



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Financial Wisdom: These days we have so much democracy we can't get anything done!

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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.

What's the Best Form of Government?

Today, many Americans question whether our system of government is right for them and our country. Some espouse that we would be better off if the government "took care of us" throughout our lives. Our two avowed adversaries China and Russia are both run by communist governments, and even some of our presidential candidates such as Clinton and Sanders appear to be advocating that we need to adapt more socialist programs. On top of that there is a growing sense of disunity and discord within our communities, and a loss of trust and confidence in our leaders and our capitalistic system of enterprise.

So, with this as a backdrop, I thought I would take the opportunity to discuss the basic forms of government that the world's major countries have embraced and compare them to what we have in the U.S.

First, let's define what is Socialism, Communism and Capitalism.

Socialism:

Socialism is a concept that individuals should not have ownership of land, capital (money), or industry, but rather the whole community collectively owns and controls property, goods, and production. Ideally, in this system all share equally in work and the fruits of their labor. Ideally this is a Christian version of help the poor and needy, sharing equally, but in the real world this can cause some problems as we will see later.

Communism:

Communism is a similar concept, in that ownership of land, capital and industry cannot be owned or controlled by the individu-

al. However, under Communism the control of these things is not by a local community but by the State Government. Under this system the government has total control of everything produced and control what is made, and who will receive the goods and services produced. Under this system you are not allowed to own your own home, your own car, your own furniture, or even the food you eat. The State decides what you can use and where you will work. You have few if any rights.

Capitalism:

Under Capitalism, individuals own and control land, capital, and production of industry. Individuals are free to purchase and own their own homes, cars, furniture, and other goods such as TVs, radios, computers, boats, or anything else you might want. You have total freedom to live where you want and what type of job field you want to pursue. If you have an idea for a new business or invention, you are free to pursue this without government interference. Presumably, under this system you have the maximum number of choices in life. It is argued that this is the 'pursuit of happiness' in the Declaration of Independence.

America's first experiment with Socialism:

After the Pilgrims landed in 1620, they decided that they would plant a community garden and share the fruits and vegetables equally at the end of the season. The idea was that all would work together and share equally at the end of the season. However, no one wanted to work in the gardens. Most were reluctant to do the planting and weed a garden that was not theirs. That first year, the gardens were not well kept and they had poor crops, which led to hunger the next winter. Under this system, by 1623 the colony was facing starvation. It was decided that a new system be used the follow-



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ing year. Each family was given a plot of land to garden in proportion to its size. They would be allowed to keep the fruits and vegetables for themselves.

Governor William Bradford's account. . .

This had very good success, for it made all hands industrious, so as much more corn was planted than otherwise would have been by any means the Governor or any other could use, and saved him a great deal of trouble, and gave far better content. The women now went willingly into the field, and took their little ones with them to set corn; which before would alleage weakness and inability; whom to have compelled would have been thought great tyranny and oppression.

The lesson here seems to be, when you own it you take care of it. If it belongs to someone else, you won't take interest in it or care for it. But if it is yours to own, you take interest in it and take care of it. The Pilgrims started out with socialism for the first two years but abandoned it in favor of capitalism after two years, which worked much better.

A modern day example: Apple Computers:

Steve Jobs, and Steve Wozniak, built the first Apple Computer out of their garage. They were just young men with an idea that people would like to own their own affordable computers. They didn't have enough money to start a company, so they sought out money from a capitalist. This could have been a bank or a rich individual. In their case it was multi-millionaire Mike Markkula, who provided essential business expertise and funding of \$250,000. Jobs and Wozniak were right, people did want to own home computers and sales took off. Today Apple, employs over 48,000 employees worldwide, and has annual sales over 65 billion dollars. Today, Apple is the largest publicly traded company in the world by market capitalization and the largest technology company in the world by revenue and profit.

