

China's Buying A New Currency ...And It Sure AIN'T The Dollar

Graham Summers

Let's talk about China.

China is the US's largest creditor. All told, the People's Republic has \$700+ billion in US Treasuries. However, if you account for other dollar denominated investments, China is believed to have 70% of its \$1.7 trillion in foreign reserves sitting in green backs.

That's an unbelievable amount of money invested in the US dollar. Needless to say, the Chinese are not too happy about our Central Bank's decision to print TRILLIONS of dollars propping up the US financial system.

Indeed, the initial rumblings of what will eventually turn into outright conflict (either economic or war) have already begun. China's Premier Wen Jiabao recently commented, *"We have lent a huge amount of money to the US... Of course we are concerned about the safety of our assets. To be honest, I am definitely a little worried."*

Other, former Chinese officials have been less polite in their public statements. Yu Yongding, a former Chinese central bank adviser, recently referred to the US Federal Reserve *"as the world's biggest junk investor... ridden with rubbish assets,"* and to Chairman Ben Bernanke as *"helicopter Ben."*

The situation has gotten intense enough that Secretary of the State Hillary Clinton flew to Asia to plead with China and other US creditor nations to continue buying US Treasuries. *"By continuing to support American Treasury instruments the Chinese are recognizing our interconnection. We are truly going to rise or fall together,"* Clinton said at the US embassy there.

In simple terms, China owns a TON of dollar denominated assets. And the Fed is doing everything it can to devalue the dollar. Thus China has a few options:

Openly sell the dollar, thereby destroying the value of its reserves and inviting open war with the US. Quietly shift away from the dollar without openly attracting attention or threatening the US publicly.

The Chinese government, particularly its Premier, has been floating option #1 in the media, discussing the potential for dropping the dollar standard along with Russia and Brazil.

However, this boils down to nothing more than grandstanding. The Chinese are not idiots. And they know that dropping the dollar standard would destroy a HUGE portion of their foreign reserves, since

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Printing Debt Not Money

Adam Brochert

We often hear and read about the government "printing money" like there's no tomorrow. Our federal government has certainly passed out enough money to the people who got us into this mess that it seems as though hyperinflation is theoretically possible. But every US Dollar printed in our current fiat monetary system is actually a debt.

Whenever we hear the phrase "printing money" what if we substituted "printing debt" instead? What if instead of "credit" we substituted "debt"? Would we be wrong in making these substitutions?

If you are an owner of the private, unconstitutional, for-profit federal reserve central bank, then "printing money" and issuing "credit" make

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Brazil, Russia, India and China form bloc to challenge US dominance

Tony Halpin in Yekaterinburg
With public hugs and backslaps
among its leaders, a new political
bloc was formed yesterday to
challenge the global dominance of the
United States.

The first summit of heads of state of
the BRIC countries — Brazil, Russia,
India and China — ended with a
declaration calling for a “multipolar
world order”, diplomatic code for a
rejection of America’s position as the
sole global superpower.

President Medvedev of Russia went
further in a statement with his fellow
leaders after the summit, saying that
the BRIC countries wanted to “create
the conditions for a fairer world
order”. He described the meeting with
President Lula da Silva of Brazil, the
Indian Prime Minister, Manmohan
Singh, and the Chinese President, Hu
Jintao, as “an historic event”.

The BRIC bloc brings together four of
the world’s largest emerging
economies, representing 40 per cent
of the world’s population and 15 per
cent of global GDP. The leaders set
out plans to co-operate on policies for
tackling the global economic crisis at
the next G20 summit in the US in
September.

“We are committed to advance the
reform of international financial
institutions so as to reflect changes in
the world economy. The emerging and
developing economies must have a
greater voice,” they said.

The BRIC states also pledged to work
together on political and economic
issues such as energy and food
security

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everyone and their mother would follow suit.

Indeed, abandoning the dollar for another currency (say the yen or euro) would serve no benefit from an economic standpoint. It would crush China's Treasury denominated reserves as the dollar plunged. It would also be akin to trading one problematic investment for another: no major world currency is backed by gold or any asset of real value.

