

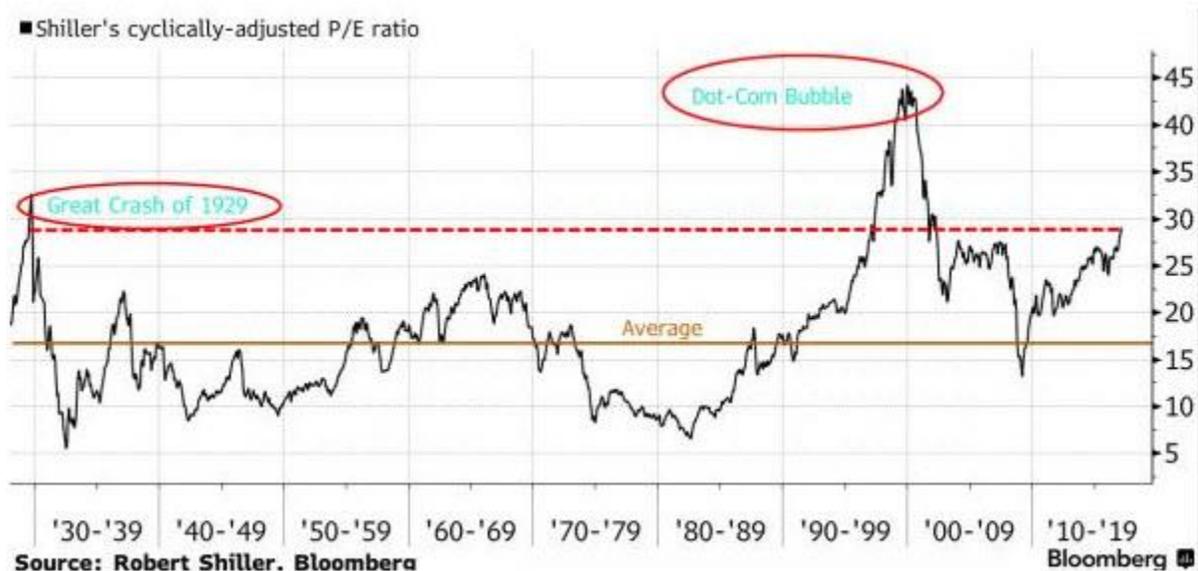
## The Gleason Report

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14 March 2017

### The Stock Market

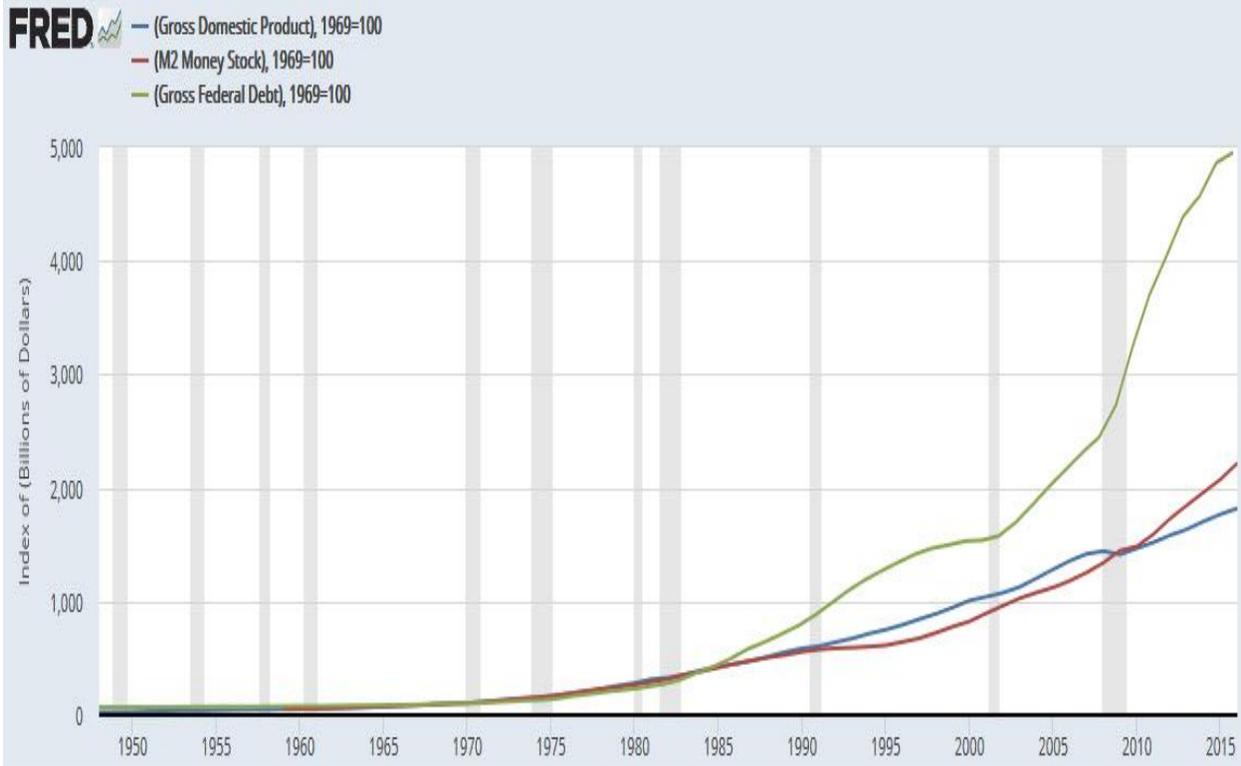
My timing model is still in the S&P500. The model went back into the sectors of construction, utilities, and health care. Flip-flops like this can be indicative of tops but not always. I don't see any dividend stocks worth buying at these prices. Not enough yield to compensate for risk and inflation. Robert Shiller says the market is "way over-priced". The trailing PE is near 1929 levels and above 2008. I suppose it could rise higher but why hang around to find out.