Capitalism allowed these two men the freedom to buy parts for the first prototype computer. The freedom to seek out funds to set up a new company, develop production and distribution to customers, is the American enterprise of invention which we call Capitalism. Did Jobs and Wozniak steal from the poor to become rich? No! They borrowed money from a Capitalist, who wanted a return on his investment. They all took a gamble and might have lost, but instead they won. They ended up creating great wealth for themselves, their employees, and their stock holders. They did not steal money from anybody!

Income Redistribution: Take from the rich and give to the poor.

Steve Jobs was not born rich. He became rich by following his dream and hard work. In doing so, he created new products, he created a new company and new jobs. This all worked to create more wealth for many people. He did not steal his money from the poor like some progressive liberals would have you be-

lieve. He created his money. So should he, and all other rich people, have to give their money away until everyone in America has an equal amount? This is the mentality of liberals; they "stole" the money from the poor, and they must give it back. This is the stance of the Communist social justice ideology.

The idea that all capitalists steal money from the poor is totally misleading and unfair. Most capitalist create money through innovation of new ideas, hard work, good investments, good business decisions and properly managing their assets.

While it is true that there are dishonest people in business that can and do steal under capitalism, there are also dishonest people under Socialism and Communism as well. Human nature being what it is, people tend to be lazy. What can I get without having to work for it. If I can steal it without having to work to get it, maybe I'll just take it. Maybe mom and dad will just give me my allowance even though I didn't clean the kitchen like I was suppose to. (Something for nothing! We always want the easy way.)

Why Socialism or Communism doesn't work.

If you don't own it, the chances are you're not going to work or take care of it. Look at apartments that are turned into condos. When the apartments are rented, the renters don't own the apartments. They are not likely to care if something gets broken and mistreated thus lowering the value, because it is not theirs. It is the landlords. It is his problem. (Who cares, no skin off my nose?) However once the people buy the condos and it becomes their property, they now have a vested interest in keeping it in good condition. While they were renters they were living under socialism (no ownership). Once they brought the condo, they became capitalists. (ownership) and their thinking changed.

Under true socialism or communism, Steve Jobs could not have brought the parts for his prototype computer. If he knew that his hard work, would never allow him to make more money than his neighbor who spends his time watching mindless TV shows, why would he even bother to waste his time trying to invent something new and useful. Why not take it easy? Everybody else does. In Germany and France, union employees get months of paid vacation time. They take it easy, and they still get paid.

Socialism and communism kill the 'will' to work, competition, innovation and creativity. Why compete to work? You won't make any more money. Why spend time innovating new ideas, or being creative, there won't be anything in it for me. As a result they fail to provide goods and services for their citizens. The Soviet Eastern Communist countries of the 20th century were noted for not having much goods and services for their citizens. Yet, the ruling class always had plenty of everything, and it was usually imported from capitalist countries. While we have rich people in America, we also have a large middle class that live comfortable lives. Even many if not most "poor" people in



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America have refrigerators, TVs, and food on the table.

Socialism and Communism cost money:

Under Semi-Socialism in many Western European countries, the citizens are taxed at high rates of 50% to 75% of their incomes. In return the State provides cradle to grave coverage of health care, union jobs, subsidized corporations and subsidized transportation systems. While the citizens in these countries live comfortable lives they pay a high price for government services.

Under the Soviet Communist rule, the citizens are allowed to keep very little personal goods. Effectively the state takes all the business profits, and gives the workers ration cards to buy food, and clothing. Other personal items such as TVs, radios, AC units are hard to come by, and are rationed out by the state, if you can prove you need them. I read about a couple that had lived in Communist Lithuania. They said they wanted to move across town to another apartment to be closer to their mother. The move had to be approved by the State, and it took them 10 years and lots of red tape for simply moving to another apartment.

In the old Soviet Union the government paid the workers with ration cards, but the cards were only good in government control stores where there were few goods of poor quality. So citizen did not feel compelled to work hard for so little. A common saying in the USSR was.

"We pretend to work, and they pretend to pay us."

Communism: no freedom!

