether the powers-that-be are able to kick the can sufficiently far down the road to ensure the long-promised recovery has kicked into high gear when the default is finally allowed to take place.

Curiously enough, the genesis of the word 'crisis' is the Greek word 'krisis' which is the name for the turning point in a disease and here we are, desperately looking for the turning point in the financial disease that nobody saw coming and desperately looking towards Greece for the first signs of any change in the collective fortunes of the world.

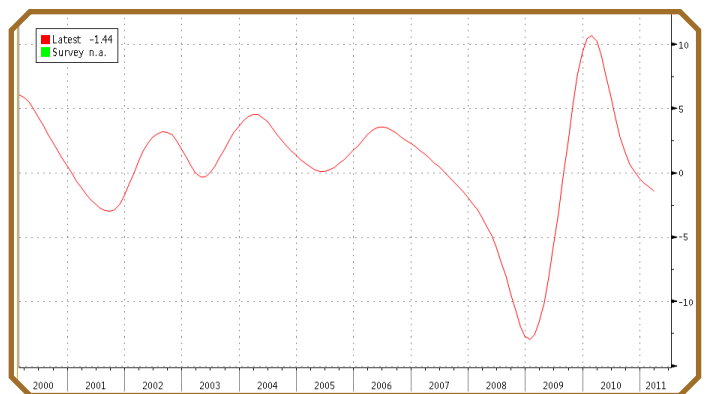
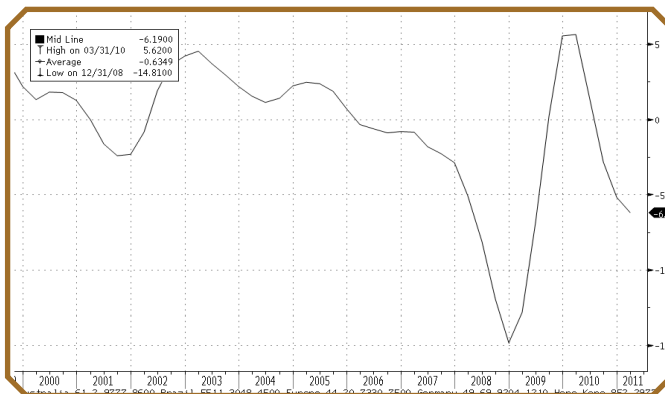
So let's take a look at how that recovery's coming along, shall we?

“Is it safe?”

We'll kick off with the might of German and Italian Industrial Production?



No good? OK, how about Spanish and Euro Area Leading indicators?



SOURCE: BLOOMBERG

Still nothing. It would appear that the architects of the European Dream are going to need a longer road down which to kick their can.

“I don't know what you mean. I can't tell you something's safe or not, unless I know specifically what you're talking about.”

The big question, however, is the Euro itself. Is THAT safe? Well according to Roger Bootle it's about as safe as an illegal substance left alone in an empty room with Charlie Sheen (allegedly):

The fact that the political elite ploughed on with the euro project was the result of profound arrogance. Where possible, electorates would be denied the chance to say whether they approved of the euro and other aspects of integration. Where they had to have their say, they would be compelled to go on voting until they said “yes”. The current crisis has the same roots. The project's difficult economics would be overcome by the politics. The Brussels establishment would ensure that everything turned out all right.

But it hasn't. Now the economics threaten to overwhelm the politics. Greece's sovereign indebtedness is so high that it is impossible to see how it can honour its debts without outside help (ie. gifts). And the economy will go on contracting for years. There will have to be "an event". The only issues are when this will happen; who will pick up the tab; and what it will be called...even though the markets cannot cause the euro to break up by exchange rate pressure, they can cause an internal financial crisis worse than any currency panic. The prospect, or the reality, of such a crisis could yet cause some European leaders to precipitate the end of the euro as we know it.

But this is hardly news. A year ago, when the problems now besetting Greece were just beginning to gather steam, Newsweek took a look at the fundamental problems that lurked beneath the surface of a monetarily-unified Europe:

The design of the EMU illustrates a profoundly important truth about human institutions. Just because you don't create a formal procedure for something you would rather didn't happen, that doesn't mean it won't happen. This was one of the reasons Britain decided not to join the single currency. A confidential Bank of England paper circulated in 1998 speculated about what would happen if a country—referred to only as "Country I"—ran much larger deficits than were allowed. The result, the bank warned, would be a colossal mess.

Why? Because the new European Central Bank (ECB) was prohibited from bailing out a country with such an excess deficit by lending money directly to the government. Yet, at the same time, there was no mechanism for Country I to exit the monetary union.

Against the backdrop of the inevitable Greek default, which would lead to Greece's inevitable exit from the Euro the game continues apace with the future of the Euro officially assured by the European great and good but no real official clarity around Greece's immediate path...

"Is it safe?"

Late on Friday, however, the news once again improved as the EU and the IMF appeared to get their act together:

A joint statement from the European Union (EU), the International Monetary Fund (IMF) and European Central Bank (ECB) said their inspectors has found Greece had made "significant progress" in financial reform.

'Significant progress in financial reform'? Now, admittedly, where Greece is concerned, simply choosing NOT to blatantly lie about the sheer level of your debts equates to 'significant progress in financial reform' but we'll let that slide for now and see what this reform will earn the Greeks:

The €12bn next tranche is due to be paid on June 29, though the troika said the funds would "most likely" be available in "early July."

The international authorities said that Greece had agreed to "significantly accelerate" its asset sale programme. A new privatisation agency will be set up to handle €50bn of sales by 2015. It will be "professionally and independently managed", the troika said.

The statement said the Greek government has also agreed to "push ahead" with structural changes including overhauling its healthcare sector and labour market as well as removing the barriers to business.

To "make sure the reform frameworks are effective as soon as possible" the troika said they will provide "technical assistance" to the Greeks.

“Tell me what the “it” refers to.”

Interestingly enough, the reassurances doled out this time by the EMU, the IMF and the ECB contained such hearteningly confident phrases as “most likely” and “early July”. Nothing like making a definitive statement when looking to dispel any fears, now, is there?

“Is it safe?”

So we find ourselves back to square one. Greece remains front and centre for the time being but nobody charged with steering the good ship Europe safely through the choppy waters in which it finds itself can actually say or do anything definitive to provide clarity around the situation. That is precisely because the only definitive statement that can be made is this:

Greece is insolvent. It cannot pay its debts, it shouldn't remain in the Euro and it should default immediately.

But the chances of that statement being uttered by anybody in power are, for the time being at least, about as slim as those of Anthony Weiner answering a simple ‘yes’ or ‘no’ question with a simple ‘yes’ or ‘no’.