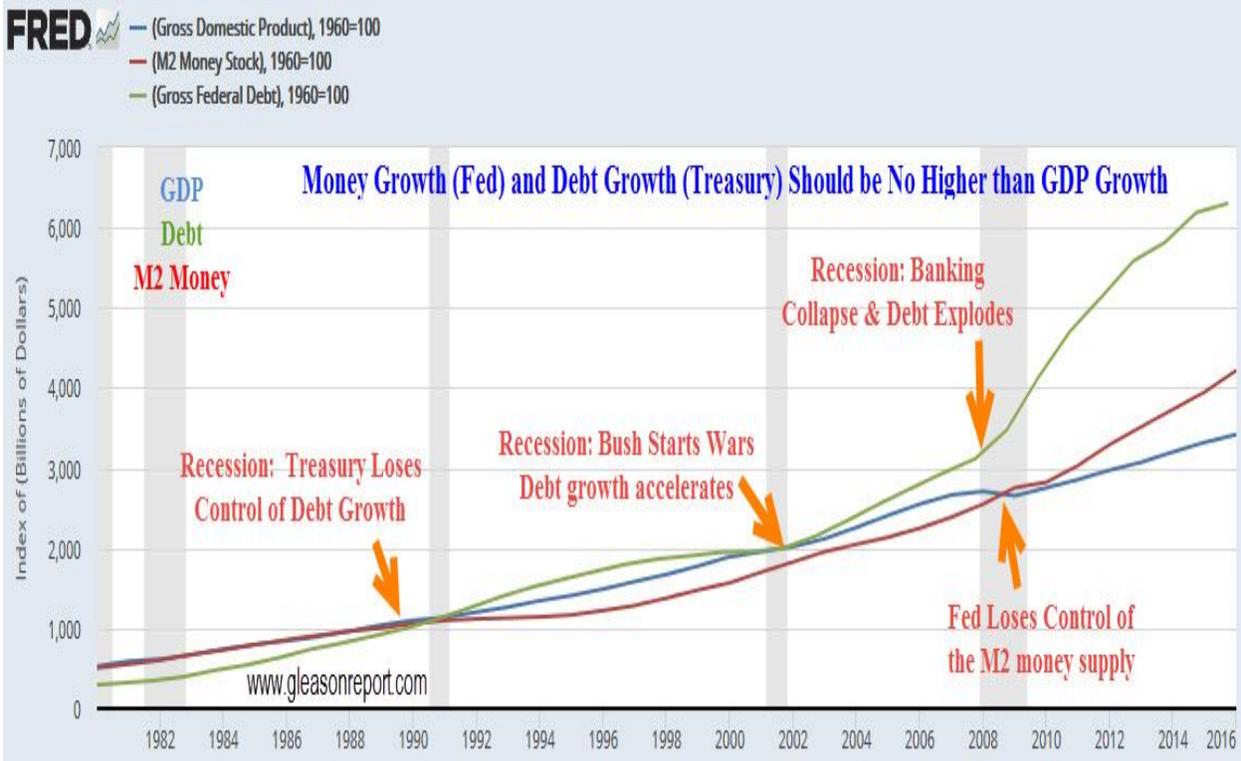
### How the Fed Thinks

The Fed tries its best to keep the rate of money growth rising at near the same rate as economic growth. The Treasury likewise makes sure debt growth doesn't outpace economic growth. If the debt grows less than economic growth, then all is good because the debt can be serviced with national income. If the economy is growing at 3% then that's the maximum rate for debt growth. There's variation but on an average basis they'll track each other over time.

But the Fed doesn't control spending. It can only react to Congressional spending by using its monetary tools. As you can see in the chart below, the GDP, M2, and Debt all grew at the same annual rate until the mid-1980s.



Let's show the chart from 1980 forward. Leaving the gold standard let debt run wild.



First debt growth and then money supply growth became unhinged from the constraint of GDP growth. It's no coincidence that long-term money growth (6.9%), GDP growth (6.5%), and the stock market (7%) have historically grown at near the same rate. This is why Warren Buffett tracks the ratio of GDP to stock prices. A rising trend in GDP should lift stock prices. But look what is happening.

