



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

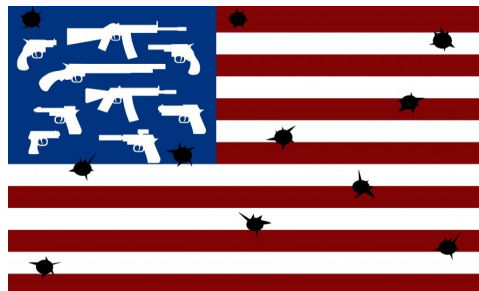
Words of Wisdom: "Life is ten percent what happens to you and ninety percent how you respond to it." Lou Holtz

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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 Do We Do About Mass Killings in the U.S.?



On February 14, a gunman shot and killed 17 people at his former high school in Parkland Florida in what is being called by the main stream media as the latest "mass killing" in an ongoing litany of tragic crimes involving firearms in America. Many slip-ups, blunders, oversights and acts of cowardice by the FBI and local Sheriff's Department conspired to make this latest slaughter possible.

In the wake of this tragedy, more than the usual number of censures against the NRA and the 2nd Amendment followed. But the basic fact remains, many died at the hands of one lone gunman armed with a semi-automatic rifle and the governmental agencies were powerless to stop him. And in that logic, it was a mass killing.

But to gain an accurate perspective of how

dire this "mass killing" is in the grand scheme of tragic events that happen in our world, let's first take a look at what causes these calamities.

Satisfying human wants

There are only two ways to get what you want in life. Either you get it peacefully, offering something in trade. Or you take it by violence or the threat of violence.

Even the most common, everyday things are illustrations of one or the other of these approaches.

Do you want more sex? Well, you have your choice. You can either ask for it politely, perhaps making your request in the alluring, seductive tones of a real paramour; or you can rape someone.

Sometimes, the frontier between rape and request can be unclear.

Sometimes, it shifts with cultural trends. What was considered acceptable to the baby boomers, for example, may be considered quasi-rape to millennials. Just ask Al Franken.

There is always some gray area between violence and persuasion.

But that is for the courts to figure out. For our purposes, it hardly matters. I am just looking at the black and white parts and



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telling you what I see. Finer intellects with better eyesight can draw the boundaries.

Bonner's Book

This theme, by the way, is one Bill Bonner, a famous financial columnist is developing in a new book. He took it up because he thought it offered a simpler and better way to understand public life. But it surprised him when he saw that it helped him understand the rest of life, too.

In his book, due out later this year, it will explore the difference between the two approaches. We will see that...

...win-win promotes long-term relationships; win-lose is strictly short-term...

...win-win describes the world of the jungle; win-lose is like a zoo...

...win-win provides constant feedback and correction; win-lose cuts the feedback loop, allowing mistakes to continue...

...win-win is the place for entrepreneurs; win-lose gathers in MBAs...

...win-win is best governed by common law; win-lose is favored by edicts and diktats...

...win-win is based on the individual; win-lose targets tribes and groups...

...win-win is local; win-lose is usually national...

...win-win is what they do on Main Street and in markets; win-lose finds a cozy home in Washington...

...win-win creates voluntary collectives; win-lose forces people into involuntary collectives.

We could go on. And Bonner does... in his forthcoming book. But in this article let's lay a bit of the groundwork.

The Routine of Killing

There was a time when humans lived almost entirely by

violence. Plants may have been useful sources of minerals and vitamins.

But early man had no fires (we are talking about long ago... even before humans became the people we know as *Homo sapien-sapiens*), so he couldn't eat what are major staples today. Rice, beans, potatoes, and wheat are indigestible when they are uncooked.

In order to get the protein they needed, they had to kill and eat other animals. That's why humans have eyes on the front of their heads, like other predators, instead of eyes on the side, like grass-fed prey.

The bone records, as well as the oldest oral and written records, show that our ancestors didn't mind killing each other, either. Killing was routine. And it made sense. If you killed a stranger, you could take his weapons, his women, his children, and his hunting lands. And you could eat him, too.