No, to my way of thinking, the Chinese are merely posturing with these statements, trying to draw attention away from the fact that they've already begun pursuing option #2 (diversifying away from the dollar in private). Indeed, China has already begun moving into a new currency, one that is neither fiat nor flawed. And they did it in their usual manner: under the radar with great focus and determination.

That new currency is natural resources.

Throughout 2009, China has been buying up natural resources, commodities, and other real assets at a breath-taking pace: copper imports hit a record 329,000 tons in February, only to be eclipsed by a new record of 375,000 tons in March.

The copper story is just the latest and most obvious display of China's new currency binge. The Chinese have been buying up mines, metal ore (57 million tons of iron in April alone), and other resources for years now. The headlines were right under the world's collective nose, but no one was thinking "*diversification away from the dollar.*" Instead they were thinking, "*purchases needed to fuel economic growth.*"

Truly, it wasn't until the world noticed that China was *still buying* commodities in record amounts *even after* its economy took a hit that the media began to connect the dots.

Here's a few dots to consider...

- Feb.10, 2009: China buys Oz Minerals, the world's second largest zinc miner for \$1.7 billion.
- Feb. 12, 2009: China buys \$20 billion worth of Rio Tinto, one of the three largest iron ore producers, giving it the potential to raise its stake to 19%.
- Feb. 24. 2009: China buys 16% of Fortescue Metals an Australian iron ore company.
- April 1, 2009 China buys \$46 million worth of Terramin Australia's lead and zinc supplies in Algeria.
- April 15, 2009: China buy 51% of Ontario's Liberty Mines: a nickel producer.

One should also consider that these are merely the transactions that are publicly displayed. The Chinese government has proved adept at buying assets below the radar via foreign holding companies and other complicated business structures. Informal accounts posit that China has in fact scooped up even more natural resources and mines via these methods today.

The reasoning here is simple. Unlike paper currencies, natural resources and commodities cannot be reproduced ad infinitum by central banks. Thus they are inflation proof. In addition, natural resources actually offer a direct benefit to China's economy whereas an investment in a foreign currency (the dollar or otherwise) is merely a means of parking cash for a return.

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sense. However, if you are the U.S. government or a citizen, "printing debt" and issuing "debt" is a more precise explanation for what is actually happening to you.

You see, when the U.S. government "stimulates" the economy, they put their palm out and ask for the money from the private federal reserve corporation. The federal reserve happily gives up this money, which they print/create digitally out of thin air, but the federal reserve asks for one small favor in return. They ask for the U.S. government to issue them a bond for the amount of money given. This bond also requires interest payments to be made to the federal reserve.

These bonds are U.S. government debt, which means they are a debt owed by the citizens of the United States. Perhaps a more basic experience in our lives brings home the point in an easier-to-understand fashion, as there is no question that our monetary system is unnecessarily complex to help confuse the average individual and congress member.

"It is well enough that the people of the nation do not understand our banking and monetary system for, if they did, I believe there would be a revolution before tomorrow morning." - attributed to Henry Ford

If you take a credit card, insert it into an ATM machine and obtain a cash advance, are you "printing money out of thin air"? To me, you are incurring a debt to the credit card company (or should I say the "debt" card company?). Though it is true that if you take that money and go out and buy things you are stimulating the economy, there is a price to pay isn't there?

But back to the analogy. If every day of every week a person just kept getting cash advances until the debt card limit was reached, then got new debt cards and maxed those out as well, eventually the end would be reached. The debt merchants would collectively cut off that person's access to debt. The party would be over. Even if the access to debt was never cut off, a person would need to make an exponentially increasing number of ATM withdrawals each day to simply pay the minimum payments on all the other previously used cards (even if the interest rate was 0%) until the Ponzi scheme collapsed.

During a big / excessive secular (i.e. measured in decades) boom cycle there is a lot of excess debt granted to a lot of people. Towards the end of the cycle, things tend to get out of hand. Literally, those who can fog a mirror are allowed to take on an excessive amount of debt relative to their ability to pay.