GDP growth is on a severe long-term decline while debt is soaring. The problem is debt growth under Bush (7.5%) and Obama (9.2%) has greatly exceeded GDP growth (2.5%). In 2016 the year-over-year debt growth rate was 10.2%. The much-maligned Federal Reserve can't control debt and tries to constrain inflation. Look at the chart below. It can't cut money growth to sub 3%. The Fed is trying to keep it all together but M2 is running hot due to debt. That's why we have suppressed short term interest rates. If interest rates rise, debt will go vertical.



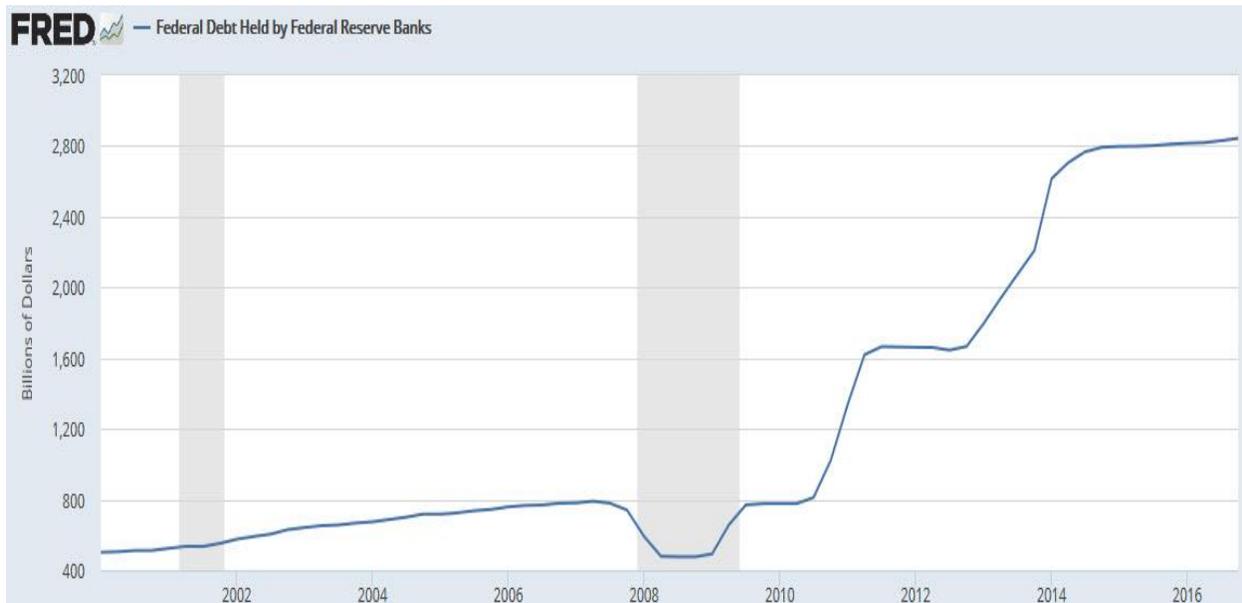
The dollar is the world reserve currency. The United States MUST run trade deficits to provide the world with liquidity. Thus, American trade barriers and tariffs will be extremely negative for the global economy. If America cuts back on spending, then credit growth and liquidity fall and the major economies will ALL feel it. That means future spending must always rise.