“Yes, it's safe, it's very safe, it's so safe you wouldn't believe it.”

In fact, instead of the above, definitive statement from the heads of the EU, IMF, ECB etc. what we are ACTUALLY hearing is not only quite the reverse, but also alarmingly familiar:

EU, IMF: 'AMBITIOUS' MID-TERM PLAN, WILL MEET 2011-2015 TARGETS

EU, IMF: OVERALL ASSESSMENT GREEK PROGRAM 'SIGNIFICANT PROGRESS

EU, IMF: GREEK ECONOMY TO STABILISE AT TURN OF YEAR

...Juncker, meanwhile, said eurozone nations were likely to agree fresh aid for Greece, but “under strict conditionality.”

“This conditionality includes private sector involvement on a voluntary basis, and this private sector involvement will have to be negotiated with private creditors.”

He added: “On that basis, it's obvious there will not be an exit of Greece from the euro area, there will be no default and Greece will be able to fully honor its obligations.”

Ah... Jean-Claude Juncker, the PM of Luxembourg and chairman of the Eurogroup who said last month “When it becomes serious, you have to lie”. It's good to have such reassurances about what's obvious from such a credible public figure.

“Is it safe?”

Well, perhaps we should leave the final word to the good citizens of Greece themselves:

(PRESSTV): Greek protesters have taken over the finance ministry building in Athens as the country agreed with its European partners to introduce new austerity measures in return for a new bailout package.

Protesters belonging to the left-wing The All-Workers Militant Front (PAME) union unfolded a giant banner from the roof of the finance ministry building on the central Syntagma square, calling for a nationwide strike against the new austerity measures that the government agreed to take in return for the new bailout package...

(IRISH TIMES): Ten days into their demonstration at the incoming wave of austerity, hundreds of protesters inspired by the "Indignant" movement in Spain are still camped out in Syntagma Square in front of the parliament. Thousands turned up every night this week to noisily declare their contempt for the country's dire situation.

Their message is blunt. "Greece is not for sale – our politicians are," proclaimed a placard. This refers to the sense of anger that many Greeks say they feel at the perceived failings of an entire political class. It doesn't stop there.

There is increasing despair at the relentless seepage of sovereignty to the country's international sponsors.

Another mega-protest is expected tomorrow, adding potency to broad-based movement in which overt support for any single organisation is not allowed.

Not to be outdone, the dominant public and private sector unions plan a national strike on June 15th.

"No. It's not safe, it's... very dangerous, be careful."

And so, we come to the content of today's Things That Make You Go Hmmm..... which, understandably, is very focused on the goings on in Europe.

We hear M. Trichet's plans for a European Finance Ministry which he seems certain will cure what ails the fledgling Republic, Michael Hudson looks at the emerging class war erupting inside the EU and Gonzalo Lira explains the curious phenomenon of Europhrenia.

In precious metals news, John Embry of Sprott Asset has some pointed remarks about the current movements in the silver pits, we revisit an article written by Ted Butler in 2006 to see what a COMEX default could look like and a simplistic letter to the Economist fires up Bullionvault's Paul Tustain.

The German nuclear industry and the Argentinian food industry come under the microscope, we see how China's Treasury Bill holdings have fallen 97%, Charles Hugh-Smith picks up on the subject of the last edition of this publication as he picks apart the news cycle and we get a sneak preview of what QE3 MIGHT look like courtesy of the British banking sector and their massive gilt purchases (or should that be 'guilt purchases'?)

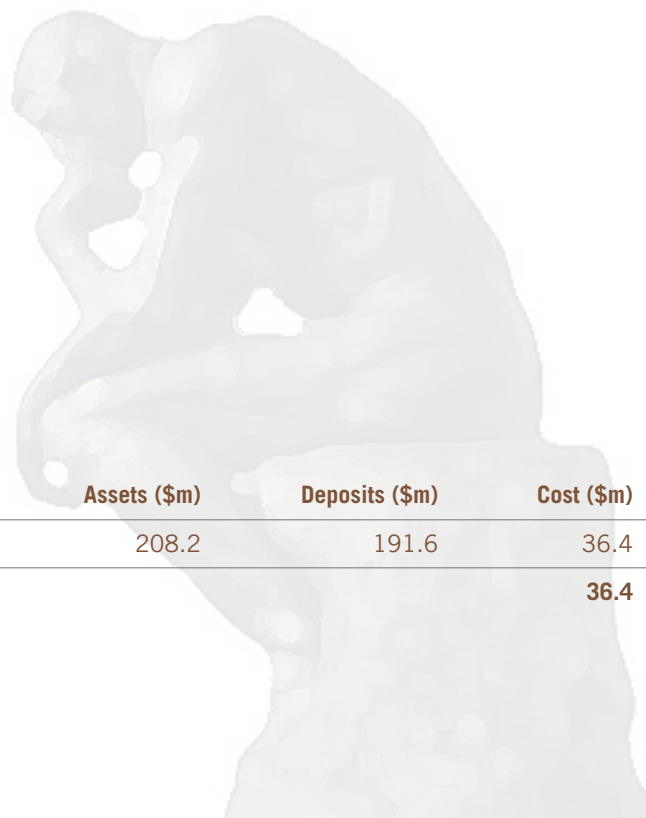
Finally, we look at some fascinating charts including some month-end shenanigans in Glencore, a global debt clock, the wisdom of James Grant, and an EXTREMELY bullish (some would say comically so) CNBC segment featuring James Altucher before ending with a bang and the great DSK/Fort Knox/Russian Secret Police conspiracy story that circulated this week.

Is it safe? You know, I really don't think it is.

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The Ginnie, Ginnie Banks

#	Bank	Assets (\$m)	Deposits (\$m)	Cost (\$m)
45	Atlantic Bank & Trust, Charleston, SC	208.2	191.6	36.4
Total Cost to FDIC Deposit Insurance Fund				36.4

The boss of the European Central Bank (ECB) said that “strengthening the institutions of economic union” was vital to Europe’s future success, in a radical speech that is likely to alarm the UK Government. David Cameron has pledged to halt the creep of European powers.

Mr Trichet, who was speaking after being awarded the annual Charlemagne prize for services to European unity, said that the European Union (EU) needed tougher tools – including the ability to veto national economic decisions – to deal with imprudent member states.

He criticised the system whereby countries are effectively able to ignore EU fiscal austerity measures, “even if this attitude triggers major difficulties for other member countries”. In his vision “it would be not only possible, but in some cases compulsory, for the European authorities... to take themselves decisions applicable in the economy concerned.”