There is a mathematical limit to the amount of debt that can be assigned to an economy before that economy becomes highly unstable. We have reached that limit. Once you get to that limit, printing more debt only compounds the problem.

At this theoretical debt tipping point, which we have already reached, taking on more debt only makes things worse.

If someone who makes \$20,000/year buys a \$1 million home with a 0% teaser rate and negative amortization, does it really matter what the interest rate eventually resets to once the teaser rate ends? When the entire economy reaches this tipping point, the bankers or whoever has bought the debt from the bankers is out of luck.

In such cases, the government has historically stepped in and agreed to "help." It is not in a politician's nature to sit back and do nothing, especially if it is anywhere near election time or doing

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Warning II! Counter-Trend Moves Continue to Spark False Hopes

Tim Wood

The story remains the same. As a result, I feel that it is important to rehash the last article that I posted here a month or so ago. As I listen to the mainstream commentators, the public and even my local news, it is obvious that optimism remains high. William Peter Hamilton, the great Dow theorist who followed in the footsteps of Charles H. Dow, warned against allowing *"the wish to father the thought."* I have listened and closely studied the words of many of the reporters and interviewees on the news and there is little doubt that their optimism is allowing *"the wish to father the thought."* Wishing and optimism is not the basis for sound analysis. Based on the technical and statistical work that I do, the data is telling me that pretty much all of the moves we have been seeing over the last 2 to 6 months, depending on which market you are looking at, are counter-trend moves. As a result of these counter-trend affairs, the powers that be continue to think that they have the problem under control. The average person on the street sees that the markets are rising and they too, begin to think that the worst is behind us and that maybe the bail-outs and various stimulus packages are working. It is my opinion that this false optimism and the lust for things to return to "normal" is going to cost the average investor dearly once this counter-trend move concludes. It is for this reason, along with the fact that some of you may not have read this article originally, that I wanted to update and republish it once again here today.

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The Effects of Inflation

Steve Saville

The effects of monetary inflation are three-fold. First, it brings about an unwarranted transfer of purchasing power (resources) to the creator of the new money and/or the first user of the new money. Another name for this unwarranted transfer is theft. Second, it has a NON-UNIFORM effect on prices, leading to mal-investment and the wastage of resources. The huge amount of savings and resources squandered in real-estate investments over the past several years exemplifies the havoc that can result from monetary inflation and why its effects cannot simply be counteracted at some later time by "withdrawing liquidity". Third, it EVENTUALLY results in a broad-based increase in the prices of everyday goods and services.

Almost everyone focuses on the third of these effects, but the greatest injustices and economic problems result from the first two. The "Keynesians" and the "Monetarists", for instance, are generally unaware of the first two effects. In their fatally flawed views of the economic world, monetary inflation either doesn't matter at all or doesn't matter unless/until it causes the CPI to rise.

Based on traditional lead times, the substantial monetary inflation that has occurred over the past seven months probably won't start to become evident in the prices of everyday goods and services until 2010. Furthermore and as mentioned in previous TSI commentaries, the CPI will probably trend downward throughout 2009. This will make the deflationists look right for the next few quarters even though they will be wrong. They will be wrong because even while prices decline, the inflation will be taking a heavy toll on

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Gold bottomed in October and has moved up some 45% since that bottom. Gasoline was next to bottom in December and has now moved up some 168% into its recent highs. Crude oil followed with its bottom in February and has since advanced approximately 118% from its lows. The CRB index also bottomed in February and is lagging the advances seen in crude oil and gasoline, but is still up 33% from its low. The housing index bottomed in March and advanced 83% into its early May high. I also reported here in early May that "based on what I see at this point, the Housing Index is at an important juncture and is at great risk of the annual cycle having topped." Since the early May high the Housing Index is down 22%. Could it be that Housing is about to lead the next leg down again? Have you ever heard of a recovering economy with declining house prices? Hello! The equity markets also made a bottom in March and in the case of the Dow Jones Industrials Average it was up 37% as of the June 11th intraday high of 8,877.93.