Since Communism controls all goods and services, the individual is at the total mercy of the State. You have no rights except those granted by the State. The old Soviet Union was a police state, with total control over its citizens. When I traveled into East Germany, I immediately noticed the lack of cars. West Germany was full of cars on the Autobahns. The streets in East Germany were mostly empty, with an occasional person on a bicycle, even in the middle of winter. Freedom of travel is restricted in a Communist State because they control who gets what and for how long. If you were lucky enough to get a car in East Germany, it was usually a worthless piece of junk. I saw plenty of Soviet soldiers with rifles, so you dare not step out of line. You could feel the oppression and despair in the air.

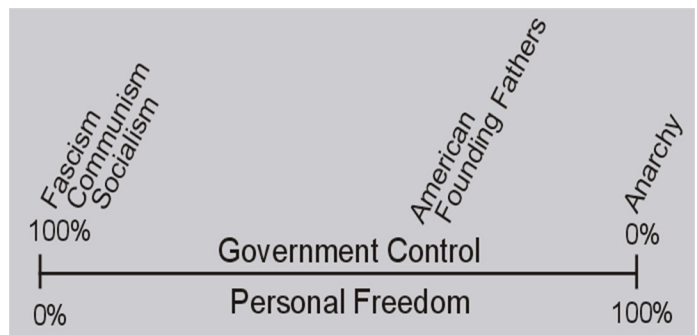
Occupy Wall Street:

We all recall in the fall of 2011 when many college students descended on Wall Street in New York City. They were not demanding a reform of Wall Street bankers who have cheated the American people, but rather they wanted to topple Capitalism, that they thought was the problem. But it's not Capitalism that is the problem, it's dishonest people in the system. Lying cheating thieves are everywhere in every country. They are people who think no matter what system they live in, they will find a way to get theirs without having to work for it. They are basically selfish and greedy individuals, and you

will find them under Socialism, Communism and Capitalism. So let's be clear that it's so much the system that is wrong as it is the people who populate the system.

Under capitalism, the Wall Street banks would have had to declare bankruptcy, and be brought out by the successful banks for pennies on the dollar. The bank owners would have taken big losses along with the stockholders. Instead the U.S. government stepped in to bail out the banks who made poor business decisions. Those same bank owners who made the poor decisions, then gave themselves big bonuses from tax-payer dollars. The government rewarded failure. Our Occupy Wall Street crowd should go down to Washington and ask why the government gave tax payer bail-out money to the persons who were cheating their clients. This is the real income redistribution, but not the way progressive liberals would have you believe. Under socialism or communism you will see more income redistribution, and the rich will get richer and the middle class will virtually disappear.

When the Communists took over Russia in 1917, they used many young university students to stage protests against the Czar. Lenin called them mindless "useful idiots." The communist inspired people in the U.S. are again using students to press their cause on Wall Street, and again to try and overthrow the government. These college students want justice, but they won't get it from their socialist, communist (or Islamic) friends on Wall Street. They are being played as the dupe.



In school we have all seen the table above that shows government control has an inverse relationship to personal freedom. The more control government has the less freedom individuals have. At the two extremes you have either a total dictatorship or total anarchy. The founding fathers thought about 40% government with about 60% personal freedoms was about the best approach. This balance allows free enterprise to flourish, with enough control to prevent abuses. However, they realized this type of government would only succeed with a moral and honest population. As a society becomes more corrupt and dishonest, there are increasing needs for government control of the population. The Communists (and Islamists) realize the Christian church provides a moral framework for our society, and if they can destroy the Church and society's morality, it will be easier to impose big government or theocratic control over America. Today, in the European Union we see evidence of the



Reduce Your Risk in the Market

declining influence of the church and its debilitating effects upon the moral and ethical mores of the people.

So, in the final analysis, I believe that, as in the title of Lee Greenwood's famous song, we should beseech "God Bless the U.S.A."

D. Miyoshi

Reduce Your Risk in the Market

Well after suffering the worst stock market start to a year since 1897, people are now concerned about the risk in the market. And, yes because the market has become so volatile, it seems pretty risky these days to be investing in stocks. If one were limited to investing in stocks, I would agree. However, by using a different strategy, one can reduce their risk and also consistently earn profits from their investments. By different strategy I mean using options.

