

The Gleason Report
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S&P500: 2051
Gold: \$1322
10yr Bond: 1.58%

Why the Brexit

Britain has voted to leave the EU. This morning the financial markets are in tumult with gold up \$60 from yesterday, the pound down near 15% and stock markets plunging. David Cameron has resigned as Prime Minister. The markets did not expect this. The opinion polls in England showed that the major issue driving Britain to vote for leaving the EU was immigration. Over the last couple days people decided that EU rules on unrestricted population movements between nations in the EU were not good for the UK. This issue was simmering for a long time. The influx of refugees into Europe resulting from the war in Syria meant many of them would end up in England. That is the single most important factor that led to the Brexit vote.

Alan Greenspan said this morning that Brexit vote is the worst event he's seen in his entire 50 years of public service. It is the tip of the iceberg and portends major change is ahead including damaging market forces.

<https://tinyurl.com/zyeofet>

In my last report from June 6th, I suggested moving the long bond portion of your portfolio into gold. It is clear to me that the manipulated interest rates in America and Europe cannot be sustained. They are a sign of failure and nobody in their right mind should own long bonds paying 1.5% in America and negative rates in parts of Europe. Sovereign bond yields are the biggest bubble in human history. You should take an opposing position. The economic pressures within Europe caused an enormous crack today starting in Britain and it will sweep across Europe and America in the months ahead.

The EU idea was conceived as a means to stop the European wars that extended over centuries. A common currency and a political union would mean peace and prosperity. America had taken over Europe's defense security through its leadership of NATO thus Europe didn't have to have

large standing armies. American interests, however, were not fully aligned with Europe's with the schism becoming larger over the past eight years.

America looked upon the EU as a way to hold together a bunch of wild dogs on one leash. Like a professional dog walker in New York they thought they could pull the whole pack of nations to whatever lamp post they wanted. America and its minions would piss on nations they didn't like with military force and economic sanctions. There were big plans for expanding NATO and building a European army and using the union to block the expansion of Russian energy influence and a Chinese economic expansion. Is anyone surprised that Europe likes cheap Russian gas and Chinese consumer products? Why should their trade suffer to appease America's desire for a uni-polar world under the Yankee thumb? This was a pile of lint waiting for a spark. America's proxy war in Syria scratched the match and set Brexit in motion.

Brexit was a direct consequence of America's war of chaos in Syria which caused a massive population displacement. Britain has rebelled against an immigrant influx that doesn't share its traditional values. Britain has gone off the dog leash and other nations will follow. Look for this trend to pick up strength across Europe and possibly lead to secessionist movements within the United States.

The blame, if we wish to use that word, should be assigned directly to Barrack Obama and his neocon policy makers. These people have a wrongheaded world view. They believe they can use America's military power to force the nations of the world to accept dictates that go against national preferences. It isn't working and will never work. It's time for the DC policy makers to acknowledge this fact and change course because they are making huge foreign policy errors. For example, America attempted to crush Russia by getting the Saudis to pump oil and drive down prices. As the world's largest energy exporter surely the Russian economy would be ruined and they'd once again become the supplicant nation of the 1990s. It backfired. Russia still stands. OPEC was unexpectedly destroyed instead and the petrodollar is down on an eight count. This was a foreign policy disaster and national embarrassment of the first magnitude.

The core problem with American foreign policy is this foolish idea that it is the exceptional nation and shall rule over all others or else. It's summed up in the Wolfowitz Doctrine that states America should crush any nation that could possibly become a competitor to US dominance. Needless to say, acting like that isn't a good way to make friends. America funded ISIS and set the head choppers loose against Syria because they want to run pipelines through the country to offset Russia's dominance as Europe's energy supplier.

As we now know, the plan didn't work out. You shouldn't be surprised. America will not ever be successful imposing rules from the top down unless there's a carrot offered along with the stick. Hierarchical mismanagement is also the problem with the EU concept. America was successful in the past because it led by example by successfully raising the standard of living for its people and letting other nations align with American business to get a piece of the action. Today, the trend of prosperity is going the wrong way towards poverty with economies weakening and unemployable foreign populations swarming across national borders. This is

wreaking social havoc in countries that America once viewed as reliable vassal states. It's a recipe for economic failure and social revolution that perhaps even Obama and Valerie Jarret can now finally understand.

For fifteen years America has waged war in the Middle East and engaged in proxy wars against Russia. People want stability and prosperity and American policies only offer more chaos and failure. Rebellion will only grow and sweep away the post WWII European progress unless the neocon danger is called out and the course changed. Unfortunately, the people in power within America have little understanding of social history. They don't understand what's occurring across the globe. Their rigid fanaticism and belief that they can control the world has made them blind to the economic and social dissolution they've set in motion.

Europe and America have the exact same problems with immigration, entitlements, and declining economic productivity. The same outcomes should be expected in America. Donald Trump represents the blowback. The neocons hate him because he threatens to exacerbate their loss of control. The pitiful US major media rail against his anti immigration statements and his insistence on putting America first. He is expressing what the people want. Obama and the neocons have no idea how powerful this idea has become.

The UN stated in June that the refugee flows have reached historical record levels and many more will flee into Europe unless stability is restored. <https://tinyurl.com/hx3jquk> The only way to maintain the European Union is to restore stability to the Middle East. If America continues to wage wars and expand its war in Syria then even larger waves of Muslim refugees will flood Europe and the EU is doomed. I have no doubt that Russia sees the handwriting on the wall for America. The only question now is will the United States recognize the inevitability of the situation or will the neocons push for a major war.

America is facing certain failure if it continues expending resources on keeping others down. The way to success is willing cooperation and drawing others to your side because you offer something better. The neocon path offers only destruction and chaos. Obama needs to wake up and realize he has been badly advised by his inept staff. He'll no doubt drift aimlessly into the November election. Voters will then choose between an American style Brexit or more neocon chaos.

The path to success is cooperation of America with Russia and China and allowing the inevitable integration of Russian energy and Chinese production into Eurasia and Europe. For the world and for Europe's new immigrants this is the correct direction. It would lift incomes across Europe and Russia and pose a powerful counterforce to the failing entitlement systems that threaten the EU idea. Success for the East though makes America the odd man out. They won't need the dollar or the US military. It means a certain loss of American dominance in the short term but great potential prosperity for everyone in the future. Does America have the wisdom to align rather than resist? Will America divert the foolish and wasteful expenditure of capital from war into domestic infrastructure spending as Trump suggests? If America continues on the

path of negativity and chaos then we'll see further declines in industrial production, failing pension systems, and social upheaval everywhere that will lead to revolutions.

Many believe the collapse of the EU is likely within five years. <https://tinyurl.com/zqzdbaj>
America will lose its European allies and ability to negotiate the terms of Europe's alignment with Asia. Such an outcome would be disastrous for America. It's time for the NY Times, Congress and the US military to recognize the neocon danger. Stop supporting it and demand a change of course. Otherwise, Europe will fall and America will go down with it.

Best regards,
Tom Gleason