Understand I do not allow the *"wish to father the thought."* At the same time, I am not a pessimist either. Rather, I am a realist and look at statistics and technical data. The data I'm looking at continues to tell me that the bottom seen in these markets were not THE BOTTOM, but were rather temporary bottoms. The advances out of these bottoms are most likely counter-trend moves and should ultimately be followed by still lower prices. For the record, Yes, my cycles work anticipated and allowed me to identify each of these bottoms as they occurred and this is all documented in my newsletters. At present, I must also say that my intermediate-term Cycle Turn Indicator, the cyclical structure of the market and the statistics will again be key in determining if these counter-trend moves are still intact and in identifying their tops. Once the intermediate-term Cycle Turn Indicator turns, the counter-trend moves will be at great risk of being done. The danger that I see with these counter-trend moves is that they have fostered false hopes. These rallies have offered people the opportunity to recoup some of their losses. But, the longer a particular market rallies the more the false hopes set in. This in turn allows the wish to further father the thought. It is the greed to recover the losses that will ultimately cost the average investor even more in losses. As the advance continues the greed sets in and people wish for more and more of an advance as they hope to further recoup their losses. In the end, the bear market will take the gift that it has given by these counter-trend rallies back. Yes, in the end most investors will find themselves with even larger losses than they had at the previous bottom. The wishful public does not recognize these moves as counter-trend and they will sit on their wishes as the market turns back down and their recovered losses turn into yet bigger losses. One does not have to be blindsided by the coming downturns. It is indeed possible to identify the pending downturn out of these counter-trend moves with the proper technical tools, such as the time proven intermediate-term Cycle Turn Indicator. Sound unbiased technical methods are the only way I know to navigate the ongoing financial disaster that we are dealing with. The politicians, Republican or Democrat, nor the mainstream media warned you of the previous declines because they did not know they were coming and even if they did they would not have told you. Do you really think they would tell you anything any different this time around?

Guys, we are in the midst of Kondratieff Winter, not the beginning of a new bull market. These counter-trend moves are more like "Indian Summer" and the deep freeze of winter will return. In David Knox Barker's book *The K-Wave*, is a brief list of the events that have historically marked the Winter season:

- *"Global Stock Markets Enter Extended Bear Markets"*

This should be obvious to all.

- *"Trends During Winter: Stocks Down, Bonds Up, Commodities Down"*

These longer-term trends remain intact and the recent moves to the contrary are counter-trend.

- *"Interest Rates Spike In Early Winter Then Decline Throughout"*

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Printing Debt Not Money

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"something" would get a politician's picture in the newspaper or on television. So, just like in the 1930s, the federal government is rushing around adding debt on top of the excessive debt already in the system.

The private Federal Reserve Corporation is playing the debt card company and the U.S. government is digging itself an awfully big hole by maxing out more and more debt cards.

However, when the tipping point is reached, new debt has no magical effect as with a "typical" recession. Such secular turns in the debt markets precipitate deflationary economic depressions. A new one has started. The Ponzi scheme has already collapsed and the current green shoots will turn into debt-stained crusty brown shits in the blink of an eye.

Printing debt does not effectively stimulate inflation in such a cycle, because the debt created by the government does not restore the "animal spirits" needed to fire up a new bull market in assets. Confidence evaporates (excluding short-term swings like the one that is ending now) and fear runs high in this environment, as it should. A return of capital becomes more important than a return on capital, as the largest financial institutions in the world are currently insolvent and desperate. The multiplier effect of money that causes inflation requires risk taking, leverage/new private debt issuance and good investment opportunities, all scarce in this environment.

A housing market crash that wipes out tens of trillions of dollars of paper wealth is not fixed by creating ten trillion in new government debt and paying off the bankers and investors holding those mortgage notes. A housing market crash does wipe out banks, however, as has already been happening. Bankers get fearful and refuse to extend debt to all but the most trustworthy borrowers. However, the most trustworthy borrowers realize something is wrong in the economy and begin to wait for lower prices or a more certain business environment before taking on new debt.

A vicious, although temporary (like all cyclical financial phenomenon) cycle ensues that generally lasts 15 to 25 years. It is during this time that debt must be squeezed from the system through defaults and increased savings (i.e. paying off the debts and living within one's means). Unemployment soars as consumption and business activity contract.