The Fed has no choice but to accommodate spending with loose money. With growth on a downtrend and spending increasing it sure looks like inflation will hit hard. The Fed will fake it but will never make it. They said they'll start raising rates. I'll guarantee you that those rate increases will lag inflation for many years. And, if interest rates rise the debt will explode. We

had a great run since 1945 but the game is about to change. In her congressional testimony, this week, Yellen said "Economic growth has been quite disappointing." She also said it's not the Fed's fault. It isn't their fault!

### Trump's Big Problem

Donald Trump is out of runway. GDP growth has been falling since the 70s. Debt is exploding higher relative to GDP. Debt is not the answer this time because foreign governments are net sellers of US bonds. If he issues more debt the Fed will have to monetize it like they're doing now. The Fed is buying the federal debt and that is really bad.



Trump has no good choices, He may want to get debt down but Congress will NEVER cut spending. Besides, less spending means less credit and slower global growth. To sum it up, he can't cut spending or the country goes into a depression.

Trump wants to spend on infrastructure but it takes a lot of time for those big projects to boost incomes. John McCain wants lots of defense spending now. Trump agreed to spend \$50B more.

The neocons are telling Trump to start wars. Blame Russia for the impending economic collapse. Knock off the foreign competition fast or the East will continue its rapid growth and America will no longer be the global leader. War didn't work for Bush or Obama and Trump knows that war with Russia means the United States will be obliterated. The Russians spend 90% less than America on defense but have spent wisely. They have better offensive missiles and a superb defensive missile system. America has spent on Littoral ships that can't float, an

F35 fighter that can't fight, and aircraft carriers that even the Navy says are sitting ducks for modern missiles. They spend on the military to prop up the economy.

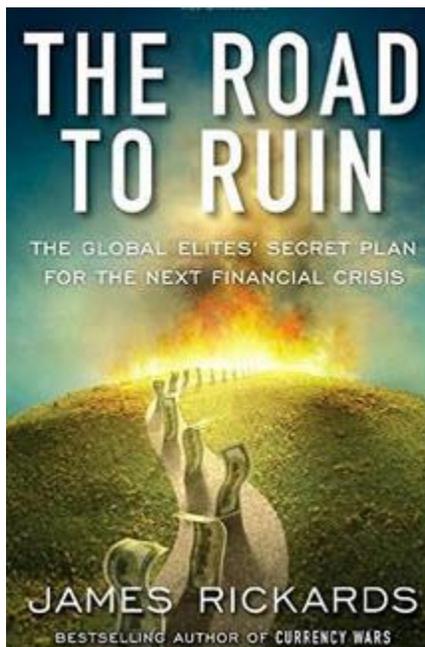
President Trump has only one sane choice. He must reorganize the debt. That's is, a negotiated default. He must let the dollar fall and agree to a new currency system where the dollar won't be the reserve currency. Only then can he reduce our trade deficit. That's the unpleasant fact but the sane choice. However, insanity isn't off the table.

What happens to a nation when it hits the wall? Will it be war, default, slow collapse or rapid? With that in mind, I've reviewed for you Jim Rickard's latest book.

### **Book Review: Jim Rickards -The Road to Ruin**

Rickards, the popular financial author, says economics is a science and it can be modeled. Well, it's actually more of a social science than a hard science. Capital markets may work off of financial equations but people not so much. He wastes a lot of time in the book discussing Bayes Theorem. Overall though, I think his latest book, Road To Ruin, makes some great points.

Rickards pushes complexity theory and believes some financial snowflake event will start an avalanche that will crash the elites' dream of global money. I do agree with Rickards that our money wealth is poised to diminish at an increasing rate once some trigger is pulled. The wealth and security we thought we had will be a chimera. Gone in the blink of an eye.



Trump has proposed a 20% tariff on imports. Rickards says make it 30%. I can't agree with Trump or Rickards because it's not the right time. Tariffs will cause a huge drop in global trade. Author Richard Duncan certainly doesn't like the idea.