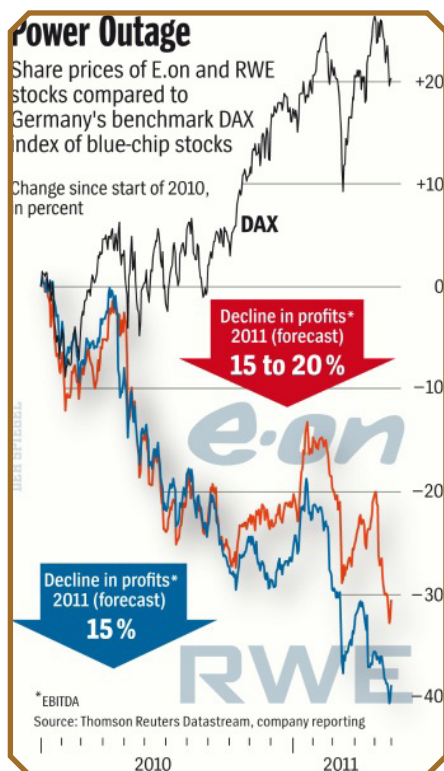
He added that the authorities could have “the right to veto some national economic policy decisions. The remit could include in particular major fiscal spending items and elements essential for the country’s competitiveness.”

During his speech, Mr Trichet did not distinguish between the 17-member eurozone and the 27-member EU. So far, the UK has kept a distance from the discussions on the European debt crises.

However, experts warned that any developments would affect the UK. Stephen Booth of Open Europe said: “Greater fiscal union in the eurozone would have a big impact on the UK – if decisions on competition or specific sectors were made in Europe, it would affect us.”

Speaking in German and French, Mr Trichet only delivered one line in English – the admission that his changes “naturally demand a change of the [EU] treaty” – perhaps a nod at the UK Government’s reluctance to integrate.

*** UK DAILY TELEGRAPH / [LINK](#)



[CLICK TO ENLARGE](#)

SOURCE: DER SPIEGEL

The Japanese nuclear disaster at Fukushima and the subsequent debate about nuclear safety have plunged Germany’s energy industry -- in particular the country’s four biggest utilities, RWE, E.on, EnBW and Vattenfall -- into a hitherto unimaginable crisis.

Profits now look set to plummet. According to internal company estimates, after-tax earnings could fall by up to 30 percent this year alone. That’s partly because customers are fleeing in droves to the big four’s environmentally friendly rivals, such as Lichtblick and Naturstrom, companies that offer electricity free of nuclear or coal sources. The share prices of electricity companies have been on the decline for months. As a result, the stock exchange darlings of yesterday may now be the takeover candidates of tomorrow.

As if to add insult to injury, the German government this week announced it would permanently reverse its plans to extend the lifespans of nuclear power plants in the country. A post-Fukushima “moratorium” had already taken the seven oldest of Germany’s 17 nuclear power plants off the grid. They will now stay permanently offline, as will another plant that was already out of operation following an accident in 2009. Under the plan agreed by Merkel’s Christian Democrats (CDU) and the business-friendly Free Democrats (FDP) on Sunday, Germany’s remaining nuclear plants will also be shut down be-

tween 2021 and 2022.

The government has handed a small olive branch to nuclear energy producers by allowing them to transfer their allotted energy production from the plants that are currently offline to newer ones that will continue to operate until 2022. But the utilities had also hoped that the government would scrap the nuclear fuel tax it had introduced as part of an austerity package passed last year. The tax is intended to generate around €2.3 billion a year through 2016 for the government to help pay off its public debt. With the current closure of the eight plants, that sum is already expected to drop to around €1.3 billion annually, but it is a sum the Finance Ministry has refused to do without.

Berlin's nuclear exit strategy spells doom for the utilities. Atomic energy expert Wolfgang Pfaffenberger from Jacobs University in Bremen estimates that the eight plants that are being shut down this year generate annual profits of over €1.5 billion and revenues of at least €3 billion. All of Germany's 17 nuclear plants together generate around €4 billion in profits and €7.5 billion in turnover -- all revenues that will disappear by 2022 at the latest.

In addition, nuclear energy produces few carbon emissions. With an increasing reliance on fossil fuel sources until renewable energy sources can be expanded, the number of certificates the companies are required to purchase for the right to emit CO2 could rise dramatically. Today the companies obtain approximately 70 percent of those certificates for free. Energy researcher Uwe Leprich at the University of Applied Sciences in Saarbrücken, Germany, has calculated that the German coal industry will have to pay around €4.2 billion a year starting in 2013 for emissions certificates. A large part of that will be borne by the four main energy companies.

☆☆☆ DER SPIEGEL / [LINK](#)

The Mainstream Media has completely failed to make sense of the global financial crisis. By "make sense" I mean a framework of interpretation that properly attributes responsibility to the causes and players and which explains the key dynamics in common language.

A framework of interpretation doesn't disappear in the next news cycle: it is constantly reinforced by additional interpretation and illumination.

... It is a tale told by an idiot, full of sound and fury, signifying nothing. Every "news event" is terribly important, until a few hours later it is unimportant.

The news cycle now lasts at best the length of a playoff series. Mr. bin Laden's news cycle didn't even last as long as an NBA playoff; the demise of the "most dangerous man in the world" was shoved into the ashbin of history within a few days, with little interpretation beyond fist-pumping and a few fusty pontifications by the usual suspects, i.e. the "experts" trotted out during "big events" to explain it all away.

The full quote from Macbeth (Act V, Scene V): It is a tale told by an idiot, full of sound and fury, signifying nothing. Every "news event" is terribly important, until a few hours later it is unimportant.

This is a form of madness, a madness which goes unrecognized in the crazed, turbulent flood of "news."

To be sure, a handful of people within the Mainstream Media (which now includes the Web aggregators such as HuffPo/AOL) do labor away at an honest account, but these reports are either buried beneath an avalanche of dross or they are touted (briefly, of course), as the Media's Potemkin Village: you see, we really are doing good journalism here.

The ugly truth is the Mainstream Media now depends on adverts aimed at the top 10% of the populace for its survival. It's all well and good to talk about journalism, blah blah blah, but I've got a kid in private school and a mortgage, and the last thing this "news organization" needs is to undermine the advertisers by calling the entire Status Quo into question.

Simply put, the top 10% of households are the ones paying the media's bills. Their consumption of goodies accounts for 40% of the entire U.S. economy, and so advertising rather naturally skews to serve their desires and aspirations.

