



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: “Elections should be held on April 16th—the day after we pay our income taxes. This is one of the few things that might discourage politicians from being big spenders” Thomas Sowell

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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.

Will Marijuana survive under Attorney General Jeff Sessions?

Some of my clients have asked if the burgeoning U.S. marijuana industry will survive under the new U.S. Attorney General Jeff Sessions (former senator of Alabama). According to Jim Mengel of the *Outsider Club* Marijuana users will have no reason for concern.

But first, it is safe to say that Sen. Sessions is no fan of marijuana...

He illustrated just how much he loathed marijuana smokers when he remarked that he thought the Ku Klux Klan “were OK until I found out they smoked pot.”

That’s right, the racist organization that has a sordid history of murdering minorities, burning crosses, and wearing really silly looking outfits was “OK” except for the fact that some of them smoked marijuana.

While that is clearly a ridiculous thing to say, Sessions has also made more

direct attacks on marijuana use and legalization itself. He is known to have stated “good people don’t smoke marijuana”.

At a Senate hearing in early 2016, Sessions remarked that “marijuana is not the kind of thing that ought to be legalized, it ought not to be minimized, that it’s in fact a very real danger.”

At the same hearing, he went on to say that “I think one of [President Obama’s] great failures, is his lax treatment in comments on marijuana.”

In the past, the Feds could invade legally operating dispensaries and laboratories and bring the fury of federal law — arresting the proprietors, shuttering shops, and seizing property. Then the Federal government issued the Cole Memo which states that the Federal Government will not spend its resources cracking down on marijuana businesses that are operating legally under state law. This essentially put an end to the Federal program against marijuana and allowed the industry to flourish without the nagging fear that a business owner could be shut down and jailed for something that was legal in



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his or her state.

It also stressed the importance of focusing on specific legal issues within the industry that most people would probably agree on:

Preventing sales to minors

Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels

Preventing marijuana from traveling from legal states to states where it is illegal

Preventing violence and the use of firearms in the cultivation and distribution of marijuana

Preventing drugged driving and other public health threats that may arise from marijuana legalization

Basically, these are far more important issues for the government to worry about. Raiding and shutting down legal businesses is not only a violation of states' rights, it's also an incredibly expensive and resource-exhausting process.

Moreover, president Trump has far more to lose if he decides to let Jeff Sessions start a new war on drugs.

Here are four reasons why...

Money

Legal marijuana is big, big business — and Donald Trump is clearly a fan of big, big business.

According to ArcView Research, “Legal cannabis sales in the United States jumped 17 percent, to \$5.4

billion, in 2015 and are expected to grow by 25 percent in 2016, to \$6.7 billion.”

The market for recreational marijuana could explode to \$21 billion by 2020, according to New Frontier Data. That’s a massive increase from the \$5.7 billion in 2015 and the projected \$7.9 billion for 2016.

If you look five years beyond, that number could more than double. Investment firm Cowen & Co. predicts that legal marijuana sales could reach \$50 billion by 2026.

Taxes

With big business comes big taxes, and the legal marijuana industry is raking them in...

In Colorado alone, legal marijuana sales reached \$996 million in 2015, bringing in \$163 million in tax dollars. That makes it the second largest revenue source — three times larger than alcohol, and 14% larger than casinos. According to the Marijuana Policy Group, marijuana tax revenues will overtake cigarettes by 2020.

Washington State brought in \$77 million its first year — which is impressive — but that figure is projected to jump to around \$270 million in 2016.

But California will hit the jackpot: some state analysts estimate local governments could see \$1 billion in revenue from the production and legal sale of marijuana.

Once the Pandora’s Box of billions in tax revenue is opened, I don’t think even the “reefer madness” of someone like Jeff Sessions can close it.

Jobs

Trump ran for president on a pledge to bring back good, well-paying American jobs... and no new industry has done as well as the legal cannabis industry to bring about new jobs.

The industry created more than 18,000 new full-time jobs in Colorado alone. That isn't just entrepreneurs starting pot shops, but those who provide lighting



Five Reasons for a Trump Recession

equipment, rent warehouse space, and hold retail positions. Other jobs include providing security, legal representation, and accounting services.

Nationwide, the industry provides over 150,000 jobs. If other states follow along we could see **300,000 new jobs** in the next few years.

While I think it's great that Trump wants to bring back manufacturing jobs to America's heartland, most would agree that is a pipe dream. The marijuana industry — if left alone — could bring back decent jobs in far greater numbers.

