



Financial Crisis Report

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Advancing in a Time of Crisis

Words of Financial Wisdom: The way to succeed is to double your failure rate.—Thomas J. Watson, founder of IBM

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Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets. The *Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

Obama Down – Oil Up

Due to ISIS (the Islamic State), the prospects for our oil investments are looking pretty good now. But President Obama’s prospects are not quite that rosy.

But we should define what ISIS is. If we were to ask former President Clinton, he would probably reply “that depends on what IS IS.”

But with the help of the *Wall Street Insiders* publication let’s see what ISIS is all about.

ISIS understands the 3 p’s of modern radical religious warfare: Publicity, Profits and Pretty slave girls. They are building a finely-tuned war machine around these three principles.

ISIS knows that 18-year old kids -- who are willing to detonate bombs strapped to their chests... or run in front of machine guns for you with no fear -- must be fanatics.

So ISIS tells its young warriors they are working on the side of god. They get the thrill of holy battle, with the promise of eternal paradise afterward. They are allowed (encouraged actually) to rape, pillage and plunder.

The Yazidis of rural Iraq recently learned this horrible fact. A new US State Department report says ISIS raped, tortured and kidnapped up to 4000 Yazidi women and children in August alone.

Like any army, ISIS needs to keep its soldiers fed, armed and supplied. That costs money. Already ISIS has seized billions of dollars in assets. They produce millions of dollars every day in revenue. That takes care of the ‘profit’ part of the equation.

Next comes publicity. ISIS leaders are evil geniuses at this. They totally understand digital media. They create incredible amounts of grisly Public Relations material, that their audience (radical Muslims) find both thrilling and hypnotic.

ISIS leaders know the key secret: the world’s 2 billion Muslims are among the poorest, most ignorant people on earth. That is why Arab media content (other than music videos and soccer games) is so infinitesimally small. Why write to an audience that has no money to buy your products?

ISIS knows the second key secret as well: most leaders of the Islamic world are sheltered parasites, completely out of touch with the people they rule. If you are a member of the royal family -- say of Kuwait, Saudi Arabia or the Emirates -- you lead a life of wine, women and song.

Suppose instead you are one of the huddled Muslim masses. Your life is filled with fear, poverty and oppression. That is why so many Muslim countries are seeing their youths radicalized. The people running ISIS play to this fact in horrible but effective ways.

ISIS has broadcast on digital media, for the entire world to see, 3 high-profile executions. Actually this is nothing new. They have been slaughtering



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humble people all across Iraq and Syria for over a year. Tens of thousands of them. No one in the media except the *Wall Street Insiders* and perhaps *Fox News* said anything.

But now ISIS has executed two US journalists and one British. That made headline news the world over. Now the world is responding.

So why did ISIS do this?

For two years they went mostly unnoticed, virtually unchallenged. Even though they were raping, pillaging, plundering and profiting, taking over large sections of Iraq and Syria.

So why put themselves on the world's radar screen, with these seemingly crazy high-profile executions?

The answer again shows their perverted genius. Their assessment is the same as Putin's. Obama is feckless and effete. He won't do anything against the political winds. Neither will the Europeans. They seemed to have lost their moral will awhile ago.

ISIS knows the US and EU currently have no stomach for warfare. It knows America has fallen into the trap of armchair warfare. Leaders like Obama love to sit in thick, soft chairs. There they can push buttons and blow things up ten thousand miles away.

They can send pilots on missions miles above the ground, launching laser-guided missiles at their targets below. For a certain type of personality, exploding targets can be fun, in a video-game kind of way.

ISIS fully understands that doesn't work in this type of warfare. So it felt emboldened to make that next move.

ISIS is not so much about gaining territory. They are about gaining the hearts and minds of people. They are after Islam's core group. The poor. The oppressed. The starving masses of Mohammed's children.

How best to recruit them? Well, letting them rape, pillage and plunder goes a long way. But how do you get them to the battlefield in the first place?

By engaging and humiliating the Great Satans! i.e. the entire western world, including America and the EU.

Muslim hatred of Brits and Americans runs deep. By executing high-profile US and UK citizens, ISIS sets a very clever trap. For one thing, they excite the passions of poor Muslims the world over.

If you doubt this, remember what happened right after 9/11. Osama bin Laden's global approval rating among Muslims skyrocketed to its all-time high. Over 50%. The bloodlust and revenge factor in Islam against the west is off the charts.

Already that is translating into 10,000 new ISIS recruits every other month. Every one of them radical jihadists, willing and eager to die for Allah.

ISIS's young soldiers are what every military commander dream of. They don't know anything. They'll do everything. They are fearless... easily brainwashed (they fully believe that as martyrs, 72 virgins wait for them in paradise)... and are at the height of their physical abilities.