Now, most people think options trading is risky.

Jeff Clark of The Growth Stock Wire states that novice traders often don't take the time to learn the right way to use options. They jump right in thinking, "I got this." They gamble, blow up their accounts, and then walk away penniless and swearing off options forever.

Even experienced traders sometimes get caught up in the allure of fast gains. They over-leverage their positions – take a bigger position size than they should – and then take a hit. Many options traders, including myself in the past, have blown up their accounts at least once.

But it's not the option that's risky. It's the strategy. And when used the right way, options are far less risky than trading stocks.

Here is why.

Most people use options the wrong way. Most people use options to increase leverage... to get more "bang for their buck." In other words, most people use options to increase risk.

That's wrong. That's the exact opposite of what options were designed for.

The options market was created so investors could reduce risk. Options allow investors to hedge their positions... and to risk much less money than they would if they bought a stock outright.

Let's say you want to buy stock in Company X. It trades for \$10 a share. You could put up \$1,000 to buy 100 shares... But you can control the same amount of stock with one option contract. You can buy a contract for, let's say, \$50... and leave the other \$950 in your account.

If Company X's stock goes up, you'll make money. If the stock goes down, the most you'll ever lose is that \$50. That's a 100% loss... but it's a lot less than potentially losing 20% or more of the \$1,000 you would risk if you bought the stock.

This is a simple example. And it's the simplicity that proves the point. Options allow you to risk much less and profit just as much as you would buying stocks.

But that benefit disappears if you over-leverage the trade and take on a larger position with options than you would otherwise take with the stock.

That's the biggest mistake most novice options traders make. Instead of replacing a 100-share purchase with one call option (an option that gives you the right – but not the obligation – to buy or sell a particular stock at an agreed-upon price at a set time in the future), they take the entire amount they would have allocated to the stock and buy a much larger position with the options.

Rather than buying one call option for \$50 and leaving the remaining \$950 in the bank, novice traders take the entire \$1,000 and put it into buying more call options.

They end up buying 20 call options to try to get more bang for their buck. What would have been a 100-share purchase has turned into control of 2,000 shares. Instead of using options to reduce risk, they've increased their risk 20 times.

Losing 100% on an over-leveraged trade would be a disaster. And it's why most folks think options trading is dangerous. But it's not dangerous if you trade options the way they were originally intended... as a way to reduce risk.

Limit your options exposure to control just the number of shares you would normally purchase. Leave the rest of the money in the





China's Game Changer

bank. Then it won't be so bad to lose 100% on an option trade. It will almost always turn out better than what you could have lost on the stock.

Here is to your smart trading.

D. Miyoshi

China's Game Changer

For decades China has had its "Yousheng" law which prohibited having more than one child. Now they have suddenly overturned the law allowing couples to have two children.

For us who are charting the global financial crisis, this is a game changer of the highest magnitude. Moreover, it's great news for savvy investors. Mind you, it will not change much the economic dynamics in the other sectors of the world, but it will make a huge difference for those who are investing in the Asia markets.

On the heels of this change, Keith Fitzgerald, writer for the *Total Wealth Investor* gives some clues as to why and, how to align your money for maximum profits.

China Re-Opened the World's Most Important Window

We've talked a lot about China over the years together and, at this point, you should be well-versed in the logic propelling that nation onto the world's stage. But what we haven't spent a lot of time talking about what's driving things behind the scenes.

Today, we're going to change that with a look at something called the "Window of Opportunity."

The Window of Opportunity is a little-understood data point that actually drives several of our Unstoppable Trends including Demographics, Medicine, and Human Augmentation.

If you've never heard the term before, the "window" refers to the composition of a country's working age population. While there are some variations, generally that's people between the ages of 15 and 65. Remember these numbers, by the way, because we're going to come back to them in a few minutes.