Public Support

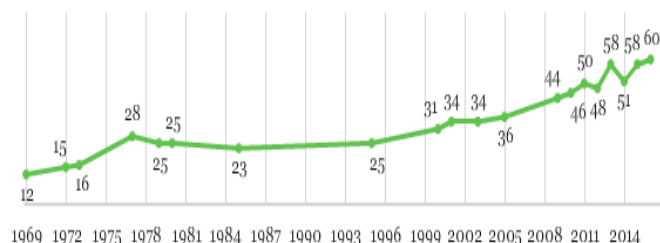
Another thing Trump has been famous for is citing polls to justify his actions. If he sticks to that metric as Commander-in-Chief, he'll have no choice but to back the will of the people.

A recent survey has shown that support for marijuana legalization in the U.S. has reached 60% — the highest level ever recorded.

Americans' Views on Legalizing Marijuana

Do you think the use of marijuana should be made legal, or not?

■ % Yes, legal



GALLUP

That percentage will continue to increase during his presidency. I doubt he wants to wage a war on a very popular public opinion. Not to mention he will have his hands full if he wants Jeff Sessions to focus on the crux of his campaign: illegal immigration.

In short, I don't think marijuana investors should fear for their portfolio.

For moral reasons, I personally will not invest in the marijuana industry. But this is a financial newsletter

and from an investment standpoint, there are few industries that have such a bullish outlook.

D. Miyoshi

Five Reasons for a Trump Recession

Donald Trump begins his reign in the Oval Office on Jan. 20, 2017, inheriting an economy with a seven-year bull market, low inflation and an unemployment rate of less than 5 percent. After an initial election night stumble, the stock market is flying high. Interest rates remain close to historic lows (although the Fed has recently raised the rate by .25% to between .75% and 1%).

The day after Trump gave his memorable speech to a joint session of Congress, the stock market hit an all time high.

All in all, it's a rosy economy picture. But at some point over the following four years, it's highly likely that the Trump administration will have to cope with an economic recession.

Here are 5 reasons John Divine, writer for *U.S. News and World Report* gives for a recession to occur under the Trump presidency.

It's a timing issue. Economies run in boom-and-bust cycles, and it's been a long time, relatively speaking, since we had a bust.

The average post-war economic expansion lasts for 58 months, or just less than five years. The Great Recession ended in June 2009, meaning the current expansion is more than seven years old.

By the time Trump assumes office, we'll be 91 months in, and there will be another 48 to go before his first term is over. No post-war expansion has lasted longer than 120 months. It seems unlikely the current one will last 139.

Politics aside, the U.S. is overdue for a recession.

Uncertainty plus miserable growth equals risk.



Five Reasons for a Trump Recession

Trump's win wasn't even official yet and it had begun a series of economic shocks across the world. As the last votes trickled in, Asian stocks fell, the peso dropped 8 percent and Dow Jones futures briefly lost as much as 700 points, though the Dow's losses were soon erased.

Bankrate.com's chief financial analyst, Greg McBride, still believes Trump's victory could send reverberations through the stock market.

"The markets hate uncertainty and a Trump win means a whole lot more uncertainty," McBride says. "I still think we'll see the market pull back 10 percent, which is more than Brexit."

But uncertainty over what kind of a president Trump will be doesn't simply mean higher volatility over the next couple of months. It can actually lead to serious economic hardship.

"We have an economy that is already in a low-earth orbit of slow growth, and when you layer on top of that significant uncertainty that tends to prompt both consumers and businesses to hold back – that's how economic slowdowns and recessions are made," McBride says.

Protectionism. Beyond the specters of uncertainty and timing, there are some very real, glaring issues with the policies that Trump said he would champion as president. Protectionism in particular is arguably the policy that could most easily lead Trump to directly cause a recession.

Trump has repeatedly threatened to start trade wars with overseas partners – most notably China – by assigning large tariffs to foreign-made goods, which he sees as taking away American jobs.

"Forcing manufacturing jobs back to the U.S. will raise the production cost. While it may provide jobs temporarily, the rest of the country will have to subsidize the new job creations by paying higher prices. The rest of the world will not buy the U.S. products due to the higher prices," says K C Ma, professor of finance at Stetson University. "Therefore, protection-

ism is not sustainable."

In the case of a trade war, American-made products would not only be more expensive due to higher labor costs, but because foreign trade partners would likely impose tariffs on American exports in response, making them more expensive.

