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Financial Crisis Report

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Advancing in a Time of Crisis

Words of Financial Wisdom: "In contracts, the big print giveth and the small print taketh away"

Inside this issue:

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.

We Need Boots on the Ground

In the Bible it is said "To those who have been given much, much is expected". America is the most powerful and wealthy country in the world. With that position, it must take its rightful role as the moral leader of the world. The religious psychopaths who committed mass murder in Paris, want to take us all back to the 7th century. As a civilized nation, we can't allow that to happen.

It's easy for us to say that radical Islamists are a bunch of murderous lunatics. It's true, they are. The members of the Islamic State are psychopath's first and religious people second. But what are we going to do about it? How do we the advanced countries — Americans, Canadians, Europeans, Japanese — stem the tide of this hatred?

Briton Rule of the *Wealth Daily Newsletter* believes there are things that can be done, though they may not be easy or popular.

Many people will point to immigration as an obvious way that terrorists can exploit Europe and North America. Immigration policy has long been a contentious issue in France, just like Donald Trump says it is in the U.S. In the post-World War II era, French birth rates fell, and immigration was a way to keep the labor force strong. Then in the 1950s and '60s, wars of liberation in former European colonies led to an increase in Muslim immigrants.

In 1962, the year former French colony Algeria won independence, 350,000 "French Muslims" were counted in the census. By 1982, it was 800,000. Did France have some responsibility to the people of its former colony?

When the U.S. left Vietnam, many in the military felt we had a responsibility to the South Vietnamese who helped the American war effort, a responsibility that we didn't completely honor. Vietnamese who worked for the U.S. were rounded up and executed or sent to "re-education" work camps for years.

The U.S. has yet to see a Vietnamese terrorist attack. But France has seen Algerian terrorists before. The two main murderers in the Charlie Hebdo killings in early 2015 were born in France to Algerian parents. Why is that?

And what about the flood of Syrian refugees in to Europe? Should Europe turn its back on hundreds of thousands of Syrians who are being gassed and bombed by Assad? Would we, as Americans? We saw the picture of the 3-year-old Syrian boy who washed up on the beach in Greece. As a parent, what could be worse than having your child die as you fled murderous attacks in your homeland? Could you turn a makeshift boat away from American shores, knowing it will sink and the occupants drown?

But is it also any surprise that the Islamic State is using the flood of refugees to smuggle more terrorists into Europe and the U.S.? Of course not.

The United States spends more in humanitarian aid than any other country. It's a fundamental American value to help people who are truly in need. And generally, when American aid can make a difference, we all support and applaud our efforts to relieve suffering.

Our House, Our Rules

We Need Boots on the Ground

There shouldn't be any argument that immigration done right is important for any developed country. In the U.S., we benefit from the unskilled labor that immigrates provide here. But we downright thrive from the students, professionals, and entrepreneurs that come here from other countries.

One of the basic problems of immigration is assimilation. Do the immigrants want to be immersed in American or European culture? Will they embrace the values of their new culture? And will the citizens of the new country accept them as equals?

The answers to these questions are obviously mixed. Most immigrants want to be a part of their new culture. That's why they've come. But immigrants also have a tendency to form their own enclaves in their new country. This is human nature. Every major city in the U.S. has a Little Italy or Chinatown. Assimilation can take a generation or longer. And in countries where there is a lot of hostility toward immigrants, assimilation may never truly happen.

If you recall, the Tsarnaev brothers who bombed the Boston Marathon had difficulty assimilating into U.S. culture. The Chechens were semi-outcasts at school, and this fueled their anger that opened them to being radicalized.

Immigrants from Pakistan have been persecuted by street thugs in London. North Africans receive the same in France.

This is not to say that France or the U.S. is somehow responsible for these people's happiness with their lives.

In support of "a certain idea of living together," France has banned headscarves in public schools and face-covering burkas in public. This is good. In Western culture, we value freedom and equality. A woman in black robes with her face covered is the opposite of free and equal. Maybe that's culturally insensitive, but I'm fine with that. You can come to the U.S. if you want, but you have to be willing to accept American culture if you want to enjoy the protection of our laws and the benefit of our economy.

Our house, our rules, “mi casa, mi reglas” That's not negotiable.

Of course, this is easier said than done. The U.S. Constitution offers certain protections that make it so you can't force assimilation into U.S. culture. And we do not want these protections weakened, because if they are weakened for some, they are weakened for all of us.

Ultimately, shutting borders is not the most effective solution here. Because the terrorists don't come from just anywhere... they're not Vietnamese, and they're not Pakistanis.

