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Stocks

As expected, the stock market has performed poorly since I gave my sell alert in December at S&P500 2043. Today intraday it's at 1893 – almost an 8% decline. I will reiterate my warning to exit stocks. The market's PE is at 21 based on trailing earnings. The high PE combined with my model indicating a sell has always signaled past declines in stock prices. How low? The historical market PE is around 14. That's 35% below today. As you know, my models predicted the 2008 crash. I exited in December 2007 and bought back in July 2009. I dread saying it but this one could be worse depending on the government policy response. It's difficult to have any confidence in the Fed after they raised rates going into a recession. The additional problem we have that didn't exist in 2008 is there's no safe place to put your money. A new strategy is needed. This interview with David Stockman is quite interesting.

<http://usawatchdog.com/investors-heading-for-slaughter-one-more-time-david-stockman/>

Negative Rates Soon

Last month Ben Bernanke said the Fed should consider negative interest rates. A couple weeks ago Japan went to negative rates. Europe is negative. Yesterday the Fed asked the banks to consider negative rates.

<http://www.bloomberg.com/news/articles/2016-02-02/rates-less-than-zero-is-bank-stress-fed-wants-to-test-in-2016>

If the Fed moves negative that means your cash savings will lose value every year. For that reason and the possibility of bail-ins I recommended last month that you get some of your cash out of the banks and into a brokerage Federal Money Market fund similar to Vanguard's VMFXX. Bernanke previously stated rates would not normalize "in my lifetime". That means over twenty more years of this. This is how the Fed will cheapen the dollar. Once the Fed goes negative Europe and Japan will go even more negative and it will spiral down. This is just the beginning.

A more sensible approach is to give every household a monthly debit card that must be spent or it expires. People could pay off debt and buy stuff. Rather than punish America's savers and elderly, help the citizens, the workers, the farmers and students. If they're going to monetize trillions in debt then give it to America's workers. But, that would mean helping the average guy

and they'd rather enrich the bankers. All financial roads lead to Goldman Sachs. How did the rich get so much richer since 2008? As former Fed governor Fischer said a month ago, the Fed decided to boost asset prices with QE. That means they told the bankers that the plan was to spend trillions to juice up stock prices. Being handed information like that was like owning a mint. The bank insiders cleaned up. They told their cronies. At least one reportedly became a billionaire since 2008. The rich insiders got the joyous email along with members of Congress, the Bush crew, bankers, hedge fund types and the top guys in Wall Street firms. But nobody explained the plan to you or your neighbor who likely lost their hope of a prosperous retirement in the 2008 crash. The insiders got richer and your interest rate on savings went down. It ain't fair you say. What do you expect from an oligarchy?

The ten year Treasury bond yesterday went below 2%. Why are rates so low? There is simply too much fiat money chasing a safe return. It won't end until vast amounts of paper wealth are destroyed by stock, bond, and savings losses. This time even bank deposits will lose. This time they intend to trap your money with negative rates and bleed you dry. The bankers will earn their guaranteed interest rate spread and you will get shafted.

As I explained in my book, the number one predictor of gold's direction is negative interest rates. When short term money market rates are below the inflation rate gold does well. Rates are about to get more negative. You shouldn't be surprised that gold is going up. The rise is slow for now but steady. Today gold is at \$1137. I said in my alert last month that gold was selling for less than the global cost of production. That's no guarantee of a gold price floor but with increasingly negative rates I think it is a mile marker on the journey to global fiat money destruction. The signposts are now unmistakable. Savers are on the road to financial hell.

We are witnessing the real-time collapse of the western financial system as we know it. At the very least the world monetary system must change dramatically. There's no plan or intention for you to come out the other side a winner. It's an oligarchy which means the few at the top always win. Somebody will have to lose and it won't be the bankers. As this debacle progresses, it could lead to a loss of confidence in government. If that happens gold will soar and you won't be able to get physical small bars and coins. Another reason to own gold is the dire military situation that Washington is stupidly encouraging. Readers, the military leaders and politicians running America are not simply stupid. They are greedy and stupid.