By insisting on taking on new debt to replace the debt gone bad in the private sector, the government unfortunately makes the situation worse and prolongs the economic depression. Nothing has changed - the cycle is repeating according to script. It doesn't matter whether or not we are on or off the Gold standard, it doesn't matter what the federal reserve set discount rate is or was this month or next month and it doesn't matter how much we "stimulate" ourselves with more debt. The Kondratieff Winter has begun and cannot be stopped by the federal reserve or U.S. government.

Bureaucrats do not create or reverse the primary economic trend and never have, they simply react (and usually too late and clumsily to do anything but make things worse if they have any effect at all).

In a secular deflationary economic depression, history teaches that stocks, corporate bonds, real estate and commodities are lousy investments. Cash is actually one of the safest and only reliable long-term investments in such an environment and Gold, as the ultimate debt-free currency, is the best form of cash to hold. By maintaining wealth, one is able to purchase a much greater number of stocks, bonds, etc. when the carnage is over.

Because fear and uncertainty run high in this environment (e.g., look at the number of people starting to call for hyperinflation of the U.S. Dollar and other fiat currencies and look at the geopolitical instability being induced by this debt crisis), Gold benefits. Needless to say, Gold rarely does well when all is peachy keen in Wonderland. Get some physical Gold as an anchor to your life savings/investments (real coins or bars, not the risky GLD ETF).

Gold stocks are the go to asset class to actually make money in this environment. After an anticipated choppy sideways correction in the majority of established medium-to-large cap Gold stocks this summer and possibly into the early fall, I believe massive gains in Gold stocks will occur for at least 3 years. The first leg up in this new secular Gold stock bull market is likely over but the next leg up (and the one after that) will be even more spectacular. Now is the time to sell all general stocks and raise capital to get ready to invest in the incipient great Gold stock bull market.

Article by:

Adam Brochert

June 10, 2009

goldversuspaper.blogspot.com

US launches WTO case against China

Tom Braithwaite

The US raised the stakes in a growing trade dispute with China on Tuesday, lodging a case at the World Trade Organisation over export quotas and duties of raw materials.

In a co-ordinated move, the European Union and the US complained to the WTO that China's export duties on raw materials such as coking coal were distorting the global market and disadvantaging their manufacturers of steel and other products.

"We are most troubled that this appears to be a conscious policy to create unfair preferences for Chinese industries by making raw materials cheaper for China's companies to get and goods more economical for them to produce," said Ron Kirk, US Trade Representative.

The US has been negotiating with China on the issue for over a year but the decision to bring the protest to the WTO comes as manufacturers suffer from the global recession and as the two countries are at loggerheads over a separate software case.

"Now more than ever trade is essential to keeping America's economy afloat," said Mr Kirk.

Mr Kirk said he hoped that the raw materials complaint could be resolved at the formal WTO consultation stage rather than the next step in which a panel would consider and rule on the alleged infringement of trade rules.

Article by:
Tom Braithwaite
June 23, 2009
The Financial Times

Warning II! Counter-Trend Moves Continue to Spark False Hopes

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In June 2004 the Discount rate was at 2.00%. By June 2006 it was at 6.25% and since August 2007 the Fed has been forced to cut the Discount rate back to .50%. So, this too, fits.

- *"Economic Growth Slow or Negative During Much of Winter"*

I doubt that many will argue that growth is now slow and in many cases negative.

- *"Commercial and Residential Real Estate Prices Fall"*

This obviously began back in 2006 and there is still much more to come.

- *"Bankruptcies Accelerate and High Debt Eliminated by Bankruptcy"*

This has obviously begun and is no doubt related to the housing and credit bubbles.

- *"Social Upheaval and Society Becomes Negative"*

We are only just beginning to see this.

- *"Banking System Shaken and New One Introduced"*

The banking system is now only beginning to be shaken. There should be much more to come.

- *"Free Market System Blamed and Socialist Solutions Offered"*

This has not yet happened, but just wait.