You Broke It, You Bought It

More scrutiny of immigrants from North Africa and the Middle East is warranted at this time. And so are boots on the ground.

We all know Americans are all "war weary." We've lost enough American lives in Iraq and Afghanistan and haven't achieved much.

However much I believe Obama’s lack of a clear foreign policy has greatly contributed to the chaos we are now witnessing in Europe, ultimately, it's the people of the Middle East (not the U.S.) who must decide what type of governments they want and what type of lives they want to lead.

In other words, revolutions have to be homegrown. You can't import them. The problem is with the types of revolutions that occur in the Middle East. The Iranian revolution that ousted the Shah resulted in an oppressive religious government that hasn't been very friendly to the West. The Arab Spring brought the Islamic Brotherhood to power in Egypt, another fundamentalist government that was likely to be unfriendly to the West.

At this point, there can be no doubt that removing Saddam Hussein from power in Iraq was a mistake. He was a tyrant, but he kept the peace. The power vacuum his removal created encouraged al-Qaeda and now in the aftermath of Obama’s failure to enter into a status of forces agreement in Iraq the rise of the Islamic State naturally followed and they now control parts of Iraq and Syria.

So let’s admit it. The self-determination "experiment" in the Middle East has failed. Powerful puppet masters (probably Saudi Arabia) continue to support the spread of fundamental and radical Islam in the Middle East. This is unequivocally a direct threat to U.S. security and to Europe's.

And now that Russia has stepped into the Syrian fray, Putin seems ready to be an ally in the fight against the Islamic State. A rare moment of global cooperation is at hand.

But in the final analysis, I see only one message from the Paris tragedy: It's time for the military might of the West to put a stop to this insanity. The time for token drone strikes is over and must be replaced by another “shock and awe” demonstration. Further, Obama must stop pushing his indulgent political agenda and instead get as many boots on the ground as needed to wipe radical Islam off the face of the map. For sure, these boots do not all have to come from America. France is a NATO nation so they should employ Article 5 and have all NATO nations bring their troops to fight the onslaught

On Cars

of ISIS. We all know (with the possible exception of our president) what country is next on ISIS's attack agenda. I have personally witnessed how effective the "boots on the ground" technique works in the Marine Corps. I just wish our commander and chief employs it in the Mideast as soon as possible.

Semper Fidelis,

D. Miyoshi

On Cars

I am a car buff and especially sports cars. Here is an interesting article on cars, past present and future by Doug Casey, founder of the esteemed investment resource publication *Casey Research.*

(Interviewed by Louis James, Editor, *International Speculator*)

This interview was first published on August 12, 2009

Editor's Note: At a yearly production of just 7,000, the Italian Ferrari is one of the highest-end sports cars in the world. It's also a favorite of Casey Research founder Doug Casey, as you'll read below…

You may be wondering…why are we talking Ferraris?

Well, Doug Casey recently tried to buy a $400,000 Ferrari…but the dealership refused to sell him a Ferrari under any circumstances. Doug tells his readers the whole story in the newest issue of *The Casey Report*, Casey Research's flagship investment research service.

Here's Doug on cars…

L: Doug, last week we talked about energy, including your thoughts on what's in store for the oil markets. That naturally leads me to ask about something that I know has been near and dear to your heart: the automobile. Especially high-performance cars - which were the basis of your first capitalist venture.

Doug: It's appropriate that we talk about cars now, with the recent bankruptcy of General Motors. I've always been interested in cars. The first car I had was a 1964 Pontiac GTO, with the tri-power and all the extras. Throughout my life, I've always had high-performance cars. I had a couple 289 Cobras. I had a 427 Cobra.

And yes, the first business I got into was importing Ferraris to the United States. This was in 1967. In those days, there was a relatively small middle class in Europe. So you could either afford a new Ferrari, or a new Fiat, but there was no market for used Ferraris, because of the maintenance costs and social strictures that came with owning one. On the other hand, in the United States, there was even more of a middle class to society than there is today, and everybody wanted a used Ferrari.

I was in college at the time, but I saw the opportunity and decided to act on it. I bought a 1962 250 GTE 2+2, in Milano.

L: Was that the four-seater?

Doug: Yes, although the backseats were pretty cramped. It was the car that Ford copied for their 1964 Mustang 2+2, and it was a lot of fun; it had a 3.0-liter V-12 with three two-barrel Weber carbs. I drove it through a lot of Europe and went to a couple of driving schools, one at Montlhéry, the autodrome of Paris, the other at Monza in Italy. I then sold it, sight unseen, to a guy in Ohio. The price was so good, he couldn't resist it.