National Bankruptcy through War

America has lost its global leadership role. Its moral authority has disintegrated. The US has 13 aircraft carriers, ten times the air power of Russia, and a much larger economy. The neocons have a working theory which isn't working. They believe vast military expenditures will force Russia to capitulate and bow to American hegemony. That somehow they can torture people, use drones with a 90% civilian kill rate, invade countries, support terrorists etc and everyone will want to use the dollar forever. The Middle East wars are an attempt to control energy and cause chaos in the nations on Russia's periphery and then incite a Muslim terrorism wave that will overthrow Putin. After that it's on to China to repeat their glorious victory. These guys are

nuts. Russia and China have countered the trillions we spent on offensive weapons for a fraction of the cost.

China has developed a “carrier buster” missile that can hit America’s floating magnets (carriers) from 1500 miles away. Russia has the S400 and S500 missile systems that can shoot down anything we send at them. For a fraction of America’s military budget they have co-opted our war spending.

Defense spending makes up 25% of the US budget. They have to keep spending even if it’s mostly wasted. They have to blow stuff up, cruise their ships around the ocean, and spend crazy amounts on new weapons systems even if they’re worthless or easily circumvented. If the spending slows they’d have to close military bases and that would ripple through the US domestic economy. America needs restructuring but the downsizing process would be too painful so things will continue until they can’t.

For thirty years America has spent mega billions on a missile defense system. There, that will stop those Ruskie missiles! Russia simply went under the water. Russia “leaked” a presentation of their new Status-6 Kanyon torpedo nuke that can destroy America’s coastal cities with one explosion and make our coasts uninhabitable for decades. It can be released from a submarine 5000 nautical miles from the target, travel at a claimed 100 mph at a depth of 1000 meters. The American military was stunned. This is true asymmetric warfare. Now the Pentagon is asking for more mega billions to defend against a torpedo that can destroy ocean life, our cities, and our ecosystem. When will this end?

The Russian military is as ruthless as ours. Wouldn’t it make sense to end this madness and give Russia assurances of security and save both our economies? Trouble is Russia will never trust America again unless our military is UN monitored like Rwanda. So I don’t see any resolution. Here’s the specs of this doomsday torpedo.

<http://www.hisutton.com/Analysis%20-%20Russian%20Status-6%20aka%20KANYON%20nuclear%20deterrence%20and%20Pr%2009851%20submarine.html>

Plain English about what it can do. This site is has a unique point of view but I agree with the technical details of the weapon. <http://www.charismanews.com/opinion/53288-russia-s-new-nuclear-torpedo-can-create-giant-tsunamis-and-wipe-out-entire-coastal-cities>

The US said this heinous weapon violates treaties and the rule of international law. Well so does invading sovereign nations and assassinating elected leaders. Russia will use this weapon if threatened with destruction.

America’s economic, political, and financial systems operate only for the rich. Sure they give the poor some food stamps and payoff chronically unemployed black people with welfare. People with broken bodies get \$800/mo in disability. It’s a sick joke.

The problem for Americans is that both political parties regard the needs of the American people as a liability and as an obstacle to the profits of the military/security complex, Wall Street and the mega-banks, and Washington's world hegemony. The government in Washington represents powerful interest groups, not American citizens. This is why the 21st century consists of an attack on the constitutional protections of citizens so that citizens can be moved out of the way of the needs of the Empire and its beneficiaries. – Paul Craig Roberts
<http://www.paulcraigroberts.org/2016/02/01/the-west-is-traveling-the-road-to-economic-ruin-paul-craig-roberts/>

Political Chaos Begins

The US standard of living is in rapid decline and you know that's true. Have you wondered why we spend so much on war and can't win a war? Have you asked why our airports, infrastructure, and train transportation systems are less than first-world? It's because we are bankrupting ourselves on war like every failed civilization in history. The American people feel helpless with the two major political parties and that's why Sanders, Trump and Cruz are ascending. Obama promised change but turned out to be crazy John McCain's demented brother. The corrupt, neocon Hillary Clinton and her pervert husband should concern you. I doubt a peace focused president will be allowed in the White House. Obama said he'd stop the wars way back in 2008. Then the budget people and generals told him the fiscal consequences and he continued the warmongering.