So ISIS's high-profile torture and executions do two critical things. First, they strike terror among their enemies. It makes them much more cooperative.

More important, the executions show the world's Muslims that ISIS is not afraid to take on the Great Satans. That wins the hearts and minds of the Islamic masses. All two billion of them.

Now add the other key fact: ISIS knows Obama will fight a push-button war. i.e. the kind America can't win.

Win/win for ISIS... another historic loss for America and the west.

ISIS has an army of the people, by the people and for the people. What we can call 'the rice paddy army.'

The original rice paddy army was the Vietnamese peasants. By day they worked in their rice paddies. Happy villagers. By night they made bombs that seriously deterred the American military.

ISIS understands one of the great principles of modern warfare: "he who fights and runs away, lives to fight another day."

It also understands what another great genius of our time said, "when you bomb a father's daughter and blow her to smithereens,





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you just recruited him and his entire family to your enemy's side.”

ISIS has already adjusted its battlefield tactics. It has melded itself into the Sunni masses -- the everyday people who make up most of the Middle East.

America will drop its bombs on those masses. Just like Israel dropped bombs on Gaza. Every one of our bombs, every one of our strikes, will kill innocent civilians. They no longer will be innocent or civilians.

Result: every U.S. bomb will enrage Islam worldwide. It will bring ISIS another 10,000 recruits. It will raise millions of more dollars for the ISIS martyrs. It will focus Muslim hatred of America even more than we see now.

TO WIN WARS YOU NEED BOOTS ON THE GROUND. This is what the U.S. Marines and Army exist for. Never in world history has a war ever been won from the air only. But where will the boots come from this time? That's the next part of this puzzle. Because no nation in Obama's coalition appears to be willing to get their boots dirty.

The UAE, Saudia Arabia, Jordan, Bahrain and Qatar are willing to fly missions, miles above the earth (at least some of them are). They may launch rockets (though again, not all). But they aren't willing to send troops.

The US will NOT send in troops. Obama has been crystal clear about that. Neither will Britain or Germany. In fact, both nations just said they won't even fly missions over Syria.

Among potential Middle East coalition members, Kuwait's silence is deafening. Egypt wants nothing to do with a conflict that is countries away from it. Saudi Arabia doesn't dare attack ISIS: to do so would mean attacking the new Caliph, the direct successor to Mohammed.

The Turks have a large, well-trained military. But they are not willing to get into this war. Doesn't matter how many visits Kerry makes. They are quite happy to keep using the Kurds as a buffer, who vigorously defend their border. For decades they have made their position abundantly clear: they don't care what happens in Iraq or Syria.

One thing for sure. ISIS will keep sending its troops. Tens of thousands now... over a hundred thousand by year's end... with the number growing exponentially from there.

In war you have to throw enough bodies at the enemy. You must pay the price in blood. ISIS gladly does that. The west refuses to. That does not bode well for us.

The US left behind vast amounts of arms, tanks and supplies for the Iraqi government/military. Much of those arms are now in the hands of ISIS. Yet the US promises to supply many more weapons to the Iraqis. So does the EU.

America and Europe are making a historic mistake. They have this fantasy, that Iraq's corrupt government officials will do the west's dirty work, rally the Iraqi troops, and defeat ISIS.

But the Iraqi government leaders have the same problem as every other Middle East leader. Their citizens hate their guts. They aren't willing to die for them. To rely on Iraq's failed military to turn the tide -- to arm them with still more training, guns, tanks and weapons that will likely end up with ISIS -- is totally naïve.

Iraqi soldiers are famous for shooting their commanders in the back, dropping their guns and running. Twenty years of desertion and failure have proven they are not up for the job.

Yet that is the centerpiece of Obama's so-called strategy. For these 3rd-rate fighters (the real junior varsity) to stand up against and defeat the die-hard fearless fanatics of ISIS is dreaming.

Obama's other 'strategy' is just as delusional. He is going to arm to the teeth other radical Muslim fanatics in the region. The hallucination here is that they can take out ISIS, and restore order, peace and good will towards America and all men.

Really? These guys hate the US as much as ISIS does. Given the chance, they would cut our throats in a New York minute. But in the minds of the White House they are going to defeat bad ISIS, and launch a new era of respect and cooperation.

Sharks will sooner turn into vegetarians. But that is America's policy under President Obama.

Now consider Iran. They are just as radical as ISIS, with one crucial difference. Iran is Shiite. Mortal enemies to the Sunnis. (ISIS is Sunni.)

The Iranians know the Sunnis will never align with them, no matter what. The ancient hatreds run too deep. So they are playing a very clever game.





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Iran and the Saudi royal family (also Sunnis) hate each other. The Iranians realize that if they don't fight ISIS, the Middle East war will soon spill over the border Iraq shares with Saudi Arabia.