I went back to Milano to pick out a second Ferrari, a 330 GT 2+2. I had the bit in my teeth - I had plans to refine the business. Who knows, if I had done that, my entire life would have been different. But… Stroke of fate. There was a truck passing a tractor on a blind curve in between the towns of Fribourg and Bern in Switzerland, and I had a catastrophic accident. It put me in the hospital for six weeks.

That put an end to my first business venture of importing used exotic cars to the United States, but I've stayed interested in cars since then.

L: What's your favorite car today?

Doug: Well, I've got to say that dollar for dollar, pound for pound, you can't beat a Corvette. It's too bad it's a General Motors product - it's one of the very few that General Motors makes that's a decent car. More than decent; the Corvette is a fantastic car. It's a high-performance, lightweight, fine-handling economy car.

I have a Corvette I bought in 2004, and the car averages about 23 mpg in the city, and about 26 or 27 mpg on the highway. In fact, I've noticed that while cruising in it over 100 miles per hour, even then, it averaged 26 mpg, according to the instant readout.

L: I always thought you were joking about Corvettes being economy cars, but it's true. My 2008 gets 30 mpg at 70 on a level highway - at that speed, it's barely ticking over at about 1,500 rpm. My average fuel economy, for the entire time I've had the car, including city driving and some racing, is 23.4 mpg. I bought the car at your suggestion, because most of the time I drive, I'm driving by myself to an airport or to business meetings. It was silly to be driving my nine-passenger SUV like that - it gets literally half the mileage, and it's hard to park the beast in Vancouver to boot. For folks who drive a lot by themselves, or with just one passenger, the Corvette actually is an economy car.

Doug: Yes, they're fantastic cars. They don't need maintenance. They use very little fuel. They don't rust. If anyone's looking for a high-performance car, I'd suggest the Corvette be the first on their list.

In New Zealand, where I live three months of the year, I've got a Toyota Supra Twin Turbo, which is almost as fast as the Corvette but isn't nearly as much fun. I've also got a Mazda RX-7, fantastic car, but I'm just too big to drive it comfortably. I let my normal-size friends who come to visit use it.

In Aspen, I've got a Porsche, the last of the air-cooled twin turbos with four-wheel drive, and it's a lot of fun to drive. But when I'm driving into town and I have to decide whether to take the Porsche or the Corvette, I usually take the Vette. The Porsche is actually faster, handles better, and in a road race, it'd probably win, but the Corvette is just more fun to drive.

L: So, what's the ratio, dollar for dollar, as you say? The Porsche is a little faster, handles a little better, but it costs - what - three times more? Four?

Doug: In 1996, the year I bought my Porsche, it cost $105,000. That's about $144,000 in current dollars. In 2004, when I bought my Vette, I paid about $40,000 for it, which is about $46,000 today. So in real terms, the Porsche is more than three times more expensive - but it's not three times as much fun. And the Porsche doesn't even give you a cup holder. [Laughs] And I promise you, when you change the oil or have anything done on the Porsche, it's going to cost you two or three times what it costs on the Vette as well.

The only car I'm looking at that I'd kinda like to get right now is a Ford GT. Perhaps that's because I have a soft spot in my heart for the Cobras from the '60s. I've driven one of the GTs - which they no longer make - and they're actually fantastic cars. The problem, however, is that the roads in the U.S. are full of police, and they're full of other cars. These days, if the police pull you over for driving a car like the GT at the speeds that would be the whole point of owning the car, they'll take your license and they might even take your car.

I mean, in the '60s, when I was a bit wild and crazy, I was in a few road races with the police. And what would happen? They might throw you in jail for a night, give you a series of $50 tickets, and it was no big deal. I speak from personal experience.

But now it's serious business, and not just in the United States. In many countries in the world, if you're caught exceeding the speed limit by too much, you're in for some very serious consequences. That's one of the pluses about Argentina. Wide-open roads, few police, and they have a very Italian attitude towards speeding. Actually, I'm thinking of putting in a quarter-mile dirt track near Estancia de Cafayate as an additional amenity…dirt-tracking some cars with roll cages with a few friends is my idea of a good time.

Doug Casey is a multi-millionaire speculator and the founder of *Casey Research*. He literally wrote the book on profiting during economic turmoil. Doug's book, *Crisis Investing*, spent multiple weeks as number one on the New York Times bestseller list and was the best-selling financial book of 1980. Doug has been a regular guest on national television, including spots on CNN, Merv Griffin, Charlie Rose, Regis Philbin, Phil Donahue, and NBC News.