The debt-serfs and tax donkeys below (I raise my hand here) may have aspirations to the lux life, but with the home ATM shut down, costs for essentials floating ever higher and earnings in decline, their discretionary income approximates a shovel full of snow dumped on Death Valley asphalt in July.

Local television stations limp along until a new election cycle disgorges a wave of pricey electioneering. Elections are an essential "profit center" for TV. Do you reckon that colors their coverage of the travesty of a mockery of a sham that is American politics? Of course it does: the Media is itself dependent on the charade being treated as "terribly important" when it is all just a money-driven tale told by idiots, full of sound and fury, signifying nothing.

The essential framework of interpretation that is missing from the Mainstream Media is that the Status Quo is unsustainable and profound changes cannot be avoided. But rather than assemble a framework which might help us understand our limited palette of hard choices, the Media distracts us with a frenzy of gossip, brightly packaged "news" that looks just like marketing and circus-like "thrills and spills" to entertain us between the "clash of gladiators."

A handful of commentators understand this, and a few of those are occasionally given a bit of space amid the cacophany, again, to burnish the Potemkin Village image of the media as "responsible" and "providing a wide range of voices," blah blah blah.

*** CHARLES HUGH-SMITH / [LINK](#)

According to the dictionary, schizophrenia is "a long-term mental disorder of a type involving a breakdown in the relation between thought, emotion, and behavior, leading to faulty perception, inappropriate actions and feelings, withdrawal from reality and personal relationships into fantasy and delusion, and a sense of mental fragmentation."

In Europe, they're having the same thing—only writ large: It's not that the political/financial leadership of Europe is at odds with the people—it's that they're two minds locked in a single body, struggling for control.

In the one hemisphere of this divided brain, the political/financial leadership is convinced the European union is something devoutly to be wished—no matter what the costs, no matter what fortune and the people throw up in opposition.

In the other hemisphere of the europhrenic brain, the people of Europe overwhelmingly do not want integration "at all costs". In some parts (a lot of parts) of Europe, they don't want integration at all.

... **The people of Europe never wanted total European integration, not even in the best of times—whereas the European leadership adamantly insisted upon it.**

Now, like a lot of schizophrenics, europhrenia has been latent over the past dozen years—since the 1999 monetary union, as a matter of fact—because everything's been going great guns.

This is natural—and completely predictable: You ever see a schizophrenic have a break-down when he's happy, high, and just got laid?

No you do not—he only has his little “episode” when he’s stressed.

Same with europhrenia: Everything was copacetic between 1999 and 2008—though there were signs of the disease. In fact, lots of unmistakable signs of europhrenia:

- *No country ever voted for monetary union—ever. European monetary integration only ever happened by either government diktat or the legislature overriding the will of the people.*
- *Switzerland is not a eurozone member because, although the political leadership rather desperately wanted in on the union, legally the only way to do such a monetary union is through a Swiss-wide referendum—and the Swiss political leadership knew that they would lose any such referendum.*
- *In the nations where the European Constitution was put to a vote in 2005—Spain, France, Holland, Luxembourg—the results were so embarrassing that the other countries retreated on a referendum. In Spain, the Yes vote won—but in the lowest voter turn-out in Spain ever—while in France and Holland, the Constitution lost by resounding margins. And this was back in 2005, when everything was booming. In the end, rather than face the electorate, the European Constitution was superceded by the Treaty of Lisbon—a work-around that short-circuited the democratic process, and got the European leadership what it wanted.*

These examples are to emphasize one and the same thing:

The people of Europe never wanted total European integration, not even in the best of times—whereas the European leadership adamantly insisted upon it.

★ ★ ★ GONZALO LIRA / [LINK](#)

When asked about the current state of affairs, [Sprott Asset Management Strategist John] Embry had this to say:

“My honest opinion is that we have gone so far down the road that there is only two outcomes now. You can continue QE to infinity as Jim Sinclair says, and that will lead to some form of hyperinflation or you can sort of go cold turkey and that will lead to a depression that will make the ’30’s look like a picnic. When you think about it, that is an awful set of choices.”

Embry continues:

“If they (the US) really cut back entitlements, 18.7% of personal income is coming from entitlements now. So let’s say you cut it back, well that’s great, all the people wouldn’t have any money to spend and that would put a dent in the economy. Tax revenues would fall even further, so how does that solve anything?”

That’s the sort of stuff that leads to revolutions, and if you disadvantage enough people and they look around and see all the banksters with all of the dough, somebody is going to wake up some day and say, ‘Hey, let’s get those guys.’

The easy thing to do is stick your head in the sand, but if you’ve got assets to protect you have to understand this stuff or you’re going to get killed. This is going to be the biggest transfer of wealth in the history of mankind. This is going to be a seismic event. I think the action of these guys (policy makers), the way they are conducting themselves right now suggests to me that they are on the edge of panic.”

When asked about the recent downdraft in the metals Embry stated:

"I think it just smacks of desperation. There is no reason silver should drop over a dollar in the access market on Wednesday, I mean that's just JP Morgan trying to protect their ass as far as I'm concerned.

So this will run its course, and I noticed Turk said in his (KWN) blog that it could get down to \$35 and I have no problem with that, I mean it's just all noise here. It (silver) is just rebuilding its base for the next move, and the next move I think is going to be huge in both silver and gold. I think silver will easily take out \$50 and gold will probably hit Sinclair's long awaited \$1,650 and go right through it like a hot knife through butter."

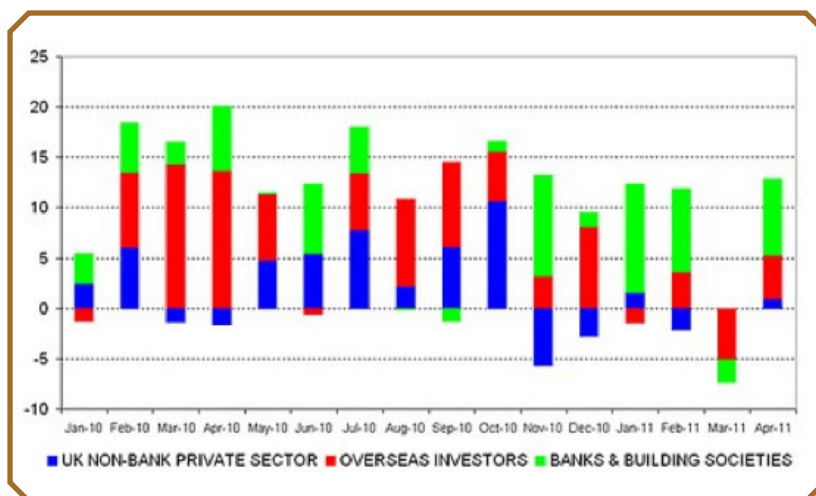
When asked if this could be a big summer for gold and silver Embry replied:

"Without question. One of the reasons I think so, aside from the obvious fundamentals which are screaming that people should be buying gold and silver, the other aspect is the remarkably negative sentiment. It's shocking actually, considering what's going on..."