If you didn't kill him, on the other hand, what did you gain? Perhaps you could get a piece of amber from him, trading it for flint. But what else? Not much.

There is plenty of evidence of prehistoric trade. That is, objects are found where they are not native. But we don't know how they got there. Persuasion? Or violence?

Downward Drift of Violence

A few Millenia later in today's world, between private citizens, violence is rare.

There are bar fights, domestic abuse, murders – but they are relatively few. And becoming fewer. The murder rate, for example, has come down dramatically over the last few centuries.

With a generous dose of doubt and guesswork, here are the figures for the U.S.:

The private murder rate for the 1700s was roughly 30 per 100,000 per year. In the 1800s, the rate fell to 20 per 100,000. Then, in the 20th century, the rate declined to 10 and below. Today, the U.S. murder rate is just 6.





What Do We Do About Mass Killings in the U.S.?

That said, there are local particularities. In Baltimore, for example, the murder rate in 2017 was even higher than it was for the entire U.S. in the 18th century, with 55 murders per 100,000.

And occasionally, there are spectacular murders that make the news and distort popular impressions.

In February, for example, 17 people were killed at a public high school in Florida, making huge headlines, but not significantly changing the downward drift of violence. Why the murder rate has generally gone down is fairly clear; it just doesn't pay the way it used to.

The police come after you. It's hard to take the victim's money. Or his women. Or anything else.

All you get is a peck of trouble. So why bother? You'd be better off spending your time otherwise.

A Whole 'Nuther Side

"Thou shalt not kill" was a lesson that was not learned overnight. It took centuries for it to sink in. Still, there are people who haven't gotten the memo.

Today, the typical killer is a psycho. He doesn't make a rational calculation leading him to his act. Instead, he is moved by passion, ideology, or delusion.

He is mad. He is upset. He is a nut.

And then, there's a whole 'nuther side to the killing story.

While private murder rates declined, the last century saw a big boom in killing as a matter of public policy, a type of murder that the GOVERNMENT promotes rather than proscribes.

Mao, Stalin, Hitler, Pol Pot – these four men alone were responsible for an estimated 120 million deaths.

Hitler is generally credited with 14 million war casualties and another 28 million civilian deaths.

Stalin killed some 20 million in his purges and mass starvations. Another 25 million or so died in WWII – many because of political and tactical directives that were crimi-

nally negligent or intentionally lethal.

Mao killed 30 to 45 million in his Great Leap Forward, most of whom starved to death; others were tortured and murdered in the zealous application of his agricultural policies.

In this company, Pol Pot hardly deserves a footnote. Still, he murdered (or caused the deaths) of some 2 million people. His claim to fame is his market share. As a percentage of the population (25%), he killed more than any of them. This figure even surpasses the murder rates recorded in the bloodiest bone pits ever discovered.

But the astonishing thing about this record of violence is what thinking people make of it.

Disarm Governments

While private citizens have generally become less violent (win-win is a better way to get what you want in a modern, civilized society), public policy – at least if the last century is anything to go by – has become more violent. Or perhaps simply more capable of killing on a grander scale.

Taking the 20th century U.S. murder rate and applying it grossly to the populations of Russia, China, Germany, and Cambodia in the 20th century, we can guess that there were no more than about 10 million private killings in those countries during the entire century.

But in a few short years (we do not even mention WWI, in which public policy carried off some 16 million... or any other wars, pogroms, purges, and government-caused famines in these countries), public policies promoted by Mao, Stalin, Hitler, and Pol Pot alone murdered more than 10 times as many.

A logical and impartial spectator might conclude that it was time to disarm governments.

Yet, despite this evidence of clear and present danger from malign public policy, the do-gooders, world-improvers, media, and academic and political activists – both Republican and Democrat – can think of nothing more original than: more public policy! (i.e. more regulations) This is unbelievable!



What Has Always Predicted a Market Crash in History?

Following the Florida school shootings, for example, the call went out to take guns away from private citizens... and to buy more guns for the feds...., I suppose something like a reverse 2nd amendment.

What actually happened after the shooting however was that gun sales skyrocketed, as is the case after every mass shooting because supporters of the 2nd Amendment are deathly afraid they will not be able to buy a gun once guns are outlawed.