Why Don't You Retire?

At my age, many people ask me that. I tell them I can't because I got into this bad habit of eating.

However, the real reason goes beyond that.

After watching and studying the lives of many successful business people, both who retired and those who didn't, a glaring fact became readily apparent to me.

And that is the biggest mistake a retiree can make is to give up all his/her active income...

By active income, I mean money you make through your labor or through a business you own. Passive income, on the other hand, is what you get from Social Security, a pension, or a retirement account.

It's a very common mistake. Yet I've never heard retirement experts mention it. Nor have I read a word about it in retirement books.

When you give up your active income, two bad things happen:

Why Don't You Retire?

1. You cut your connection to the source of that income. I'm not just talking about the business you had or worked for, but also about the people you knew. (These are valuable connections you might want to revisit someday. But with every passing month, it'll become more difficult.)

2. You debilitate your ability to make smart investment decisions because you're now dependent on passive income. (I'll explain this later.)

Here's how retirement is supposed to work: You save a portion of your income every month, let it grow in a tax-deferred investment vehicle, and accumulate a vault of wealth.

Then, 40 years later, you tap into that vault to fund 20 years of easy living. No work. No stress. Nobody to kowtow to.

Just traveling, golfing, going to the movies, and visiting your kids and grandkids.

Yes, it's a great idea. But based on my studies of economic history, it was never realistic.

Prior to the 20th century, retirement was a rarity. Most people worked until they could no longer work, then "retired" into their children's homes.

The only generation that experienced "the dream" was my parents' generation – the men and women who bought starter homes and entered the workforce after World War II. They had good timing, because the U.S. was entering a 30-year growth spurt in business and real estate.

They made and saved money, but the bulk of their retirement funds came from selling their homes in 1980 for 10 times what they'd paid for them in 1950.

For every generation since then, the promise of that kind of retirement has been a big white lie.

Consider this: A "dream" retirement lifestyle for two would cost, on average, $75,000 per year (depending on where you live).

And that's after-tax dollars.

If you were in the 32% bracket, you'd have to earn about $110,000 to end up with $75,000. So, let's use this $110,000 figure.

How big of a retirement account do you need to produce $110,000 of cash flow each year?

Let's assume you and your spouse could count on $25,000 per year from Social Security and another $25,000 from a pension plan (two big assumptions). To earn the $60,000 balance in the safest way possible (from a savings account), you'd need about $6 million. (Savings accounts pay – at best – only 1% right now.)

If you were willing to take more risk and invest in tax-free municipal bonds, you'd need $2.1 million.

But let's say you were confident you could earn 8% from the stock market. You'd still need a nest egg of $750,000 to gross the extra $60,000 per year ($750,000 multiplied by 8%).

The problem: Most middle-class Americans are trying to retire with an account in the $250,000-$300,000 range.

And that's where the trouble begins. To achieve a return of $60,000 on $300,000, you'd need to earn 20% on your money. Getting (or attempting to get) 20% consistently over, say, 20 years is next to impossible – and too risky for my taste.

Mark Ford, founder of the Palm Beach Research Group and a very successful investor retired for the first time when he was 39. At that time he had a net worth of about $10 million, half of which was liquid. He thought he had all the money he would ever need.

As it turned out, his retirement lifestyle was a lot more expensive than the $75,000 "dream" lifestyle that was described earlier. He liked first-class travel, five-star hotels, and fancy cars. His yearly costs were close to $500,000.

To generate $500,000 in after-tax dollars, Mark would've had to earn $900,000 in passive-interest income on the $5 million he had invested. That represents a return of 18%. We all understood enough about stock market performance to know that over an extended time period that is impossible.

Mark should've cut his expenses drastically. But he didn't want to. He enjoyed his lifestyle. So, he had no choice. He had to go back to work.

He put the word out and got a few offers. A month later, he was back at work. He half-expected to feel miserable toiling away.

What Not to Invest In

But the moment he started earning money again, he felt better.

Retirement isn't supposed to be about money worries. Yet, if you retire with too little, that's exactly what you'll have. Trying to get above-market returns is challenging under any circumstance. But when you have to get high returns to pay the bills, it can be extremely stressful.

As I write this, millions of Americans my age are quitting their jobs and selling their businesses. They're reading financial magazines and subscribing to newsletters. They're hoping to find a stock-selection system that'll give them the 20%-40% returns they need.

But they'll find out such systems don't exist. They may have a few good years, but eventually, the returns they get will drop to 10% or less... if they're lucky.

And if there's another stock market crash, things will get bad – fast. What do you think this newsletter the *Financial Crisis Report* is all about?