The Smoot-Hawley Tariff Act of 1930 is often credited with both contributing to and exacerbating the Great Depression, something most Americans would rather read about than experience.

The elimination of the estate tax would contribute to a long-term deficit. Trump could also help cause a recession by repealing the estate tax, which currently is assessed upon death at a 40 percent rate on estates worth more than \$5.45 million.

Trump's policy would replace that with a far smaller revenue stream for the government: capital gains tax on estates more than \$10 million – and only when those assets are sold, not upon death.

Aaron Klein, an economics fellow at The Brookings Institution, is worried about this proposal. "In the long-run, deficits do matter," Klein says.

"I'm very concerned about a radical, deficit-financed tax cut that will exacerbate income inequality, create a massive transfer of wealth to elites and fail to stimulate real economic growth," he says. "Repealing the estate tax would be quite a windfall for wealthy families, paid for by my children. And my children's children. I'm very worried about that."

Laissez-faire financial regulation (or lack

thereof). Trump has also promised to repeal the Dodd-Frank Act, enacted in 2010 in response to the financial crisis with the intent of preventing another one. It raises capital and lending requirements at banks, and if that goes away – poof! – the conditions that allowed the 2008-2009 global economic meltdown to happen appear once more.

Repealing Dodd-Frank simply re-creates the incentives for large banks to lend to the under-qualified in pursuit of a quick buck. And if their house of cards comes falling down at some point, who cares? The

Why Japan Will Never Have a Depression

government will bail them out.

That's not the lesson you'd hope the financial crisis would teach our next president.

At the end of the day, any one of these five factors in isolation poses a real chance of bringing on the next recession. The fact that all five exist at once is fairly damning for Trump – and the country – in the next four years.

There's nothing that can be done about the timing issue. The last two presidents both experienced recessions during their first year in office.

But the other four issues are all Trump-specific. If he's not careful, his quest to "make America great again" could take something pretty good – 80 consecutive months of private sector job growth (although it did stall a bit during the Obama administration) – and turn it into a problem that actually needs fixing. So, here we go again.

D. Miyoshi



Why Japan Will Never Have a Depression

Toshio Masuda is a Japanese Economist;

Best-Selling Author; Journalist; Radio and TV Commentator; Political Consultant; Global Investor and Traveler; Descendant of One of the 47 Ronin in Japan

Here is an interview by Julia C. Guth, CEO & Executive Director of the renowned *Oxford Club*. Mr. Masuda has been a member of the *Oxford Club* since 2003

Julia Guth: Mr. Masuda, in Japan you must be famous. You have the country's longest-running financial radio show. How did you get started?

Toshio Masuda: Yes, I have a live morning talk show on the radio. I started it in 1997. It's a bit like the *Larry King* show but is focused on global and domestic politics that influence the global economy. I had *Oxford Club* Chief Investment Strategist Alexander Green on last year, live broadcasted in Japan, when we were attending your conference in Hawaii.

Julia Guth: Your listeners who are Japanese investors and savers... you've said they think about money very differently than U.S. investors do. Can you help us understand the difference?

Toshio Masuda: The Japanese save around 30%, which is unheard of in the United States. They are conservative. They don't spend the way Americans do. And they don't consider "saving" a type of investment. Savings are good, but too much is bad for our economy. The Japanese don't invest like entrepreneurs; they don't take risks.

Right now, Japanese cash savings is US\$16 trillion - \$16 trillion! This means that Japanese savings almost equal the entire U.S. GDP.

Julia Guth: Outsiders say Japan has a "zombie economy," with the world's greatest amount of debt relative to GDP. And like our government, your prime minister wants to continue spending, saying he wants to invest in crumbling infrastructure. Like our Federal Reserve, the Bank of Japan is issuing lots of debt in the form of government bonds.

Like much of the rest of the world, Japan is dealing with deflation and negative interest rates. How will Japan get out of this dangerous debt spiral?

Toshio Masuda: Japan has been suffering depreciation for these 15 or 20 years because of very stagnant, low economic growth, and also consumption is not going up. Prices are going down, income is going down, and commodity prices are



Will Trump lose to the Deep State?

the same or going down... so yes, we are in a deflationary spiral.

On April 4, 2013, our prime minister, Shinzō Abe, welcomed a big-stimulus, easy-money policy like the U.S. did. And it's not working. And now Mr. Abe is pushing for a 28 trillion yen investment infrastructure project to repair all kinds of infrastructure broken by storms and natural disasters.

Mr. Abe is going to borrow whatever he wants from the Bank of Japan, and then the bonds will be auctioned off.