*"If President Trump really does carry out his campaign promises to cut taxes, increase government spending and eliminate the US trade deficit, interest rates will spike, causing credit to contract, asset prices to crash and the economy to collapse back into a 2008-stlye recession – or worse."*

<https://www.richardduncaneconomics.com/my-warning-to-some-of-the-worlds-largest-investment-managers/>

If you've ever seen Rickards on TV, he comes across as thoughtful and measured. He is certainly suspicious of what the elites have planned for us. I'll give you a summary. The tone of this book is outright

apocalyptic. He firmly believes that a financial holocaust of immensity is about to fall upon us and very soon. The blowout debt growth in my chart means he's right.

He says the global elites are not organized groups with deep plots against the average person. They are rich people and thought leaders operating in overlapping spheres of interest. Some 'supercarrier' personalities move between spheres and share values among them. Conferences like Davos build connections with the government, military and business sectors. Personal self-interest drives the action. *"Their glue is like mindedness, their strength is patience, their method is piecemeal social engineering. Their scalpel is the shock doctrine."* They'll wait for a crisis and then use the ratchet method. As they gain an advantage they ratchet it into place; hard to move backwards from there. Their agenda is: One money, one world, one order.

The elites are connected guys who believe social and financial engineering can work globally. These people are transnational. It's a Maslow hierarchy of needs thing. Once you got it all, maybe you share a bit? Not these guys. They want to control and manage the little people for their own good.

Like TGR, Rickards says global warming is about world government and global carbon taxation. Taxation helps the move toward one world money. Same with eliminating cash – going digital – it means no escaping the tax man. America's global institutions will require it and that's how global control will be attained.

The dollar will fall in influence after the next crisis he says. The IMF's Special Drawing Right pseudo currency (SDR) will be rolled out as a move towards global money. It's pure fiat and no better than a Zimbabwe dollar. A basket of other fiat currencies is used to set a price for the SDR. This is why China and Russia are buying gold for the post dollar era. Owning a lot of gold gets them a seat at the SDR table.

Rickards has little confidence in economists getting things right. He believes some tiny gear in the big works goes bad and triggers a market collapse. I do think he's got good insight at predicting Federal Reserve policy. He is extremely opposed to today's militarized police culture. Says Congress is corrupt and totally owned by the world's greatest criminal enterprise – bankers - and especially JP Morgan.

Since a dollar crisis is inevitable, the backstops to be enacted via the IMF and SDR are already in place. They'll wait for a crisis and then act quickly to enact their policies and then apply the ratchet. This is where it affects you.

ICE-9 is a term he uses to denote the government's reaction to the looming major financial debacle ahead. He says a lockdown of financial accounts will make it impossible to protect wealth after the next big crisis. Rickards says in the next crisis they will scoop up everything in

brokerage street names. I agree with Rickards on this. I called **Vanguard Group** and asked about taking my securities out of their street name and getting direct registration. They said they won't help me.

He says derivatives risk increases exponentially based on total risk not netted out risk. In the next crisis, the system will go down at astonishing speed. All accounts will be grabbed for an unknown duration.

Rickards says to expect a financial earthquake in 2018 or earlier. He believes that gold will break out much higher due to failure to deliver physical metal. It will then become a monetary metal rather than being priced at its commodity value. That is certainly possible as we've seen gold selling for over \$2000/oz in India due to that country's war on cash and eliminating large denomination notes. People in America should heed that lesson. The dollar is pure fiat and debt is soaring. The same outcome will happen here but on a much bigger scale.

He recounts a friend going to the HSBC bank gold window with some small bars. He noticed some 400oz delivery bars and the clerk intimated that there was a big problem with fake bars at the bank. HSBC had to later pay up when China discovered the fakes. The woman who had managed the HSBC operation for twenty years died prematurely in her sleep. HSBC closed their Manhattan gold window and China now melts all bars originating from the West into kilo bars for that reason.

Rickards states that the supply of physical gold is very tight and it's hard to get delivery on orders of several tons. (This confirms similar statements by Jim Sinclair and Rob Kirby.) People who own allocated gold delivery bars with an assigned bar number often get bars delivered with different serial numbers. This indicates that even allocated bars are being played with. These trends of scarcity and counterfeiting and substitution are things the general public and policy makers are not aware of. This is all leading to a crisis of failure to deliver physical metal. When this happens, institutions will understand the shortage and will move like a herd to get gold for protection. The price will soar. This will be Ice-9 for gold. Trading will be stopped and contracts will be settled in dollars.

He says to put 10% of your investments into gold yet he is clearly obsessed with the yellow metal. I strongly suspect he's closer to 30%.