But it doesn't have to be this way.

Let's go back to the hypothetical situation laid out earlier. You have a $300,000 retirement fund and a retirement dream that'll cost $75,000 in after-tax dollars.

To end up with $75,000 in after-tax dollars, you need an income of $110,000. You and your spouse have a total of $50,000 per year coming from Social Security and pension payments. But you still need $60,000 per year in pretax passive income.

To earn $60,000 on $300,000, you need a return of about 20%. That's highly improbable. But if you and your spouse both got part-time jobs that gave you an extra $15,000 per year in active income ($7,500 each), you'd need a return of only about 8% on your retirement account. And that's very doable.

I'm not saying you should give up on the idea of retirement. I'm saying you should think of retirement differently. Instead of spending 80% of your time working for money and 20% having fun, you can spend 20% of your time working and 80% having fun – and be free from financial worries.

Is that so bad?

And if you're smart about the kind of work you do, you can actually have fun working!

There are many ways for a retired person to earn a part-time, active income. You could do some consulting, start your own online business, or earn money doing any sort of purposeful work.

Adjusting your understanding of "retirement" to include some active income isn't a huge burden. You can end up doing a lot of the same things you envisioned before – but get paid for it instead of doing it for free.

So let’s move beyond the big white lie of investing. A rewarding and enjoyable retirement – devoid of money worries – awaits.

D. Miyoshi

What Not to Invest In

Dr. Steve Sjuggerud, editor of *True Wealth* and one of the most successful investors of our time, wrote about his experiences and the big take away lessons we can learn from his experiences about what NOT to invest in during these times. This process doesn’t take time out of the day to learn nor research at the computer or any amount of number crunching.

"What's wrong with Steve?" people would say about him many times.

"Why is he always talking about some ridiculous sounding investment?"

That's the cocktail-party crowd… Steve just couldn’t win.

The point in cocktail parties are where we learn where NOT to invest right now. They're the perfect "contrary" indicator. You can, and should, use the cocktail-party indicator to save your investments.

In short, you can take whatever investment idea EVERYONE is talking about, and you can just about guarantee that it'll be substantially lower within five years. The thing is, when everyone is talking about an investment idea, you can be just about sure it's run its course. It's time to think about moving on…

For example, in 2005, all the talk at the cocktail parties was real estate. "You can't go wrong in real estate," everyone agreed. "Real estate has never had a down year."

Usually, Steve would keep his thoughts to himself. Sometimes he might say, "What about Japan? Just like the States, it barely had a down year from 1950 to 1990 – then it fell for 17 straight years." But people would look at Steve like he was from Mars. He shouldn't have opened his mouth.

It gets worse… Some folks would then ask him, "So what are you buying?"

"Oh, I'm buying gold," he'd say. The look he usually got was an involuntary wince of pain. No words were needed.

If they had listened, they would have made triple-digit returns. After doing this for a long time, Steve learned the stronger the wince, the greater the potential returns.

The thing is, the cocktail-party cycle repeats… over and over again. It becomes – easy to read. One can almost learn what to buy… and definitely what to sell, simply from paying attention to the cocktail-party crowd.

As one more example, back in 1998-1999, young people were going after the dot-com jobs. And older folks were buying shares of anything with "com" in it. It was the "new economy," and everyone was entitled to get rich. But in the January 2000 Annual Forecast issue of the Oxford Club newsletter, Steve told readers in no uncertain terms: "We are at the peak of most likely the greatest financial mania that will ever be seen in our lifetimes and quite possibly the greatest ever witnessed."

So when Steve started his *True Wealth* newsletter in 2001, he went the exact opposite of dot-coms… In the very first issue, he started buying real estate. Everything in real estate was cheap. It was completely ignored. And yet the uptrend had begun. So he bought stocks that owned commercial real estate, apartments, shopping centers, you name it.

Once again, many people did not follow Steve's advice. They wanted "tech" not "stuff." They wanted what had already gone up over the last few years. But "tech" was expensive. "Stuff" was cheap. And subscribers who took Steve's advice made triple-digit profits on several real estate stocks.

Back then, commodities also seemed easy. We need commodities – agriculture, metals, oil, etc. Yet commodity producers hadn't increased their capacity in more than 20 years.

We had a simple situation… Demand was growing exponentially. And with no new mines in 20 years, supply couldn't grow. Yet prices were low. It was Economics 101, prices were about to go nuts.

"Commodities always go down in price," Steve was told. "You never make money in commodities." This time, it wasn't just the cocktail-party crowd that told him how ridiculous that idea was. Academics told him he was ridiculous. And so did money managers.