Saudi Arabia is made up of scores of Muslim tribes. The Saudi royal family has treated them like dirt for hundreds of years. Once the fighting crosses over into Saudi Arabia, most of these tribes will quickly join ISIS, their brother Sunnis, the new Muslim Caliphate.

ISIS style warfare fits in perfectly with trouncing the Saudi royal family. ISIS liberates the Sunni masses, who are eager to join the new Caliphate. Their enemy -- the Saudi royal family's military -- is a genuine JV fighting force. The royals themselves won't get their white robes dirty.

In short, Saudi Arabia is about to face the same crisis Iraq does now.

The Saudi royals can fight a push-button warfare. But they cannot put loyal boots on the ground, who are willing to fight to the death. ISIS can and will. And that is what it takes to win.

Look what ISIS gets as its prize. A huge population of oppressed Sunnis to join them... and the vast Saudi oil fields. 2nd largest in the world, after the U.S. (when you count oil shale).

In short, ISIS leaders get to plunder the trillions of dollars in Saudi oil fields. Their loyal troops get to rape, pillage and plunder the pleasure palaces and harems of the extended Saudi royalty.

And that leads to another rich prize for ISIS: the soft, juicy easy-to-take Emirates. Like the other oil states, the Emirates never built industry or technology. Instead its playboy princes threw away their vast oil wealth on 2700 foot tall skyscrapers, endless shopping malls, underwater hotels and the world's biggest mansions.

They have no employment for their youth. No business. Their impoverished masses hate their guts. Any idea they have, that their people are not vulnerable to the siren song of radical Islam, is lunacy.

Unfortunately, it appears ISIS' strategy works extremely well. They knew Obama would take the bait. They knew he would never field an army that can defeat them, despite the fact that the US military could totally route ISIS if their boots were on the ground. And they know every bomb the US drops drives thousands more jihadists into their waiting arms.

Middle East oil flows will soon get seriously disrupted. Maybe even halted. All Obama is doing is pouring gas on the raging fires there. Throwing more guns and weapons -- at corrupt governments and radical warlords -- only guarantees the crisis gets worse. Much worse.

The Pope recently said, "World War III has started." He does not know just how right he is.

Whatever scenario you have in your worldview, add to the equation a game-changing fact: Middle East oil flows will soon be disrupted and even halted.

So calculate a world without the critical flow of Middle East oil. Calculate a world where Putin takes the Ukraine, and stops the vital flow of oil & gas to Europe.

That is the picture of the near future.

A whole lot of money will be lost in this. All unnecessarily. All because of one very ignorant Obama decision after another, including...

* pulling our troops out of Iraq before Iraq was stable,

* throwing our support behind the radical Muslim Brotherhood in Egypt,

* not going into Syria when we easily would have won the battle and stabilized the country,

* plus Obama's total unwillingness to stop or even slow down Putin.

These blunders have unleashed forces that are shaking two continents to their core. They won't be stopped by mere financial sanctions or air strikes. So unless we put our own boots on the ground (estimated at this time to be at least 24,000 troops), the west is in serious trouble. It's unfortunate, but it is what it is. Maybe we should call our forces ITIS.

So, out of all this, we can see that the world oil supplies will be disrupted for years, as Middle East oil fields turn into major battlefields. But that's still a huge windfall for ISIS. If they can supply even 10% of current production. They make vast fortunes.

Huge drops in oil supply mean one thing: oil prices will soar. \$250





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a barrel or higher. And this is the beauty of your oil trade investments. It lets you leverage this move... make perhaps ten times your money... without risking much more than your modest initial investment.

And this is just the beginning. The world is at the very start of an oil/gas revolution. Fracking will eventually bring trillions of barrels of oil to world markets. That's a minimum of 30x more than current supplies.

This will take a few years. But it also means one thing: those record-high oil prices will plunge like a rock tossed into a swimming pool.

This happened when Saddam Hussein invaded Kuwait. Oil shot up to \$80 a barrel when the Kuwaiti oil fields were burned... then collapsed back to \$15 when the Kuwaiti fields came back on line.

This time, oil will soar to perhaps \$250 as the world's two largest supplies get drastically cut... and then collapse to under \$10 as the fracking revolution makes oil more common than the dirt that surrounds it.

When that happens, your counter oil trades could make the killing of all killings.

So be prepared. Obama is going down (which is too bad for him) and oil is going up.... and down eventually (which is very good for us).

D. Miyoshi

A Comedy of Errors (and how to profit from them)

(originally inspired by an article by Larry Edelson)

As Hardy said to Laurel, "here's another fine mess you got me into." Today it may be Hillary Clinton saying that to Barack Obama. And what a fine mess it is.

To start with, we have China occupying the South China Sea, sparring with Japan, Taiwan and Vietnam over the Senkaku and Spratly Islands, hunting down oil and gas, ignoring territorial rights of others, ready to wage a war if need be.