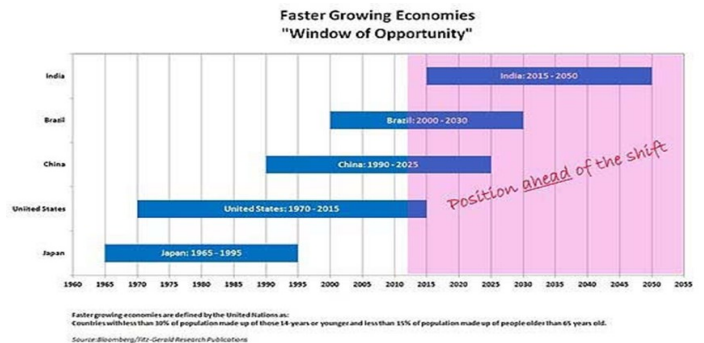
Anyway, the window is "opening" when a country's population

is growing and the number of younger people is declining at a time when the older population is small or in decline. It's "closing" when the working age-population is in decline at a time when the number of children is growing together with the number of elderly who are no longer working.

The reason why is pretty straight forward.

People live longer. Children and the elderly produce less, yet consume more. The cost of urbanization rises, as does systemic government spending even as per capita output falls to cope with rising dependency on everything from social services to private resources.

Typically, the window is around 30-40 years long and rotates around the world. For example, Japan's window was opening from 1965 to 1995. Our window was open here in the United States from 1970 to 2015. China's opened up in 1990 and will



continue to open until 2025. Brazil and India will follow.

I realize that this can be hard to comprehend, so let me put this another way.

In 1975, there were three people living in emerging market countries for every one in a developed country. By 2009, that had changed to 4.7 people in emerging market countries for every one in a developed country. By 2050, the figure will be 7.5 to 1. That's a huge shift only 36 years from now.

Which means, by implication, now's the time to act if you really want to make your fortune.

If this doesn't make sense, consider our own history. The world's truly pivotal fortunes were made roughly 25 years before the mainstream populace grasped the shift I am sharing with you today. Mellon, Vanderbilt, Carnegie, Warburg, Pincus, Rothschild, Buffett, Templeton... they all put their money ahead of massive shifts in working age populations around the world.

That's why China's move is so far-sighted. They're doing the





China's Game Changer

same thing.

Beijing knew well the window we're talking about was closing and that the one child policy put in place in 1980 to control modernization and resource consumption would have to change, "or else."

Barring this policy revision, China was on track to surpass Japan and become home to the world's most elderly population in less than 15 years, with an estimated 400 million people more than 60 years old.

Remember those figures I mentioned earlier?

It's no coincidence that the demographic window is defined by a working age population between 15 and 65 years of age. China knows that every single child born over the next 15 years prevents the window from closing. If projections hold, we're talking about another 75-100 million people entering the Chinese workforce by 2030.

And that's your entry.

A bigger workforce not only drives not just productivity but consumption, too.

China's middle class is already the world's largest. By 2020, more than one billion middle class folks there will have consumed more than \$41 trillion in goods and services, according to The Boston Consulting Group. By 2030, that figure may stand at \$60 trillion. To put that in perspective, U.S. GDP is approximately \$17.94 trillion as of mid-2015.

China's economy is 25 times bigger now than it was in 1990. By 2035 it could double again, especially when you factor in another 75-100 million people who would have otherwise literally been prevented from being born.

That's going to drive companies like NIKE Inc. (NYSE:NKE), Starbucks Corp. (NasdaqGS:SBUX), and Apple Inc. (NasdaqGS:AAPL) to levels most investors cannot imagine today. That's going to give those companies a powerful boost and investors plenty of profits.

It's also going to create a whole host of new Chinese companies at the same time.

For example, companies like Meizu and Xiaomi are mobile handset makers second only to Apple in Asia, even though they're virtually unknown here. Athletic sporting gear company Li Ning is giving NIKE a run for its money even though it sells 99% of its products within China.

Ping An, Yunnan Baiyao, and Shuanghui are names completely unknown to western investors... at the moment.