Among private citizens, win-lose deals are still rare... and unfortunate. But government only does one kind of deal. The more scope you give it, the more win-lose deals you get. We the people who are governed need to learn this lesson.

So, when we finally outlaw the gun, only the outlaws (and those who make the laws) will have guns. Then we will have no choice but to listen to Big Brother.

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What Has Always Predicted a Market Crash in History?



Since the rapid fall of the stock market in early February, the market has rebounded nicely and appears to have somewhat stabilized in late February.

And the Fed is giving the economy the all-clear.

The U.S. labor market is near or beyond full employment, while some pockets of finance are showing signs of rising leverage and high valuations, according to a Federal Reserve report.

“Buy the dip” has worked for the last 38 years. And now, investors are more than 100% convinced that it will work again.

But they are wrong.

Even super-investor Warren Buffett – famous for not looking at the big picture – has his eyes wide open.

Here’s an extract from Buffet’s latest letter to shareholders of his investment firm, Berkshire Hathaway:

“Fundamental investors like to pronounce they don’t think about macroeconomics. It’s all about researching companies, they say. We’re with you, brothers and sisters. However, if there was one economic chart to pay attention to, the one presented below of changes in the Fed’s discount rate is it”.

EVERY major stock market decline and every recession in the last 100 years was preceded by the Federal Reserve raising short-term interest rates by enough to provide the pin to prick the balloon.

Note the emphasis on every. Yes, there have been periods where the Fed raised rates and a recession didn’t ensue. Everyone knows the famous saying about the stock market having predicted nine of the past five recessions! That may be true, that rising rates don’t necessarily cause a recession. But as an investor, you must be aware that every major stock market decline occurred on the heels of a tightening phase by the Fed. More importantly, there have been no substantive Fed tightening phases that did not end with a stock market decline.

Beyond Peak Debt

In Bill Bonner’s last book, *Hormegeddon*, he described a phenomenon known as the “declining marginal utility of debt.”

A little debt may be a good thing; a lot of it is not. At a certain point, you have more than “too much debt,” and it becomes toxic.

Where exactly in the cycle we are, we don’t know. But Bonner’s

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guess is we are already way beyond the place where we are fully indebted.

This is an economy built on debt. The whole capital structure – stocks, bonds, and real estate – now depends on excess debt... and more of it.

In a correction, the only way to stop stock prices from falling and the economy from shrinking is to bring in some more debt. But when you do that a few times, you are soon beyond Peak Debt... which is to say, you're way over the legal limit.

Debt has been growing three to six times faster than income for more than an entire generation. This makes the old 1.5-to-1 ratio of debt to income seem quaint. It is now 3.5-to-1 nationwide.

Which is why deficits still matter.

Every penny in debt that we add now is a penny that cannot be repaid, not by any plausible combination of economic projections.

Because there is no way to “grow your way out of debt” when your income is falling while your debt is still increasing.

Instead, you have to suffer the indignities of a correction, including a major reset in the stock market.

That is what Warren Buffett is worrying about.

That's what happens when stocks that are more than fully priced meet a debt load that is beyond 100% of capacity.

And to show how all this works, on February 27, the chairman of the Fed, Jerome Powell hinted to Congress that interest rates may rise faster than originally anticipated. The stock market promptly fell 300 points.

This is the Law of Economics. It's a law lawyers, judges and even presidents can't work around.

So let's be prepared.

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What if Hillary was elected President



After the FISA memo was released for public viewing in early February, it was fascinating to see how different the news channels covered the memo. Fox News said it was the biggest scandal and criminal act in U.S. political history. CNN and MSNBC said, on the one hand, it was a “nothing burger” and on the other, that it would forever irreparably compromise U.S. security. There are always two positions to each story but only one position to each fact. So, assuming a fact is the truth, then the truth of the memo should lie somewhere between those two different news coverages. In any case, it made me wonder how things would have been if, instead of Trump, Hillary was elected the 45th president of the U.S.