- *"National Fascist Political Tendencies"*

Just wait, there is much more to come.

- *"Debt Level Very Low After Defaults and Bankruptcy"*

This has not happened.

- *"Trade Conflict Worsen"*

This basically has not happened.

- *"View of the Future at a Low Ebb"*

This has not happened as everyone seems to be looking for the bottom.

- *"New Work Ethics Develop Since Jobs are Scarce"*

If I can assure you of one thing it is that this has not happened.

- *"Greed is Purged from the System"*

I can absolutely assure you that this has not happened yet.

- *"Real Estate Prices Find Bottom"*

This has not happened.

- *"There is a Clean Economic Slate to Build On"*

Not happened yet.

- *"Investors are Very Conservative and Risk Averse"*

Again, this has absolutely not occurred.

- *"Interest Rates and Prices Bottom"*
- *"A New Economy Begins to Emerge"*

Has not happened.

- *"Stock Markets Reach Bottom and Begin New Bull Markets"*

Again, we aren't there yet.

Article by:
Tim Wood
20 June 2009

The Effects Of Inflation

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the economy by facilitating the transfer of resources to the government and to failed businesses. The Keynesians argue that the monetary inflation won't be a problem because the economy will remain weak due to "insufficient aggregate demand", but they fail to realise that "insufficient aggregate demand" doesn't cause anything* and that monetary inflation is one of the main reasons why the economy is destined to remain weak. We are far more bearish on economic growth and employment than the mainstream economists who are predicting deflation, and yet we expect an upward trend in the general price level to begin within 12 months. Our expectation is not outlandish because economic weakness will not prevent a currency from losing its purchasing power in response to substantial growth in its supply. In fact, it's the other way round. The less stuff that gets produced by the economy the greater will be the eventual decline in the currency's purchasing power stemming from monetary inflation. Or, to put it another way, real economic growth puts downward, not upward, pressure on the general price level, so during periods when the economy is weak there will be greater potential for increasing currency supply to bring about higher prices (after the usual 'confusing' lag, of course). During 1933-1940, for example, the unemployment rate was stuck in the 14%-20% range and yet prices trended upward in response to a moderate increase in the money supply (the US Government/Fed couldn't increase the money supply at will during this period due to the remaining vestiges of the Gold Standard). Prices also trended upward in parallel with high unemployment during the 1970s, again due to growth in the money supply.

The effects of monetary inflation will work their way through the economy over the next few years, but the theft is happening right now. We suggest that the deflationists stop going on about how the amount of money created 'out of thin air' is small compared to the declines in asset and debt prices (and thus encouraging the Fed to counterfeit money at an even faster pace), and start emphasising the problems inherent in the inflation.

**Aggregate demand will never be "insufficient" until everyone has everything they want, which means it will never be insufficient. What Keynesian economists refer to as "insufficient aggregate demand" is the increased tendency to save, and the corresponding reduced tendency to spend, after savings have been obliterated on a grand scale due to the mal-investments prompted by the preceding inflation-fueled boom. A fall in prices is one of the ways the economy heals itself in the aftermath of an inflation-fueled boom. Generating more inflation prevents the healing process from occurring.*

Current Situation

Either through luck or skillful manipulation, the Fed has managed to bring about a sizeable increase in the US money supply over the past seven months while preventing the money supply growth rate from spiraling out of control. At the beginning of this year there appeared to be a significant risk that the monetary situation would spiral out of control, but things have since settled down. For example, US M2 money supply is down by around \$100B over the past four weeks and is almost flat over the past 11 weeks, causing the year-over-year M2 growth rate to drop back from 10% to 8% (we haven't re-calculated TMS, but the TMS and M2 growth rates have tracked each other closely over the past several months).

The year-over-year growth rate in the money supply is likely to resume its upward trend over the coming months, though, because the Fed is likely to ramp-up the rate at which it monetises bonds. In fact, such a ramp-up appears to be underway in that the Fed monetised (purchased with newly created money) \$75B of mortgage-backed securities and \$14B of Treasury Bonds during the week ended 22nd April.