If that gives you pause given China's well documented and very recent history of stock fraud, manipulated earnings, and questionable accounting, I understand. But, I encourage you to get past that and consider investing in one or both of the following exchange-traded funds so you can get ahead of the "window":

Deutsche X-trackers Harvest CSI 500 China A-Shares Small Cap (NYSEArca:ASHS)

Guggenheim China Small Cap Index ETF (NYSEArca:HAO)

The former is a broad-based market type index holding the 500 smallest and most liquid Chinese A-Shares, while the latter is much the same but introduces a threshold of \$1.5 billion, above which investments are excluded. I have no doubt tomorrow's winners are among them.

The game here is not instant gains, so don't pile in thinking you're going to be living large any time soon. China's going to be volatile for some time to come, and its financial markets will reflect that exactly as any growing nation's financial markets do. Exactly as ours did.

Over time, though, things will begin to settle down as part of the maturation process as China's legal, financial, and economic systems catch up. And that's when capital growth really sets in.

Ordinarily, I'd encourage you to run a trailing stop to protect your capital but in this case I think position sizing to 2% or less is the way to go. That way you can buy shares, tuck them away, and come back in a few years' time without worrying about daily volatility.

Here is to good investing.

D. Miyoshi





\$10 Oil

\$10 Oil

People are reveling in the fact that gasoline prices have become very affordable these days. This is due to the fall in the price of oil to below \$27.00 per barrel. Now, a gallon of milk is worth two gallons of oil. Most market pundits are saying this is about the lowest the price will go. However, if we dig deeper into the market dynamics and geopolitical implications involved, we come up with a very different conclusion.

Essentially, the fall in oil prices is due to the Saudis playing chicken with the other oil producers (all of them). I am reminded of that scene in *Rebel Without a Cause* where James Dean is racing his car toward a cliff against another car driven by his antagonist. Dean rolls out of the car first (he is the chicken but smarter man) while his antagonist then tries to jump but his jacket gets caught in the door handle and he goes over the cliff to his untimely destiny. Using that scene as an analogy, today's scenario posits the Saudis as Dean and the other oil producers as the antagonist. For you see, the plan of the Saudis are to play chicken with all the other oil producers with the objective of eventually wiping them out.

The Saudi Plan

The Saudis are going to bankrupt the competition by taking oil to under \$10 a barrel and keeping it there for as long as it takes. We all know the Saudi business is the oil business. In fact, it is the largest family owned business in world history. And the survival of their oil business is an existential issue for them.

Furthermore, we know that the Saudi company Aramco is the world's largest oil company... By far! In fact if Aramco were a public company it would be the world's largest. Right now, the biggest publicly traded company in the world is Apple with a market cap of 500 billion dollars. That's chump change compared to Aramco which is estimated to be worth ten trillion dollars. Now, admittedly that's only an estimate but still it would take a lot of iPads to overtake that valuation.

Aramco supplies 15% of the world's oil. Also, as far as oil companies are concerned, it's by far the world's most profitable. Its cost of production is \$1.00 a barrel. The lowest cost producer of oil the world has ever seen. It has ten times the reserves of Exxon, the largest publicly traded oil company in the world. And it has virtually no debt. All the other world's oil majors are drowning in massive debts.

Nothing can compare to Aramco. Saudi Aramco has the world's largest proven crude oil reserves, at more than 260 billion barrels and largest daily oil exports. Now over 14 million barrels a day. It is also the world's largest oil and gas company.

Saudi Aramco operates the world's largest single hydrocarbon network, the Master Gas System. Its 2013 crude oil production total was 3.4 billion barrels. And it manages over 100 oil and gas fields in Saudi Arabia, including 288.4 trillion standard cubic feet (scf) of natural gas reserves. Saudi Aramco operates the Ghawar Field, the world's largest onshore oil field, and the Safaniya Field, the world's largest offshore oil field.