But here's the big difference between the bonds in Japan and those in the U.S. These bonds will be bought in seconds by the Japanese. There's no chance for a foreign bank or a foreign people to buy Japanese bonds because they're restricted.

Only a Japanese bank can buy a Japanese bond. So - in our case - all the Japanese debt is owned by Japanese people. And they don't sell. Even after they die, they don't sell. This gives us a sense of security about our debt that you don't have in the United States.

SO YOU SEE THEY OWE THEIR OWN DEBT TO THEMSELVES. NOW YOU CAN UNDERSTAND WHY JAPAN WILL NEVER HAVE A MAJOR DEPRESSION.

D. Miyoshi

Will Trump lose to the Deep State?

In his address, president Trump stressed that things are going to be different: The Trump administration will operate a government at the service of “the people” rather than the insiders.

But serving “the people” means cutting the insiders out of their cozy deals. And if the president pursues this course of

action, it will lead to showdowns... power struggles... and very possibly the president’s inevitable defeat.

In early March the battle between the Trump administration and the "Deep State" exploded on Capitol Hill. On March 4, in a few of his famous (or infamous) tweets, President Trump accused former president Barack Obama of spying on him before the election.

Those tweets led to a media firestorm that has left-leaning outlets rushing to Obama's defense and questioning our current Commander-in-Chief's ability to lead. Right-wing media are pointing to reporting in January that indicate Mr. Trump is right and are asking if holdovers from the previous administration are trying to delegitimize his presidency.

This is a classic case of Mr. Trump taking on the “Deep State”. Can he win?

Bill Bonner Editor of the *Laissez Faire Letter* asserts that Mr. Trump can't win a power struggle with the “Deep State” any more than Mr. Greenspan could (if he had tried, which he didn't).

Who is the Deep State?

According to Bonner, the Deep State describes the way the U.S. government really works, rather than the way it's supposed to work.

In the popular myth, we have a government that responds, clumsily but eventually, to the will of the people.

It is supposed to be “by, for, and of” the people. So we are tempted to believe that what it does is, ultimately, for our own good. We can trust it, in other words, to look out for us. We do not have to fear it. After all, as Hillary Clinton said, “The government is all of us.”

But the Deep State is not all of us. It is only some of us.

The Deep State is a curious group, comprised of foreign governments, billionaire political donors, lobbyists, international corporations, global organizations, supra-government agencies, domestic favored industries, special interests and cronies of various stripes and persuasions. Some refer to it as the “Shadow Government” but usually this appellation is reserved to mean the entrenched bureaucrats placed there by the previous administration to carry



Will Trump lose to the Deep State?

Terrorists pose no dangers to the Deep State system; they strengthen it. But you or I, however, might threaten it.

“If anyone gets on the government’s ‘enemies lists,’ then the stored information will be used to target them.”

It is unlikely, but a strong candidate (i.e. Trump) may still be able to revive enough of the old atrophied organs and dust off enough of Americans’ old sense of pride, independence, and solvency — so as to menace the Deep State.

There might be enough kindred spirits appalled by the theft, disgusted by endless senseless wars, and shocked by the debts to make possible a march on Washington, and maybe even a real insurrection.

Like the Spartacus slave uprising in 72 B.C., an “end the Fed” chant coming from the National Mall... a “stop the wars” banner flying over the Lincoln Memorial... might be enough to deeply unsettle the Deep State.

That is why the Deep State so desperately wants to keep tabs on everyone.

Everybody’s a Target

Built at a cost of \$1.5-2 billion — plus another \$2 billion for electronic components — the NSA’s massive data center in Bluffdale, Utah, came online in May 2014.

It consumes about \$40 million worth of electricity each year and uses 1.7 million gallons of water each day.

You don’t put that kind of hardware in place just to snoop on a handful of terrorists.

Instead, the idea is to keep records on everyone so that at any time, the Deep State can find out what it needs to know about anyone.

Bill Binney worked for the NSA for 32 years before blowing the whistle in 2002. He was the one who “created the agency’s mass surveillance program.” Now, that program collects 100 billion emails per day... and 20 trillion communications all together.

Washington’s Blog:

If anyone gets on the government’s “enemies lists,” then the stored information will be used to target them. Specifically, [Binney] notes that if the government decides it doesn’t like someone, it analyzes all of the data it has collected on that person and his or her associates over the last 10 years to build a case against him.