Yet when people tell Steve "you never make money in commodities," he sees it in a different way… It tells him that nobody is looking at them – and that there might be all kinds of opportunities that haven't been looked at yet. He starts to think about buying them.

Steve's *True Wealth* readers made great returns in various commodity-related investments in the following years. But in 2008, commodities were finally becoming legitimate.

Steve heard one investment advisor on CNBC say, "You've got to have 20% of your assets in commodities. Steve, personally, has 40% of his assets in commodities."

The cocktail-party indicator is the first nearly infallible warning sign that a big trend is nearing an end. It's accurate, and you don't need any particular skills (other than willpower) to follow it.

Remember this indicator. It'll save you a fortune by keeping you from following the crowd.

Good investing,

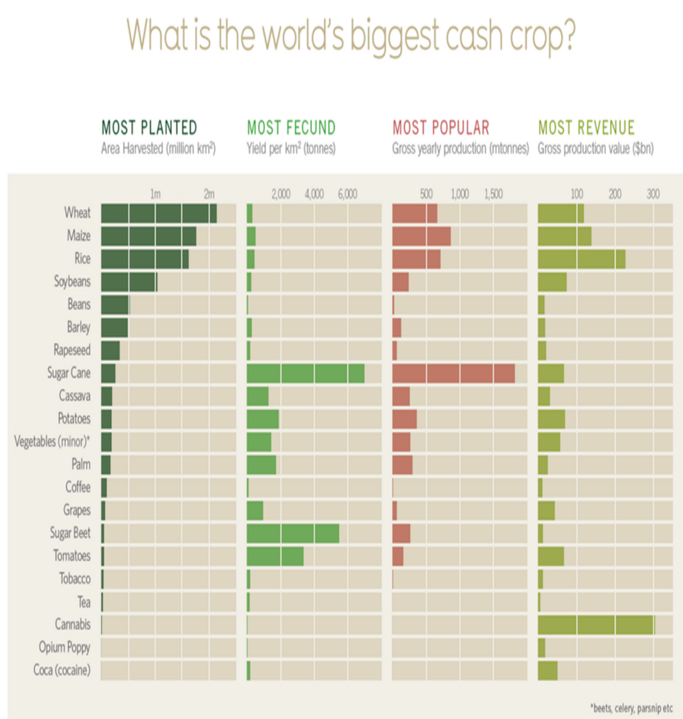
D. Miyoshi

World's Most Valuable Plant

Agriculture is one of the biggest industries in the world as measured by annual revenue — with the top five revenue crops bringing in more than $850 billion annually.

All in all, more than 2 million square miles of the Earth's surface is committed to producing these five crops — more than half the total square miles of the entire U.S., Alaska and Hawaii included.

It's an enormous undertaking, involving an enormous number and



World's Most Valuable Plant

variety of workers to execute.

However, looking at some of the vital metrics behind these top five crops, you will quickly notice a glaring disparity.

Of these five cash crops, four of them also take up the most acreage.

The fifth one, however, takes up just a minuscule sliver of the total land to produce its staggering volume of revenue.

And yet it accounts for more revenue annually than any of the other top five... by a large margin.

According to Alex Koyfman, it is obvious. Just take a look at the chart above, and you'll see which crop it is.

Cannabis…….pot, grass, hay, etc.

$130 Million for Every Square Mile

Across the world, the cannabis industry is almost completely illegal. And yet it's bigger than rice. It's bigger than corn. It's bigger than soybeans, potatoes, and sugar put together.

Even when compared to its fellow controlled substances, cannabis blows them out of the water.

It's six times bigger than coca, the key ingredient in cocaine, and about 20 times bigger than opium poppy, the precursor to heroin.

Even on an acre-for-acre basis, cannabis tops out coca by a 27% margin, producing, on average, $192,000 per harvested acre to the coca leaf's $152,000.

Just for the sake of comparison, an acre of rice is worth about $600.

The numbers are incredible, more so when taken in context with the fact that it's still completely prohibited by the vast majority of governments.

This, however, is rapidly changing... and not just because the people of the world are warming up to the idea that marijuana is far less harmful than some already legal substances.

The main driving force behind the recent loosening of marijuana laws in the U.S. and Canada is practicality. It's simply too big, too prevalent, and too expensive to even attempt to control.

The U.S. alone has spent hundreds of billions on the prosecution and incarceration of non-violent marijuana offenses... but the real monetary losses don't come from wasted expenditures on impractical policies...