## **Gold**

In 2016 gold was up early in the year and down in the last part. The metal gained around 10% for the year. It started 2017 near 1150 and today it's \$1200. Up 4% ytd. It could fall 5% next week – who knows. I said early last year that gold would likely average a 10% return annually. It would be better to say it will provide a positive return above inflation.

*“CPI is not a measurement of rising prices, rather it tracks consumer spending patterns that change as prices change. The CPI doesn’t even touch the falling value of money. If it did the CPI would look much different.”*

<https://www.forbes.com/sites/perianneboring/2014/02/03/if-you-want-to-know-the-real-rate-of-inflation-dont-bother-with-the-cpi/#2b1b0378200b>

Interest rates are at the lowest level in 5000 years (really!). That means bond holders should be sweating. It’s no coincidence that stock prices have risen over the decades at a 7% average return. That’s the exact number of our annual average monetary inflation. Inflation is mostly in stock and home prices today but that could change quickly. Stock prices are very high and the monetary stimulus must continue. Where will inflation money go if not into stocks or bonds? Jim Rickards says most of it will be lost when the markets panic. Vaporized in an instant.

Historically, when bankrupt governments get into this situation, they always inflate/debase or engineer some financial trickery that screws the average guy. Some people suggest they will default on paying debts. International creditors never go away so default is not good. A negotiated default is certainly possible at this point but that would take courage. Besides, inflation is legal and easy to engineer. It’s what they’re doing now.

Rising rates on the 10-year bond will signal rising price inflation fears. We aren’t there yet but things are unraveling nicely.

The East continues to rise and is America’s creditor. They have lots of nukes and lots of people. So, war may be not such a good idea. [This repeating story of the rise and fall of great nations is ageless.](#) The last two centuries show many such examples. Is America exceptional in that regard?

Thanks to price suppression, gold is selling near the global cost of production so it’s not over-priced. Is the price rigged? Yes, it is. Gold normally sells as a commodity based on the cost of production. The Fed buys and sells gold to prevent a runaway price that would cause a loss of confidence in the dollar.

My research shows that gold does well with negative interest rates. It does best when long term treasury bond rates are rising. I show the correlation in my book. The cost to mine an ounce of gold globally is about \$1100 per ounce give or take. You get zero in a money market fund minus the inflation for an official annual loss on cash of at least 3% per year.

We own gold as a hedge against a broken financial system. We hold gold to offset the falling purchasing power of a fixed pension payout and depreciating money. I suggest 30% of investable assets. Many professional advisors will say that’s far too much. It’s critical to

understand that to restore systemic balance to the world, a huge amount of wealth must be lost quickly or slowly. It will be lost, that's for sure.

### **The Russian Turmoil**

The neocons are trying to KO Trump with allegations his team had pre-election talks with the Russians. They make it seem so important. This attack is pushed by a significant neocon super-kook group in DC led by bottom-of-his-class John McCain.

Many Americans believe Russia invaded Ukraine and stole Crimea. You hear this repeated all the time on the mainstream news. It never happened and the news organizations know it. America overthrew the elected government of Ukraine and installed a puppet. He attacked eastern Ukraine which is mostly Russian speaking. Russia never crossed the Ukraine border but likely did help the people of the Donbas region with intelligence and weapons. The Ukraine military was defeated with big losses of tanks and soldiers. Then the people of Crimea voted to leave Ukraine and join Russia – no doubt a friendly suggestion from Moscow. Under international law, Crimea is now part of Russia. The Eastern Donbas (Novorussia “New Russia”) region of Ukraine is also moving to leave Ukraine or be self-governing.

<http://www.informationclearinghouse.info/article39964.htm>

The Ukraine story is just one more example of the lies and fakery fed to the American public. The network news is lying because it is told to lie by people in government. Fake news is propaganda and deliberate official policy.

### **What are the Agendas?**

What matters to progressive globalists is herding the people. This is done with propaganda and fear. The globalists have a utopian vision of saving the environment, population control, establishing world peace through global government and global money. It will be a world of coffee-with-cream skin color, sexual ambiguity, elimination of private property and everybody will live and work in urban high-rises (UN Agenda 21). An unelected supra government will tax, spend, and control. Peace, social control, no litter, a pacified group-think citizenry, constant surveillance and truth provided by CNN propaganda. Sort of sounds like communism. The few dissenters get pushed along with the crowd. It's a 1984 type plan.