*** KING WORLD NEW BLOG / [LINK](#)

UK Banks bought 91pc of the £39.8bn of net issuance of new gilts with purchases totalling £36.1bn, compared to the £11.4bn of UK debt bought in the preceding six months.

The scale of the buying of UK Government debt was revealed in figures published on Wednesday by the Bank of England, which show the increased dependency of the gilt market purchases by the country's major banks.



SOURCE: UK DAILY TELEGRAPH

Simon Ward, chief economist at Henderson Global Investors, said the actions of the banks was in effect delivering a second round of quantitative easing for the economy.

"The government has been able to continue to fund the large budget deficit at low interest rates in recent months because banks and building societies have stepped up gilt purchases. For the moment, bank are effectively delivering the QE2 stimulus sought by MPC [Monetary Policy Committee] arch-dove Adam Posen," said Mr Ward.

Mr Posen has made frequent calls for the UK to embark on a new round of stimulus for

the economy and said last month that the injection of £50bn would help the recovery.

The increase in UK bank purchases of gilts has offset the fall in demand among overseas investors.

In the six months to the end of October foreign buyers bought £33.5bn of gilts, however over the half year to the end of April this more than halved to £12.4bn.

Mr Ward said the drop in demand among overseas buyers was likely due to reduced capital flight from the Eurozone's struggling peripheral economies, where UK government debt had been seen as a safer investment against holdings in their own sovereign's debt.

UK banks have traditionally been the largest buyers of gilts because of their need to match their large sterling liabilities with sterling assets.

However, the recent increase in their purchases is likely to have been partly due to increased regulatory pressure to maintain greater holdings of liquid assets.

*** UK DAILY TELEGRAPH / [LINK](#)

Finance is a form of warfare. Like military conquest, its aim is to gain control of land, public infrastructure, and to impose tribute. This involves dictating laws to its subjects, and concentrating social as well as economic planning in centralized hands. This is what now is being done by financial means, without the cost to the aggressor of fielding an army. But the economies under attack may be devastated as deeply by financial stringency as by military attack when it comes to demographic shrinkage, shortened life spans, emigration and capital flight.

This attack is being mounted not by nation states as such, but by a cosmopolitan financial class. Finance always has been cosmopolitan more than nationalistic – and always has sought to impose its priorities and lawmaking power over those of parliamentary democracies.

Like any monopoly or vested interest, the financial strategy seeks to block government power to regulate or tax it. From the financial vantage point, the ideal function of government is to enhance and protect finance capital and “the miracle of compound interest” that keeps fortunes multiplying exponentially, faster than the economy can grow, until they eat into the economic substance and do

to the economy what predatory creditors and rentiers did to the Roman Empire.

... Within Europe, financial power is concentrated in Germany, France and the Netherlands. It is their banks that held most of the bonds of the Greek government now being called on to impose austerity, and of the Irish banks that already have been bailed out by Irish taxpayers.

This financial dynamic is what threatens to break up Europe today. But the financial class has gained sufficient power to turn the ideological tables and insist that what threatens European unity is national populations acting to resist the cosmopolitan claims of finance capital to impose austerity on labor. Debts that already have become unpayable are to be taken onto the public balance sheet – without a military struggle, needless to say. At least such bloodshed is now in the past. From the vantage point of the Irish and Greek populations (perhaps soon to be joined by those of Portugal and

Spain), national parliamentary governments are to be mobilized to impose the terms of national surrender to financial planners. One almost can say that the ideal is to reduce parliaments to local puppet regimes serving the cosmopolitan financial class by using debt leverage to carve up what is left of the public domain that used to be called “the commons.” As such, we now are entering a post-medieval world of enclosures – an Enclosure Movement driven by financial law that overrides public and common law, against the common good.

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On Thursday, June 2, 2011, ECB President Jean-Claude Trichet spelled out the blueprint for how to establish financial oligarchy over all of Europe. Appropriately, he announced his plan upon receiving the Charlemagne prize at Aachen, Germany – symbolically expressing how Europe was to be unified not on the grounds of economic peace as dreamed of by the architects of the Common Market in the 1950s, but on diametrically opposite oligarchic grounds.

At the outset of his speech[5] on “Building Europe, building institutions,” Mr. Trichet appropriately credited the European Council led by Mr. Van Rompuy for giving direction and momentum from the highest level, and the Eurogroup of finance ministers led by Mr. Juncker. Mr. Trichet’s speech refers to “the ‘trialogue’ between the Parliament, the Commission and the Council.”

Europe’s task, he explained, was to follow Erasmus in bringing Europe beyond its traditional “strict concept of nationhood.” The debt problem called for new “monetary policy measures – we call them ‘non standard’ decisions, strictly separated from the ‘standard’ decisions, and aimed at restoring a better transmission of our monetary policy in these abnormal market conditions.” The problem at hand is to make these conditions a new normalcy – that of paying debts, and re-defining solvency to reflect a nation’s ability to pay by selling off its public domain.

★ ★ ★ MICHAEL HUDSON / LINK

China has dropped 97 percent of its holdings in U.S. Treasury bills, decreasing its ownership of the short-term U.S. government securities from a peak of \$210.4 billion in May 2009 to \$5.69 billion in March 2011, the most recent month reported by the U.S. Treasury.

Treasury bills are securities that mature in one year or less that are sold by the U.S. Treasury Department to fund the nation’s debt.

Mainland Chinese holdings of U.S. Treasury bills are reported in column 9 of the Treasury report linked here.

... **China’s ownership of the U.S. national debt has decreased in each of the last five months on record, including November, December, January, February and March**

Until October, the Chinese were generally making up for their decreasing holdings in Treasury bills by increasing their holdings of longer-term U.S. Treasury securities. Thus, until October, China’s overall holdings of U.S. debt continued to increase.

Since October, however, China has also started to divest from longer-term U.S. Treasury securities. Thus, as reported by the Treasury Department, China’s ownership of the U.S. national debt has decreased in each of the last five months on record, including November, December, January, February and March.