Clearly, where one stands on the political scale defines this hypothetical answer. Yet, the tragedy is that the highly polarized, divisive and pernicious condition of American politics suggests that no matter how unpopular President Donald Trump is today, a President Clinton might not have been much better received, if not worse.

According to Dr. Harlan Ullman, for Republicans, Clinton would have been a catastrophe (this is a position I wholeheartedly agree with). In the Republican's view, America would have continued to proceed down the disastrous path laid out by President Barack Obama. Obamacare would have survived. There would have been no tax bill. With a Republican Congress, the Supreme Court would remain deadlocked 4-4 as the Senate would not confirm her nominee. Pandering to minorities and special interest groups, which is a Democratic priority, would have further divided the nation.

Foreign policy would be at best just as bad under President Clinton, who would have refused to take tough stands against North Korea and Kim Jung Un, preferring to follow the failed policy of “strategic patience.” NATO would continue to remain “free riders” with the U.S. still shouldering the lion's share of defense spending. Jerusalem would not have been recognized as Israel's capital. The Islamic State would remain in control of large slices

What is the future of Musk?

of its caliphate in Iraq and Syria. China would continue to manipulate trade and currency and expand its influence even more.

We would have been totally oblivious to the politicization of the FBI and DOJ (not to mention the other departments that would never be investigated) because the Nunez FISA memo would never have seen the light of day.

In sum, Clinton would have made both the “swamp” in Washington and the “deep state” even deeper and more dangerous to the American public. Free enterprise would be less free. And the stock market and unemployment gains of the last year would never have been made.

Of course, because there are two positions to each story, the Democrats, would have argued the absolute opposite case.

At home, regulation would have remained the only way to govern, given a Congress dedicated to ensuring President Clinton was a one-term chief executive. The complete deadlock on both ends of Pennsylvania Avenue would have given Clinton the opportunity to use the executive branch as the only means of defending the middle and lower classes against the rich. Her appointees as federal judges would have reflected this focus. When the Senate refused to confirm the ninth Supreme Court associate justice, that denial gave the White House the “bully pulpit” to attack Republicans.

In foreign policy, Clinton would have only threatened to withdraw from the Trans-Pacific Partnership (TPP), instead negotiating changes that were acceptable, thus diminishing China’s influence in Asia. As her forceful stand that led to American intervention over Kosovo in 1999 when her husband was president and in 2011 in Libya demonstrated, Clinton would have been far tougher on the Islamic State and Russia. She would have ended the caliphate much sooner and rallied the Arab and Muslim nations more effectively against radical Islamists. As a woman, she would have pushed Saudi Arabia and the young crown prince far harder toward modernization. Nor would she have ignored Russian interference in American elections. President Vladimir Putin would have far tougher going and would not be able to charm Clinton as he has Trump. Still, Clinton would not be very popular, with favorable ratings in the low 40 percent range.

But no one knows what a Clinton presidency would have done to change what happened in 2017 and early 2018.

A few observations are relevant. At home, the stock market would have risen (but stalled as it apparently has in early February) and unemployment would have remained low no matter who was president. Both are more affected by long-term forces than

presidential elections, which almost always have little short-term impact on the economy. No doubt, Clinton would have canceled TPP.

But she would have remained in the Paris Climate Change Accord and the nuclear deal with Iran which may prove to be two of the most damaging errors made by Trump in withdrawing and decertifying (yet to be seen). About the Islamic State, every indication suggests a very aggressive stance. About North Korea, diplomacy would have played a stronger role. And the best (and perhaps ONLY) benefit of Clinton would be no more policy by tweet.

Given the explosion of cases of sexual misconduct, former President Bill Clinton would have been more than an embarrassment and a continuing source of controversy. The Russian investigation would have not focused on Trump, but on Russian interference. And it was possible that Trump might have filed a lawsuit challenging the legitimacy of the election.

Now all of this is pure speculation. From my “position of the story,” it is fortunate that Clinton did not win, and Trump did. But time and history will have to wait to see if Trump has the “right stuff” to have been an effective and unifying president. I really hope so.

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What is the future of Musk?