All of the information gained by the NSA through spying is then shared with federal, state and local agencies, and they are using that information to prosecute petty crimes such as drugs and taxes. The agencies are instructed to intentionally “launder” the information gained through spying, i.e., to pretend that they got the information in a more legitimate way... And to hide that from defense attorneys and judges.

Lavrenti Beria headed Stalin’s secret police. He had no access to an NSA-style database. Still, even with his limited resources, “Show me the man, and I will find the crime,” he said. Today, the secret police never had it so good.

And it could get a lot better for them. With the coming of a “cashless” economy, all transactions, no matter how small, may have to pass through the Deep State’s information technologies. With the flip of a switch, your secrets could be revealed and your money could be turned off — a 21st-century assassination.

How does the Deep State really affect us? There is no way to know for sure. But what we have found is that it is not at all bound by the rules, goals, or financial restrictions that limit the rest of the society.

Therefore, president Trump needs the generals and the arms dealers. He needs the cronies. He needs the elite. If he wants to rule, he must share power with these insiders. If he does not and there is a real fight for control, he will lose.

Even if the president does not consciously “go to war” with the Deep State, he could simply step on too many Establishment toes.

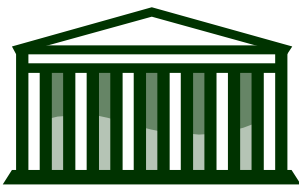
Either way, the different warring factions of the Deep State would make common cause to get rid of him. Trump’s long career is a series of impulsive mistakes, loose talk, and lucky breaks, stitched together with braggadocio and a flair for vulgarity.

That makes him vulnerable to his own worst friend — himself — and to his enemies in the Establishment.

Congress may impeach him after damning information (fake news?) surfaces. Or he may simply be isolated, unable to enact legislation, push the bureaucracy to do his bidding, or get anyone to attend his parties.

There are many moving parts in the Deep State. President Trump can try to pit one against another. Most are inconse-

Will Trump lose to the Deep State?



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He is Managing Attorney of Miyoshi Law, an International Law Firm where he approaches legal issues through a commercial lens and is a trusted legal and business advisor to his corporate and estate clients. 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 appears in 14 Who's Who publications throughout the world and is listed as a specialist in international business, real estate and estate planning.

quential; he won't really care if the academic elite or the milk producers turn against him. But he needs broad support in Congress.

It is said that he has a "Republican majority" in the House and the Senate ready to do his bidding. This is not true. What he has is a pack of clever, self-seeking politicians sharpening their long knives... and waiting for him to turn his back. Some may be loyal to Trump but most are just looking out for their own political careers.

We saw what happened with the efforts to reform Obamacare. On March 24, president Trump pulled the American Health Care plan before the House voted on it because he realized there were not enough votes to pass it. We can only wonder how many Democrats and Republicans are being controlled by the Deep State.

Trump must now make the Democrats defend Obamacare as it is, with costs going up drastically each year proving it is an untenable program. Without doing that, Trump will be at the mercy of the double "D", the Democrats and the Deep State.

In early March, Sen Lindsey Graham said Trump should "not challenge ObamaCare but instead allow it to collapse on its own. After pulling his health care plan, Trump said "now the Democrats own Obamacare 100% and in 2017 you will see it implode. After it implodes, I invite the Democrats to come together with us to develop a plan that will work for the American people." It was an adroit way to recover from his loss. But, let's see what happens.

Henceforth, Trump can't afford to give the Democrats or the Deep State time to hinder his other programs. He now has to proceed to get his tax reform bill passed. Will it be sabotaged as well?

As of this writing (March 31, 2017), Rep. Devin Nunes, Chairman of the House Intelligence Committee is under severe criticism by Rep Adam Schiff, the top Democrat on the same committee for not sharing intelligence reports that Nunes received from undisclosed sources about surveillance by U.S. spy agencies on Trump and his campaign staff after the election. This has caused a firestorm of controversy on Capitol Hill. Sen. McCain made a comment that Kim Jong Un is a "crazy fat kid" which has drawn angry protests by the North Korean government as "almost a declaration of war." President Trump will try again within the next three weeks before the House discusses the budget to pass the Trump Health Care bill by putting pressure on key members of the Republican's Freedom Caucus who did not support the Health Care bill the first time. Finally, the Senate Intelligence Committee turned down the request by former National Security Advisor Mike Flynn's lawyer for a grant of immunity in exchange for his testimony.

The Deep State just keeps getting deeper.

There is no question these are very interesting times. And they promise to get even more interesting. So everybody, stay tuned.

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