An oil price war has started that will bankrupt the majors

Forget the spin. The Saudis have decided it's all or nothing, and they can win. OPEC, the real OPEC, the key gulf producers realize they are in a fight for their very survival. The Shiite producers, namely Iran and Iraq are going to make war on them (as we have seen the first battles have already begun). And the Sunnis gulf oil producers have to cut off the cash flow to their enemies.

Iran is deep in debt, deep in wars and desperate for money. Fortunately for them they just received 150 Billion dollars in the nuclear settlement agreement. But that is still not enough to overcome the Saudi's advantage. The Saudis figure it's better to have them get \$10 a barrel than \$100. It's a pretty simple equation. Iran needs billions in outside investment to get their oil production up. And at \$10 a barrel oil they have a long row to hoe to say the least. And all potential investors should realize the oil majors cannot afford a walk on the wild side. In other words, at sinking prices for oil the investments needed in Iran make no sense.

We have heard the Wall Street spin about a desperate Wall Street who is drowning in oil they own (over 100 million barrels) and oil debt and are becoming broke. Not true! The spin continues like this. The Saudis, who are pumping oil like there is no tomorrow, can't continue. So soon they will stop pumping and the price will go back up and bail out Wall Street and save the investment banks rear end. This is not the case.

The truth is Saudi Arabia can take the low price oil market chemotherapy longer than anyone else. By keeping prices low and getting them lower still. In one fell swoop the Saudis kill fracking in the US. They bring Russia to their knees (Russia is aligned with their arch enemy Iran) and they cut off the money Iran needs to make war on them. It's a very smart plan.



The Future of Communication

Saudi Arabia has the lowest government debt in the world. National debt is a miniscule 5% of GDP. But, how will they finance their oil war of attrition? It's pretty simple! All they will do is take the world's largest, most profitable corporation public via an IPO. Remember, at \$10 a barrel Aramco is still incredibly profitable. They will float a limited number of shares, representing a smaller part of Aramco, retaining a controlling interest in the family. By going public they would raise perhaps 2 trillion dollars. And investors would believe they are getting to own a share of the big winner in the biggest oil price war ever.

But where could the Saudis conduct an IPO?

There's only one market that can really support an offering that big: the U.S. market. But let's say the IPO goes to the Saudi Arabian stock market. That market is worth about \$400 billion right now. It would clearly need to attract foreign money into Saudi Arabia to support a valuation as high as what Aramco would command.

So even if Aramco isn't listed in the U.S. and instead ends up at home in Saudi Arabia, they will still need U.S. investors and their money. This is not to say U.S. investors are the only ones in the world that could handle the size of the investment. There are wealthy investors in Japan, Western Europe as well. However, as a single community of investors, the U.S. is still the preeminent source of funds.

So what would be the actual implications of an Aramco IPO? Also, should U.S. investors own shares of this company? And should U.S. investment banks help Aramco find U.S. investors?

Let's be perfectly clear about one thing: Saudi Arabia is deliberately crushing oil prices. It's doing this for the few reasons mentioned above (one of which is to crush U.S. shale oil production). The Saudis want to see U.S. oil companies go bankrupt. That will mean a lot of U.S. investors and banks will lose money. Not only that, but the decline in oil prices and commensurate reduced drilling activity has cost a lot of American jobs. (recently BP announced it was cutting 4,000 jobs.)

And the weakness in oil prices is a big reason S&P 500 earnings growth is expected to be very weak in 2016. The energy sector, which makes up around 16% of the S&P 500, is a negative drag on earnings. And one of the reasons the stock market has sold off so far this year is because earnings growth is expected to be weak.

It's not a huge stretch to say that Saudi Arabia is waging a war on

the entire global economy. Low oil prices are absolutely affecting demand from emerging economies.

In the final analysis, unfortunately this means a banking collapse and \$10 oil are all but guaranteed events. This also means the trading opportunities for us on the short side are astronomical and the peril the global economy is in can't be denied.

From here on we must pick our oil, commodity and finance investments with extra due diligence.