Article by:
Steve Saville
April 28, 2009

Asian markets continue big falls

Asian shares fell in Tuesday trading, echoing declines seen in both the US and Europe on Monday following a downbeat World Bank report.

Japan's main Nikkei index ended 2.8% lower, while Hong Kong's Hang Seng lost 2.9%, after the World Bank study said emerging economies were slowing.

The report also hit global oil and metal prices, with firms in those sectors leading the share falls.

US light crude was down 85 cents to \$66.65 a barrel in Tuesday trading.

On Monday it had fallen by \$2.76 a barrel. London's Brent crude also continued to slide, dropping a further 83 cents to \$66.15.

The US's Dow Jones share index fell 2.4% on Monday, while the UK's FTSE 100 index shed 2.6%.

'Surprised people'

The World Bank said it expected GDP in developing countries to grow by just 1.2% this year, compared with 5.9% in 2008 and 8.1% in 2007.

Australian shares were also lower on Tuesday, with the main index there dropping 3%.

Energy analyst Ben Westmore of National Australia Bank in Melbourne said the World Bank report had come as an unpleasant surprise.

"Financial markets were expecting a quicker recovery [to the global economy], so for the World Bank to make such a large revision down surprised people," he said.

Article by:
BBC News
June 23, 2009

China's Buying A New Currency ...And It Sure AIN'T The Dollar

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Finally, and most notably, natural resources allow the Chinese to diversify away from the dollar without damaging their current dollar holdings: or their relationship with the US: if word got out that the Chinese were dumping Treasuries, the Treasury market would implode, destroying the value of China's current investment.

Make no mistake, the Chinese have already begun diversifying away from the dollar. They just haven't advertised the fact openly.

Chinese students openly laughed at our Treasury Secretary Tim Geithner when he gave a talk there promising that "*Chinese assets were safe*" in the dollar. If Chinese STUDENTS can figure the Fed's moves out, what do you think the Chinese GOVERNMENT is doing? I think we both know the answer to that.

Article by:
Graham Summers
June 17, 2009

Brazil, Russia, India and China form bloc to challenge US dominance

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Co-operation in science and education would promote "fundamental research and the development of advanced technologies". The declaration also satisfied a key Kremlin demand by calling for a "more diversified international monetary system". President Medvedev is seeking to break the dominance of the US dollar in financial markets as the world's leading reserve currency.

He favors the establishment of more regional reserve currencies, including the Russian rouble and the Chinese yuan, to prevent economic shocks. Mr Medvedev said: "The existing set of reserve currencies, including the US dollar, have failed to perform their functions."

The declaration made no specific mention of the dollar, an indication of China's reservations about the Russian idea. Beijing holds almost \$2 trillion in foreign currency reserves and a large portion of US debt.

The BRIC summit coincided with a two-day meeting of the Shanghai Co-operation Organization (SCO) in Yekaterinburg, which further underlined the determination of Moscow and Beijing to assert themselves against the West.

The SCO comprises Russia, China and the Central Asian states of Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan. Iran, Pakistan, India and Mongolia have observer status and President Karzai of Afghanistan attended the summit as a guest.

Iran's embattled President, Mahmoud Amadinejad, defied protests at home to attend the conference, where he hit out at the US and declared that the "international capitalist order is retreating". But he beat a swift retreat from the summit just hours after arriving, canceling a planned press conference to return to the crisis in his country.

China pledged \$10 billion in loans to Central Asian countries struggling in the economic crisis, adding financial muscle to its leading role in the SCO. Russia and China regard the organization as a means to restrict US influence in their Central Asian "back yard".

Mr Medvedev held separate meetings about the situation in Afganistan with President Karzai and President Zardari of Pakistan, a clear signal to President Obama not to ignore Russian interests as he presses US policy in the region in the fight against the Taleban.

Article by:
The Times

The Outstanding Public Debt

National Debt:

11,412,483,361,987.55

The estimated population of the United States is 306,421,657

US citizen's share of this debt is
\$37,244.38

The National Debt has continued to increase an average of
\$3.79 billion per day

Business, Government and Financial Debt exceeds
\$59 Trillion

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