Decriminalization: Law Following Practicality

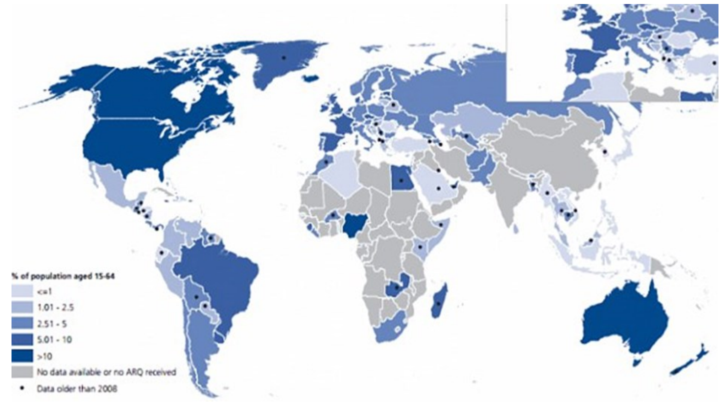
They come from the lack of legal revenue and taxation... and in the end, that's why the laws are changing today.

Cannabis, aside from being a recreational drug, is also one of the most useful natural materials known to man.

Its pharmacological properties have been known for years and are now being studied more closely than ever by some of the biggest names in pharmaceuticals.

On the complete opposite end of the spectrum, cannabis has applications in the manufacture of paper, clothing, building materials, even livestock feed, fuel, and a range of bioplastics.

In all, more than 50,000 uses have been identified for this unique



plant.

And that's on top of its current main application — recreation — for which marijuana, according to the United Nations, has an existing user base of 158 million worldwide.

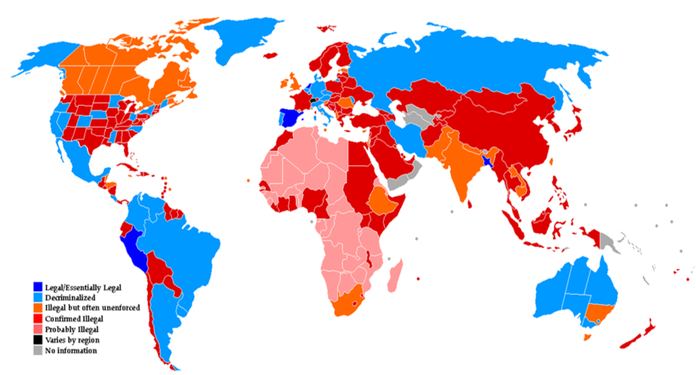
The only thing standing in the way of this natural substance becoming one of the world's most popular plants by volume, not just revenue, was legislation.

And now that this tide is turning, we're about to see a significant shift in the way this industry is viewed and operates.

Right now, a handful of young North American companies represent the vanguard of this market in the making.

They grow the plant not only for an expanding list of legal human consumption purposes but also for researching new applications.

Not too long from now — probably not more than a few years — these companies will be sitting at the foundation of a diversified, legal, multibillion-dollar industry.



New Laws, New Industries, New Markets... New Profit

This isn't a prediction — it's a fact. The trend here cannot be reversed. The industry is already roughly half the size of America's annual defense budget, and growing.

The only change that will come now will serve to transition this once-black market into a legal, taxable one.

And that change is already well under way.

PC + Wal-Mart = $(Loss)

The cannabis industry has already proven to be one of the fastest-moving sectors since the dot-com bubble of the late 1990s.

And it will continue to grow at a very rapid pace. Even faster than ISIS. Too bad we can't get them together someway to neutralize each other.

D. Miyoshi

PC + Wal-Mart = $(Loss)

Wal-Mart is the third largest employer in the world.

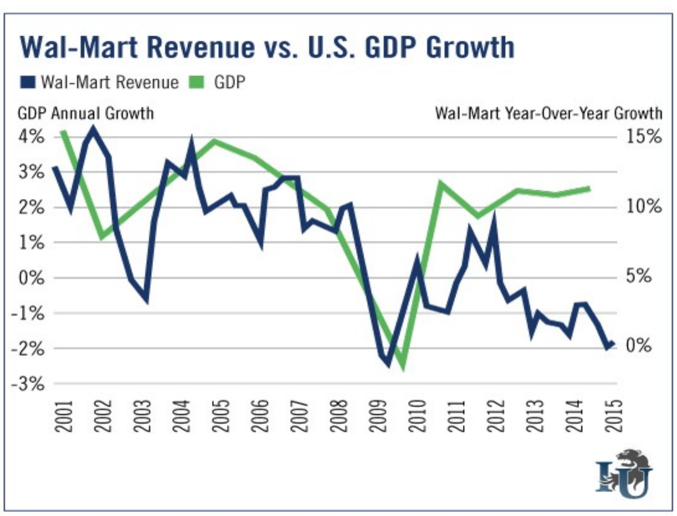
Only two organizations have more manpower... the Chinese Army and the American Department of Defense. (The iconic company literally has an army of door greeters.)