Prior to the fall of 2008, according to Treasury Department data, Chinese ownership of short-term Treasury bills was modest, standing at only \$19.8 billion in August of that year. But when President George W. Bush signed legislation to authorize a \$700-billion bailout of the U.S. financial industry in October 2008 and President Barack Obama signed a \$787-billion economic stimulus law in February 2009, Chinese ownership of short-term U.S. Treasury bills skyrocketed.

By December 2008, China owned \$165.2 billion in U.S. Treasury bills, according to the Treasury Department. By March 2009, Chinese Treasury bill holdings were at \$191.1 billion. By May 2009, Chinese holdings of Treasury bills were peaking at \$210.4 billion.

However, China’s overall appetite for U.S. debt increased over a longer span than did its appetite for short-term U.S. Treasury bills.

In August 2008, before the bank bailout and the stimulus law, overall Chinese holdings of U.S. debt stood at \$573.7 billion. That number continued to escalate past May 2009-- when China started to reduce its holdings in short-term Treasury bills--and ultimately peaked at \$1.1753 trillion last October.

As of March 2011, overall Chinese holdings of U.S. debt had decreased to 1.1449 trillion.

★ ★ ★ CNS NEWS / LINK

The Pampas are just as the old geography textbooks described them: vast flat plains stretching to distant horizons, white heads of tall grasses catching the autumn light. A great empty road ploughs a furrow from Buenos Aires through mile upon mile of fertile lands towards the ports on the great South American waterway, the Paraná river.

But missing from much of the Pampas now are the Argentinian beef cattle that used to be synonymous with this region that makes up one of the world's most expansive grazing lands.

The way-markers today are grain silos, agricultural hangars for harvesting machines, and banner adverts across nearly every field for agrochemicals and genetically modified soya seed.

Occasionally, the green and orange logo of Monsanto's Roundup glyphosphate herbicide gives way to an election poster for the Perónist president, Cristina Kirchner, or to a rival chemical or seed company's billboard. But there's no question who dominates the landscape here.

Less visible at first, and strangely unfamiliar to consumers in the UK, are the big four transnational exporters that dominate the other half of the soya complex, the so-called ABCD group of companies: ADM, Bunge, Cargill and (Louis) Dreyfus.

Between them, these firms account for 75-90% of the global grain trade, according to some estimates. They provide the fertiliser for the soya, and here, as elsewhere, dominate the processing industry that divides the beans into oil for food manufacturing and protein meal for animal feed. When you reach the ports of Rosario and San Lorenzo-San Martín, they are unmissable, however, with their dozens of crushing plants, biodiesel refineries, grain terminals and elevators towering above the river.

This is where about 55m tonnes of soya a year, worth \$24bn (£14.7bn), starts a journey through the docks to the importers – China, India and Europe.

And this is now a key battleground in the fight over the global food system. For in South America, those who control the food chain, make money from it, and determine what we eat, are at the heart of a fierce political debate.

The Argentinian authorities took the dramatic step of suspending all four big transnational traders from their export register this year, accusing them of tax evasion. Last month, it expelled Bunge from the register altogether.

★ ★ ★ UK GUARDIAN / [LINK](#)

The investment world witnessed an event that has only occurred rarely in the past. I am referring to the extraordinary developments in the nickel market on the London Metals Exchange (LME), the largest base metals exchange in the world. Due to an unprecedented scarcity of

...mostly all of the reports have danced around the key fact at the heart of this matter. That key fact is that the LME declared that its nickel contract has gone into default.

metal, the LME was forced to revise the delivery terms of its nickel contracts. In return for allowing short sellers to delay delivery of metal, a daily penalty fee of around 1% of the contract value was payable by the shorts to long holders.

Excerpts from the LME's press release of August 16, 2006:

Those with short positions in nickel falling prompt on Friday 18 August 2006, and on subsequent prompt dates until further notice, who are unable to effect physical delivery an/or unable to borrow metal at a backwardation of no more than \$300.00 per tonne per day, shall be able to defer delivery for a day at a penalty of \$300.00 per tonne. Those with long positions for prompt on those days

who are subject to deferred delivery shall be entitled to compensation of \$300.00 per tonne per day

Commenting on the announcement, Simon Heale, LME Chief Executive said:

“Nickel stocks are at historically low levels and we now have a genuine material shortage. Our first priority is to ensure that trading remains orderly and to prevent the risk of settlement defaults.”

Although there has been widespread reporting of this event in all the popular media and news services, I have been thunderstruck by how mostly all of the reports have danced around the key fact at the heart of this matter. That key fact is that the LME declared that its nickel contract has gone into default.

While Mr. Heale states that the action by the exchange is designed to prevent default, the action taken is nothing but a declaration of default, rendering his statement as absurd. Default is a simple word. Any time you unilaterally violate or negate the terms and conditions of any legal contract, that contract is in default. Period.

Moreover, a simple analysis of the situation reveals that the LME is aligning itself with the interests of the naked shorts in nickel, as common sense should tell you that no long holder asked the exchange to suspend the delivery obligation of the shorts.

★ ★ ★ TED BUTLER (2006) / [LINK](#)

Sir,

Buttonwood discussed the possibility of gold as a bubble (April 30th). Of course it is—it has almost no real value and, as you say, no revenue or cashflow. It is an iconic commodity both emotionally as jewellery and intellectually as a stable investment, and has long been a guiding point for commodity inflation. But what gives it that place?

Gold has few uses beyond jewellery, and yet the trading of gold internationally is many times larger than that industry. Today it, like a share with no dividends, is a purely speculative investment and its value is entirely a function of such speculation. A high gold price does not cripple an industry or a nation; the current owners just get richer. A currency with a constant influx, the rise in value of gold is like a great Ponzi scheme where the future must always pay today's bills.

Commodities with stable consumption and high volume production (like wheat and iron) are better indicators of real prices and as they continue to rise inflation is a risk. Gold is different. One day the money will dry up, and the house of cards will fold.

Nils Sandberg

Judge Business School

Here's founder & CEO of BullionVault, Paul Tustain's response.

According to him, gold is in bubble territory because it has few industrial uses. Disproving Mr Sandberg's thesis is childishly simple.