They use Gates, Bezos, Google, Facebook as information control agents. You can see it today. Facebook suspends accounts of people who challenge group-think, Google turns off advertising links to prevent dissenter web pages from monetizing their content.

"We have guided missiles and misguided men." ~Martin Luther King, Jr.

We all know Mr. Trump has a vision of government far different from the neocons and globalists. What he may do is mercifully close the door on the failed past of the last thirty years - bad money, senseless wars, financial bubbles, and a military-Wall Street nexus that is reducing the populace to poverty.

The nation wants peace and prosperity. We don't need the people at CNN, CBS, and the NY Times continually trying to stir up racial rancor and lying non-stop to protect the corrupt coastal elites. They failed to challenge Bush on his wars or Clinton on her corruption. They let Obama slide on his drone killings. 90% of the victims were civilian bystanders.

<https://theintercept.com/drone-papers/the-assassination-complex/>

It was the alternative news, the real news, and outstanding journalists like The Intercept's Glen Greenwald and Julian Assange at WikiLeaks who forced out the facts on America's ruthlessly incompetent leadership.

Here's an example of how bad it is. Columnist Georgie Anne Geyer attended a dinner. *"... a small dinner of eight or 10 people I attended, given by the respected Marine Gen. James Jones, then supreme allied commander of NATO, at his glorious residence in Mons, Belgium. It must have been about 2003 or '04, and the Iraq and Afghan wars already hung over us.*

*At dinner, I asked Gen. Jones why no one in the Pentagon spoke out against these wars that, like Vietnam, could only be won by utterly destroying the country involved. "It's because, if they speak out, they have to leave the military," he explained, referring to the pattern at the time, "and nobody wants to do that."*

<http://www.uexpress.com/georgie-anne-geyer/2017/2/28/solutions-to-americas-security-begin-with>

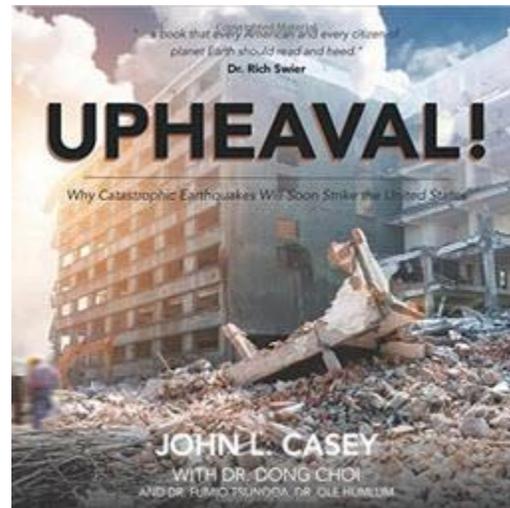
In other words, the great generals wouldn't speak the truth about the insane Bush wars because they were afraid of losing their jobs, pensions, and post-military goodies. Most people with authority act out of self-interest. Compare that to our founding fathers who put their lives and fortunes at risk for an uncertain young nation. Our financial problems can't be fixed without economic reform and can't be avoided much longer.

### **Upheaval by John L. Casey**

This book is the cure for all your global warming fears. It's authored by John Casey and three Ph.D. geologists. He's a former space policy advisor to the White House, space shuttle engineer, consultant to NASA, and self-taught climatologist. He says that refuting AGW is career suicide for a scientist. Reporters who've published articles on his book are fired within three months. Scientists lose their jobs or their projects get defunded for taking a stand opposing AGW. I've remarked on these facts before.

Casey says the Sun and variations of earth's motion are the primary drivers of climate. The Sun acts in predictable long-term solar cycles and that is proven science. Casey says the Sun is going into a hibernation cycle. Thus, earth has begun a cold cycle which will continue for quite a while. How cold will it get? It will be a killer cold period and it's here now. The Russian Academy of Sciences agrees with him.

In the book, Casey states that the earth goes through periods of warming and cooling in predictable solar cycles which are well documented by climatologists. These cycles are of long duration. In an extended warming cycle, there will be severe cold periods between warming cycle peaks. In long cooling cycles, where we are now, there will be warm periods that can last decades or centuries. Casey says the Sun has now entered a proven period of solar hibernation that occurs every 206 years. Translated, that means there are no sun spots at this time. What comes next is a near certainty. He says we will experience 30 years of dangerously cold weather. There will be many volcanic eruptions and earthquakes over the next two decades as these events are highly correlated



with low sunspot activity. Some years will be warmer or colder than others but the trend will be into a dangerous deep freeze.