D. Miyoshi

The Future of Communication

In the Marine Corps I was fascinated by the EE-8 field telephone that we used to communicate among our units. This phone was made by a company called American Microphone Company Ltd. It had a range of 17 miles and it just thrilled me how we could talk so efficiently "over the air."

Well, as it turned out my fascination for this device was excessive to say the least. Today, new communication marvels seem to debut every month.

According to Jason Stutman of *Wealth Daily* we haven't seen anything yet. What was an incredible, groundbreaking marvel a few decades ago is worth zip, zilch, nada today.

All it takes is something better, something more convenient and useful, to turn what was once magic into a modern landfill.



A Long History of Disruption

When you think about the time it took for this level of disruption to occur, it's actually quite amazing. New communication plat-

The Future of Communication



Advancing in a Time of Crisis



Financial Crisis Report



David M. Miyoshi is a California attorney with a Martindale-Hubbell AV Preeminent Rating for Attorneys. He earned his Bachelor of Science degree from the University of Southern California, a Juris Doctor degree from the University of California, an MBA degree from Harvard University and an International Graduate degree from Waseda University in Tokyo.

He is Managing Attorney of Miyoshi Law, an International Law Firm. In military service in Vietnam, he led a Combined Action Platoon as an officer in the U.S. Marine Corps and received the Naval Commendation Medal with "Combat V".

He is listed in 14 Who's Who publications issued throughout the world and specializes in international business, finance and estate planning.

forms have been invented throughout human history, but nowhere near the rate at which we experience them today.

Let's consider the following...

In 3500 B.C., Sumerians and Egyptians first began writing images on stone walls.

It then took another 2,000 years for the Phoenicians to develop an alphabet, somewhere around 1500 B.C.

In the year 105 A.D., Cai Lun invented paper — about 1,700 years later.

In 1450, Gutenberg invented the metal printing press...

(Notice that time between these inventions is contracting.)

In 1792 came the semaphore telegraph. In 1843, the electric telegraph. In 1876, the telephone.

By the 20th century, things really began to pick up. The radio emerges, then the television, and soon the first geosynchronous communications satellite — all within less than 65 years.

Simply put? Communications technologies have historically developed, and have subsequently been disrupted, at an ever-increasing rate.

Why is this the case? Well, there are two main reasons:

First, with every new method of communication, we can store, share, and process information more effectively than we could before. In doing so, our ability to create new and disruptive technology expands exponentially because we're collectively more intelligent as a species. This is what Google AI researcher Ray Kurzweil has called the "Law of Accelerating Returns."

Second is the simple fact that human beings strive for connection. We all want to share our experiences with the people we love, and we don't want to miss out on what's going on in the world around us. If anything is a testament to this fact, it's the

incredibly rapid rise of social media.

The takeaway from all this? Well, here it is: The free market will always push for technologies that connect us in more immersive ways, and in modern times, those technologies can arise in the blink of an eye...

What Comes Next?

As it stands today, the dominant communication platform in existence is the smartphone. In 2015, mobile web traffic outperformed PC traffic for the first time ever...

But just as smartphones once replaced the devices that came before them, this modern technology will one day too be replaced — and it will happen much sooner than you might think.

For many people, a future where smartphones do not rule the communication landscape will seem like a pipe dream. But try to remember the same feelings were once felt about all its predecessors: paper, the radio, television, PCs — all now take a back seat to blockbuster products like the iPhone.

Over the last several years, Stutman has been monitoring the consumer electronics market, keeping an eye out for what comes next — an elusive device he refers to among friends and colleagues as the "iPhone Killer."

If you would like to see what he is referring to you can go to the page

<http://www.angelnexus.com/o/web/92179/?lloct=2&r=1>

It looks like we have just started to communicate.

D. Miyoshi

Past issues of the *Financial Crisis Report* can be found on the law office website www.miyoshilaw.com



1055 Wilshire Blvd.
Suite 1890
Los Angeles, California 90017
U.S.A.

Phone: 310-378-0615
Fax: 310-378-0000
E-mail: david@miyoshilaw.com
www.miyoshilaw.com
<http://about.me/dmiyoshi>