I think the insiders are worried. Perhaps the political conventions and election will be rigged or the honest winner will develop health problems. You doubt that? In the Iowa caucus precinct counts, Hillary won all tied precincts via the standard coin flip. There's a 1 out of 64 chance of that happening. I suspect the election system in America is rigged just like the markets.
<http://www.nydailynews.com/news/politics/coin-toss-decides-clinton-sanders-tie-iowa-precinct-article-1.2517022>

Defensive Strategy

Financial advisors say to put maybe 10% into gold. I disagree with that. I believe a core gold position at this point should be up to 30% of investable assets. That means money you don't need for many years. Few will agree with me. You have to expect violent swings in the gold price but do not sell until interest rates go positive by 1.5 – 2%. That could take twenty years under the current system. It's quite likely we'll see a monetary system reset well before that.

Once the stock market craters, probably late this year, there will be excellent opportunities in stocks again. Personally, I will keep my liquid cash in gold and go in and out of stocks as they zoom and crater repeatedly.

I have spent the last three months developing a new software system for buying dividend stocks. It uses the Dividend Aristocrats – that's a group of about 100 stocks that have continually increased their dividends for over 20 years. I've found that these less volatile stocks

have predictable characteristics that can be quantified. Essentially, if you look at the standard deviations of the dividend yields for each company there is a signature which appears occasionally. The number of buy-able stocks is very limited each year but more than enough for a diversified portfolio. There's a high trade success rate exceeding 80%. Three month returns are over 4% and one year returns average 18% over 25 years. Bear markets? Stocks purchased during 2007 and held through disastrous 2008 had an average one year return of -3.5%. That's quite a bit better than the over 40% loss of the S&P500. That's because the yield and purchase price eliminated much of the downside risk. During roaring bull market years the returns may be lower than the broad market but that's typical of dividend stocks. I'm going to refine this more over the next month and will let you know the results of my continued research into risk reduction. I have to triple check this for selection bias aka curve fitting but I'm pretty confident right now. This service will be free but I have to make it easy.

Previously I designed a trading system for general stocks but decided it would be too difficult for the average investor to use. The returns were great but the trade success rate wasn't high enough and I knew people would get discouraged. I'm hoping this new idea will be easy to use.

The reason I'm doing this is negative rates mean constant cash erosion. People have chased after yield and incurred staggering losses. Last month I showed the 50% losses in the MLP sector. Although the prices have likely cratered, now will come the dividend cuts in the up/middle stream companies. Concentrating assets like that is very dangerous. We'll have to make money in large chunks in diversified assets, exit back to safety, endure more erosion and then do another buy. In a topsy-turvy world the old ways won't work.

Friends, we're in for wild times. If the neocons don't get us all killed, I'm hoping we can make it to a more peaceful time. Meanwhile, I strongly suggest you work on stockpiling a few months worth of non-perishable food. Have some water barrels and survival supplies. You don't want to be on the road or dependent on others during turmoil. You can find all this information on Mormon/LDS and prepper web sites. There's no need to spend a lot of money on freeze dried food or an arsenal. Keep it basic and don't do anything fanatical. Under \$500 will buy everything you need. Rotate your supplies periodically.

I'm not a Mormon but respect the independent attitude of these folks. Just take an honest look at the evil monsters like the Clintons, the Bush clan and others running this country and that should motivate you to take action. Or do nothing and maybe it will all work out (not).

Simply Google "mormon survival food supplies". Example: <https://www.lds.org/topics/food-storage?lang=eng>

Drone killings, renditions, torture, endless war, negative rates are not the actions of a confident nation. These are acts of desperation. This is a military-security complex with no restraint. Don't be a putz. Buy gold and get prepped.

I have my book on Amazon priced as low as they will allow. I make next to nothing on it. Read it and you'll understand that market timing is doable.

http://www.amazon.com/How-Invest-Cant-Afford-Lose/dp/1463750307/ref=sr_1_1?s=books&ie=UTF8&qid=1320505896&sr=1-1

Best regards,

Tom Gleason