With so much influence, Andrew Snyder Editor of *The Oxford Club* exclaims it's no wonder that some of the smartest folks on Wall Street refer to the retailer as the "Arkansas Fed." Its economic sway has grown nearly as strong as the monetary maestros at the Federal Reserve.

In early October Wal-Mart surprised the Street with its news of a rather dismal outlook. Let's take a deeper look at what's happening. There are lessons to be learned.

After all, what affects Wal-Mart certainly affects America.

Seeing is believing...



The chart clearly shows Wal-Mart and the American economy (as measured by revenue and GDP growth) have grown into an incestuous relationship so tangled that it's impossible to tell where one stops and the other starts.

Boiled down, it's a bittersweet tale. A small-town businessman finds success... knocks on the door of mom and pops across the country... and eventually forces its ultra-thin margins on the rest of the planet.

But just as central banks across the world have learned money can only get so cheap, Wal-Mart has learned margins can only get so small. As the saying goes, it can't "make up for losses on volume."

Two things are the standout culprits for the company's recent woes. Both have had a similar effect on the global economy.

First, shortly after taking the corner office, fresh Wal-Mart CEO Doug McMillan bowed to public and political pressure and promised to boost pay for thousands of the company's hourly workers. Early next year, the minimum hourly wage of its American employees will rise to $10.

The plan has come with big costs... some $2.5 billion. And, in October the company said we should expect profits to drop by as much as 12% next year, it admits 75% of that fall comes thanks to increased wages.

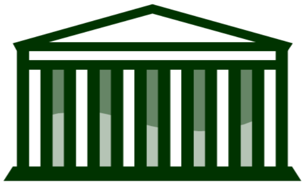
It's critical to note here that while Wal-Mart is pushing wages higher by double-digit percentages for thousands of workers, American wage growth has stagnated over the last half-decade.

In other words, because of growing political and populist pressure, Wal-Mart is one of few companies boosting pay. Clearly, it's been painful.

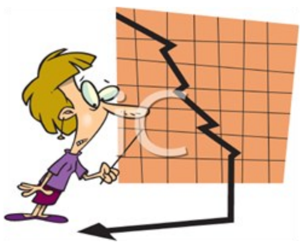
Lesson No. 1 to investors... steer clear of politically driven investments. Let capitalism and the free markets do their job.

The only way Wal-Mart can realistically afford to raise wages is if it can puff some air back into its profit margin. Unfortunately, it's gotten a nasty taste of its own medicine in recent years.

PC + Wal-Mart = $(Loss)



Advancing in a Time of Crisis



Financial Crisis Report

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

That idea leads us to another vital fact. Over the last three years, Wal-Mart's revenue has barely budged. It's up by less than 10%. Meanwhile, its stiffest online competitor, Amazon.com, has watched its sales nearly double.

It's this ballooning pressure from the e-commerce realm that virtually ensures Wal-Mart's margins won't rise anytime soon. With so much online sales competition, it can't afford to boost its prices.

After having the decades-long luxury of outpricing its mom-and-pop competitors, Wal-Mart is now getting beat by low-priced online competitors that offer much more convenient shopping. In other words, the "Wal-Mart Effect" has now become a detriment to the company, which leads us to **Lesson No. 2** to investors... <u>don't blindly trust competitive barriers to last forever. Time and technology always win.</u>

Wal-Mart's effect on the economy is powerful. It's one of the leading reasons the recovery of the last few years has seemed so disjointed. And it's one of the reasons inflation has all but disappeared from our economy.

In fact, Andrew Snyder astutely argues that it's the spread of the "Wal-Mart Effect" that has flat-out stifled the Fed's ability to stir inflation. It has done to pricing power what the Nina, Pinta and Santa Maria did to global trade some 520 years ago.

But it's not a bad thing... it's the free market at work.

And it's only dangerous if you ignore it. After all, the heirs to the Wal-Mart fortune lost $11 billion in combined net worth in mid-October - all because they failed to heed the two simple yet critical ideas above.

Make no mistake, the "Wal-Mart Effect" is reshaping the global economy. Understand what's truly happening and you'll see a world of opportunity within these trends.

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