Russia, arming itself to the teeth along Ukraine's border, ready to invade. Alarming the people of Estonia, Latvia, Georgia, Poland - all of who think they are next on Putin's list.

Trade wars (disguised as sanctions) erupting between Europe, the U.S. and Russia. Putin banning all food imports and more. Over \$40 billion in U.S. company sales at risk for the likes of Boeing, Pepsi-Co, McDonald's, Deere, Visa, MasterCard and DuPont.

Europe's economy, already in a depression, to get worse, much worse. Neo-Nazi groups rising in popularity throughout Europe. Eastern Europe worrying the Iron Curtain will rise again.

Argentina defaulting on its sovereign debt for the second time in 13 years. Nigeria's extremist Boko Haram still running amuck, raping, kidnapping and killing thousands.

ISIS (the Islamic State) killing scores more, running over sovereign states as if they were mere speed bumps along the road to creating an extremist Islamic caliphate based on terror and a twisted view of Islam.

Israel and Gaza at each other's throats again, and despite the recent truce, indications are there is no real end in sight and they expect the conflict to get worse, much worse in the weeks and months ahead.

Out of all these catastrophes, we are beginning to see the winds of war are starting to blow with gale force energy portending that World War III is now a distinct possibility. The Pope himself has said he believes WW III has already begun.

These international conflicts are only one part of the war cycles. The western domestic war cycles are also ramping up at the same time as the international war cycles are ...

Meaning you can also expect rising civil unrest and rebellions. Their chief cause? When governments are bankrupt — like the U.S. and Europe are today — historically they turn first against their own citizens by raising taxes, by attacking the rich, by spying on them, by engaging in confiscatory measures, and more.

Hence the NSA spying, which continues unabated. The constitution-free zones of our nation's borders, where 200 million Americans live, 60 percent of our country's entire population ...

And where the Fourth Amendment has been suspended, giving Washington extraordinary powers to stop, search and detain anyone without due process of law.

And more, much more draconian measures to come as Washington runs amuck, repeating the same old mistakes that have caused the decline of every major power throughout history.





A Comedy of Errors



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He is listed in 14 Who's Who publications and specializes in international business and finance.

So what is a smart investor to do?

Well, we should realize the tried and true principle of "With every crisis comes opportunity" still applies. So while it is time to batten down the hatches, it is NOT time to simply sit on the sidelines and stuff your money under a mattress. Instead, it's time to protect your wealth from the riskiest of investments, and look for opportunities in others!

Specifically, steer clear of the riskiest investments. Those investments right now largely involve U.S. and European equity markets.

It is evident, the U.S. broad equity markets are now in an interim bear market that could last anywhere from three to eight months in duration, into December of this year, or worst case, May of next year.

There is expected a 20 percent drop in the Dow, and roughly the same in the S&P 500 and Nasdaq. Use any bounce of the recent lows to get out of all stocks except those you may be trading on a short-term basis. For longer-term holdings you cannot exit, for whatever reason, hedge via an inverse ETF such as the ProShares Short S&P 500 (SH).

And no matter what, steer clear of Europe's equity markets as much as possible.

Second, also avoid U.S. and European sovereign bonds. Yes, bond prices are rallying of late, due to flight to safety capital. But the bond rally is not going to last. The downside to owning U.S. and European sovereign bonds is HUGE. Steer clear of them and keep your liquid safe-keeping money in shorter-term money markets.

Third, continue to accumulate precious metals. Gold is starting to finally lift its head, and as expected, is stronger than silver. But don't rule out platinum and palladium, the next phases of their long-term bull markets are also shaping up nicely.

Fourth, steer clear of the euro currency! It's a disaster in the making and will likely lose as much as 28 percent of its value against the dollar over the next three years.

As expected, the dollar is rallying (right along with gold). That's because frightened capital pouring out of Europe and other parts of the world still see the dollar as the safest place to be during times of geopolitical unrest. This is precisely what happened in the 1930s, and it's happening again.

Keep most of your funds in the U.S. dollar. Other currencies that should appreciate going forward include the Aussie and New Zealand dollars, and most Asian currencies.

Fifth, most Asian equity markets are now embarking upon new long-term bull markets, with China leading the way higher.

Bottom line: Consider putting some of your money to work in Asian equity markets via an ETF such as iShares Asia 50 (AIA).

Everyone can see that geopolitically, things are falling apart.

There was a popular slogan at the time of the Roman Empire "if you want peace prepare for war".

The contrary is also true "if you want war, prepare for peace".

The recent decisions (and indecisions) of the Obama Administration appear to support the conclusion that they really want war. And the chances are that is what they will get. This is very unfortunate for our country.

But as astute investors, it is your right to profit from it.

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Past issues of the *Financial Crisis Report* can be found at the company website www.miyoshicapital.com



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