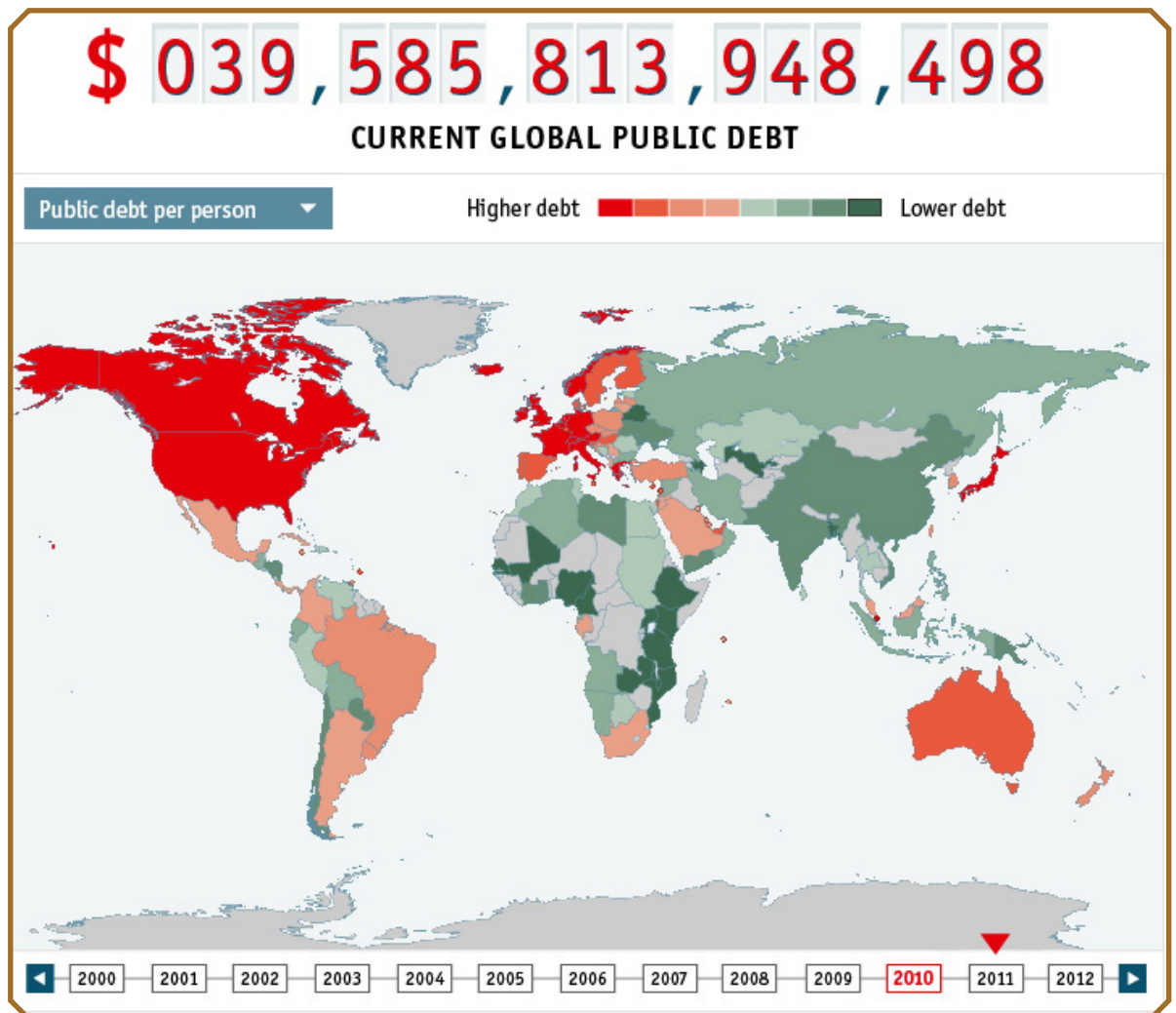
Take one \$20 bill out of your wallet;

Consider the industrial applications of the paper it is printed on;

Now burn it.

Well, why didn't you?

★ ★ ★ POLITICAL METALS / [LINK](#)



[CLICK TO SEE INTERACTIVE GRAPHIC](#)