The bottom of the cold cycle will be 2030. By the late 2020s or earlier there will be total crop losses in the globe's northern latitudes. This includes Canada and the northern US grain regions. He states that it will be a difficult period for humanity. Crop failures will cause starvation, social upheaval and population movements.

Some Russian scientists are predicting a cold period much longer than Casey's 30 years but not as abrupt.

<https://www.sott.net/article/332663-Russian-scientist-The-new-Little-Ice-Age-has-started>

*The theory of mad-made global warming and climate change based on human greenhouse gas emissions is the greatest international scientific fraud ever perpetrated on the world's citizens. [extreme] Global cooling will be perhaps the most important human story of the twenty-first century. Carbon credit trading is one of the most reprehensible financial scams of the century.*  
– John Casey

How cold? Agriculture north of Chicago won't be possible. In the latitudes from northern Arizona to Lake Michigan farming will be marginal or impossible. If he's right, then crazy John

McCain won't need to start a war with Russia. Crop failures in the northern latitudes will take care of the Russian 'threat' along with potential combatants Germany, England, and most of Europe. He says the cold comes suddenly; it's not a gradual transition.

Here's a 22-minute interview with John Casey.

<https://www.youtube.com/watch?v=XQanWtkSDHE>

## **Bitcoin**

In an age of digital information and online services, Bitcoin and its blockchain seem natural to many. It offers privacy and the ability to avoid government restrictions on what you can buy and who you can deal with. As a libertarian techie type – I get it.

The real business question is: Do most buyers and sellers really want the anonymity of a blockchain digital currency? I'll bet they prefer something easy to use. People like the idea of receipts and a monthly statement. Most people I've questioned are indifferent to tracking, spying and profiling.

Payments are largely digital already. With Bitcoin, the bankers would lose their rake on credit card payments. But, people do like the transaction safety of credit cards. Bitcoin doesn't offer that. If you lose your digital wallet code or it's hacked, all your money is gone. Consumers won't give up security for anonymity.

For reasons of tax evasion, police work, and the government's immense desire to track everyone's spending, they won't allow another money. Maybe they'll leave Bitcoin alone but I doubt it.

## **Summary**

I think Congress knows that political disharmony is growing and their infighting needs to end. It's not going to be business as usual. I heard on Bloomberg this morning that the nation is at full employment. Another lie. She should have said full underemployment minus the millions who gave up looking.

Centralized control is fracturing in America and Europe. That isn't good for investor confidence. The last two market crashes happened on the cusp of a new president taking office in 2001 and 2008 and we're there again right now. The stakes now are so much higher. Could the markets overwhelm the fixers? Can they allow the markets to fall?

The neocons, globalists, and progressives lost big in the election. They are stunned and angry and have turned on the middle class and the elected president. We can't fund more wars. We can't afford global taxes. Sorry progressives but we can't pay for millions of illegal immigrants

and transgender restrooms. The coastal elites control the media conglomerates that the middle class doesn't trust. Network news is no longer a good tool of control. The people know they're being lied to. They will become more radicalized by an alternative independent media. This is major social change right now!

The people in DC won't willingly change. They will wait for the collapse and then scramble for control. That's why they need to knock off Trump. He will deal with the financial wreckage like a businessman. He'll fix up America, bring the military home, and end the trade deficits. The neocons would use any period of turmoil to start wars. The progressives want chaos as a cover to enact their social-welfare society.

My stock market model is still in the SP500. I do believe the markets are rigged so I hope my timing signal gets you out in time. I'd avoid bonds with a duration beyond three years. I'd be in a federal money market fund rather than any fund holding repos. Please buy a little gold.

Can the system recover and prosper again? America may indeed be great again but it needs a return to reality first. The markets, the money, and the media are all in for an enormous shake-up. The western debt based financial system is going to die. What comes next is uncertain but you will lose your savings to either inflation or a dollar devaluation. No, the stock market will not rise to infinity. Bitcoin is vapor-money; a speculation.

I understand that President Trump is not popular with many people. He's a disruptive political force and a transitional politician. He was placed in power by a very unhappy segment of the population who want a moral redemption of their country.

Best regards,

Tom Gleason

Questions? [info@gleasonreport.com](mailto:info@gleasonreport.com)