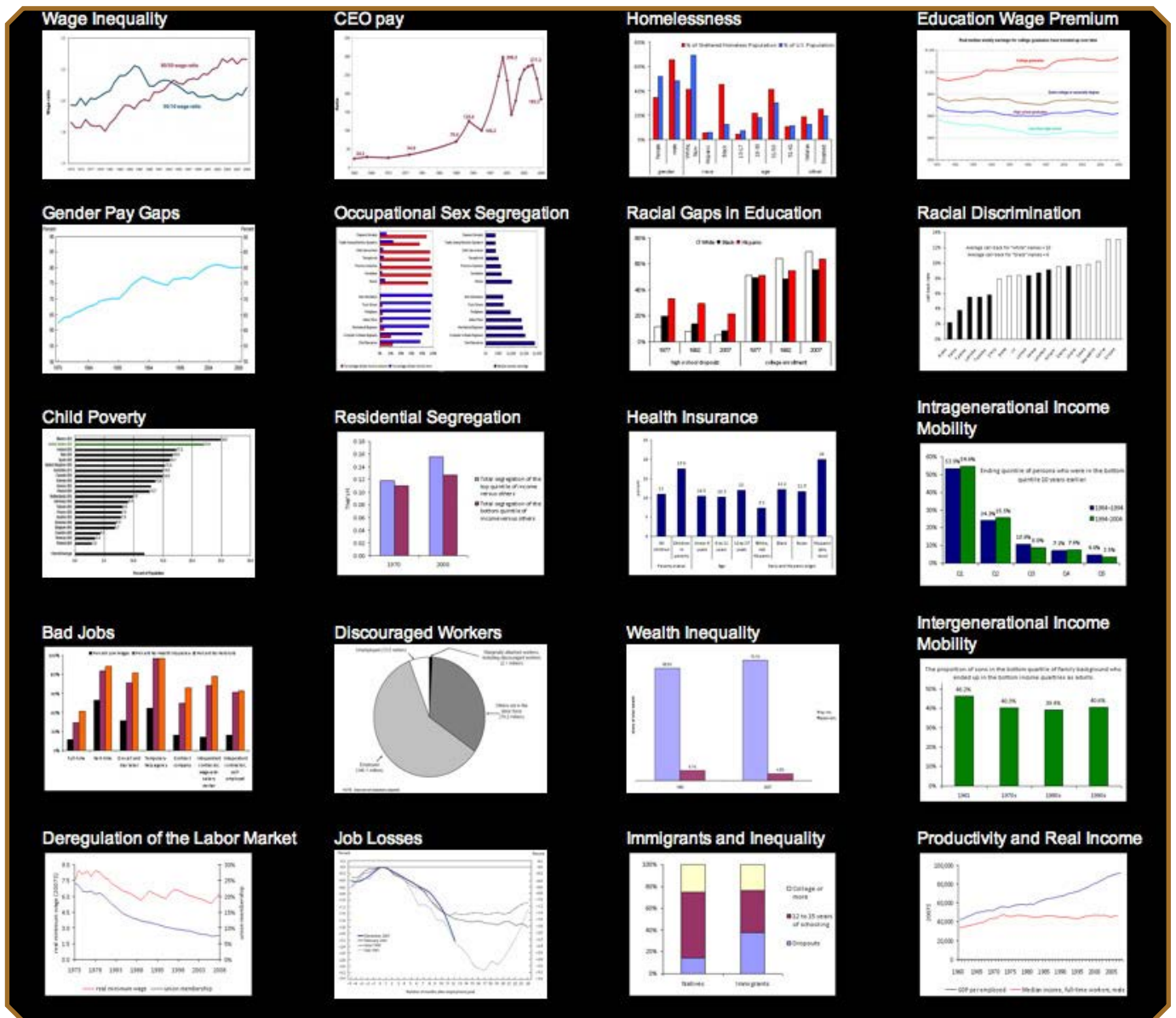
SOURCE: THE ECONOMIST

The idea of a debt clock for an individual nation is familiar to anyone who has been to Times Square in New York, where the American public shortfall is revealed. Our clock shows the global figure for all (or almost all) government debts in dollar terms.

Does it matter? After all, world governments owe the money to their own citizens, not to the Martians. But the rising total is important for two reasons. First, when debt rises faster than economic output (as it has been doing in recent years), higher government debt implies more state interference in the economy and higher taxes in the future. Second, debt must be rolled over at regular intervals. This creates a recurring popularity test for individual governments, rather as reality TV show contestants face a public phone vote every week. Fail that vote, as the Greek government did in early 2010, and the country can be plunged into imminent crisis. So the higher the global government debt total, the greater the risk of fiscal crisis, and the bigger the economic impact such crises will have.

☆☆☆ THE ECONOMIST / [LINK](#)

20 Facts About U.S. Inequality that Everyone Should Know...



CLICK TO SEE 20 FACTS

SOURCE: STANFORD CENTER

CHARTS THAT MAKE YOU GO *Hmmm...*

As you can see, Glencore was under some pressure in late trading on May 31st as it languished below its issue price until miraculously, in the last, oh, about 40 minutes, it put on a surge to close in positive territory relative to the IPO price at the end of its first month of trading.

The thing is, if you look at the bottom chart, you will see that approximately £200 million was spent in trying to achieve that end. The stock subsequently fell 4.5% over the remainder of the week.

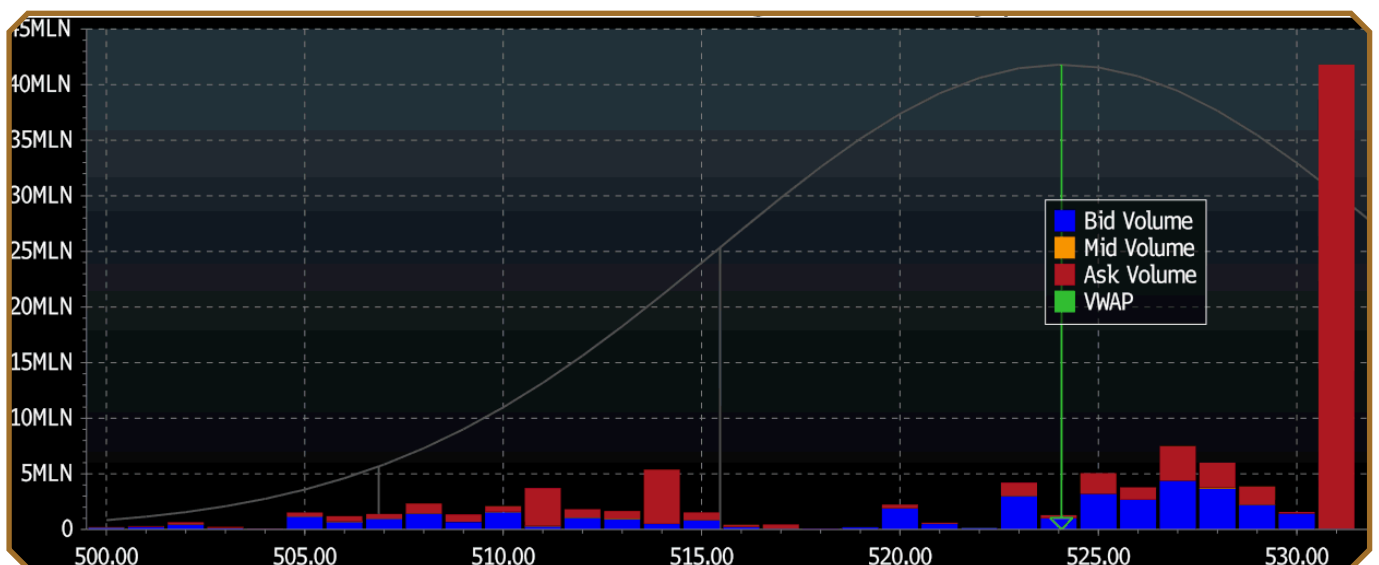
Open and shut case of manipulation?

Slam-dunk investigation?

Don't hold your breath folks.



SOURCE: BLOOMBERG



SOURCE: BLOOMBERG



[CLICK TO WATCH](#)

James Altucher makes his 'case' for 20,000 Dow in the next 12-18 months - somehow WITHOUT mentioning the word 'hyperinflation'.

What's more amazing however, is that CNBC somehow managed to find not one, but TWO talking heads who agree with him.

Would somebody please call a medic?

(via Zerohedge)



[CLICK TO WATCH](#)

A new report prepared for Prime Minister Putin by the Federal Security Service (FSB) says that former International Monetary Fund (IMF) Chief Dominique Strauss-Kahn was charged and jailed in the US for sex crimes on May 14th after his discovery that all of the gold held in the United States Bullion Depository located at Fort Knox was 'missing and/or unaccounted' for.



[CLICK TO READ](#)

According to this FSB secret report, Strauss-Kahn had become "increasingly concerned" earlier this month after the United States began "stalling" its pledged delivery to the IMF of 191.3 tons of gold agreed to under the Second Amendment of the Articles of Agreement signed by the Executive Board in April 1978 that were to be sold to fund what are called Special Drawing Rights (SDRs) as an alternative to what are called reserve currencies.

This FSB report further states that upon Strauss-Kahn raising his concerns with American government officials close to President Obama he was 'contacted' by 'rogue elements' within the Central Intelligence Agency (CIA) who provided him 'firm evidence' that all of the gold reported to be held by the US 'was gone'.

*** EUTIMES / [LINK](#)

and finally...



Hmmm...

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COMMENTS

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