**THE
BORING
COMPANY**



What is the future of Musk?

Besides his Tesla cars and powerful Falcon Heavy rockets carrying Tesla cars to Mars, Elon Musk is now producinguhhhhflamethrowers. I understand the market niche are those who are preparing for a zombie apocalypse, which seems to be growing if TV viewership of the *Living Dead* series is any indication. And, if that market busts, Musk can sell the flamethrowers to the FBI. These days they may need a diversion.

In August of 2017, Fortune's Ellen McGirt wrote:

In a series of tweets earlier this week, Tesla CEO Elon Musk spoke candidly about stress and his mental health.

When asked about his picture perfect online life, the CEO responded, "The reality is great highs, terrible lows and unrelenting stress. Don't think people want to hear about the last two."

When asked if he were bipolar, Musk tweeted, "yeah." Then added, "Maybe not medically tho. Dunno. Bad feelings correlate to bad events, so maybe real problem is getting carried away in what I sign up for."

Then finally this: "If you buy a ticket to hell, it isn't fair to blame hell ..."

A lot of people felt that last one.

It's important to point out that a bipolar disorder diagnosis can only be confirmed by a physician. The condition, which requires medical management and support, is nothing to be ashamed of. But Musk's tweets were an important window into the life of someone who more than occasionally suffers under the weight of the ambitions he once readily signed up for.

This question may get me in trouble but is Musk going crazy?

Jason Stutman of Wealth Daily had a similar question because it is a legitimate concern for Tesla investors who put mountains of trust upon his ability to execute and manage.

Not since the era of Steve Jobs has a CEO been so important, so *crucial*, to a company's ultimate success. If Elon, purely for the sake of this hypothetical, were to tragically have a heart attack and pass away tonight, one could only imagine how far Tesla's stock would dip come morning.

Well, "dip" is probably the wrong word to use here. We all know the stock would crash, plummet, and fall off a cliff if Musk were to suddenly disappear overnight.

There's no doubt that the market is putting enormous value on Musk as a leader. After all, Tesla's board just authorized a 10-year compensation plan for Elon that, if its ambitious milestones are met, would net him \$55.8 billion.

For perspective, that's about as much as Tesla's entire market cap today, which goes to show just how reliant the company and its shareholders are on Musk.

As CNBC aptly puts it: "The biggest risk that will determine Tesla's fate [is] Elon Musk himself."

Can Elon Keep it Together?

Questioning Musk's mental health may get me in hot water with some of his fanboys, but it isn't a concern that comes without merit. Over the summer, Elon actually questioned his *own* mental state when asked by a Twitter user whether or not he was bipolar:

Yeah. Maybe not medically tho. Dunno. Bad feelings correlate to bad events, so maybe real problem is getting carried away in what I sign up for. If you buy a ticket to hell, it isn't fair to blame hell.

In another tweet that same day, Elon raised concerns about his ability to cope with the incredible stress that comes with running multiple high-profile companies and business ventures.

The reality is great highs, terrible lows and unrelenting stress. Don't think people want to hear about the last two.

To be completely clear on this, Tesla's CEO took to Twitter to muse about whether or not he's suffering from an undiagnosed mental disorder and also to proclaim he's living in a metaphorical hell. If a friend or relative approached you with those statements, wouldn't you be at least a little concerned?

Well, what if that friend *also* told you he believes we're living in a computer simulation and that "there's a billion to one chance we're living in base reality"?

Or if he randomly decided to start selling flamethrowers?



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Or, after a recent break up with his girlfriend, he lamented:

I will never be happy without having someone. Going to sleep alone kills me. It's not like I don't know what that feels like: Being in a big empty house, and the footsteps echoing through the hallway, no one there — and no one on the pillow next to you. Fuck. How do you make yourself happy in a situation like that?

Well, that's Elon Musk's last year in a nutshell — a man who, while wildly successful in many respects, has become tormented with loneliness, mood swings, and enormous amounts of stress.

Personally, that's not someone I want running a company I'm invested in.

Toeing the Line

I believe it's Bruce Feirstein who gets credited for saying, "The line between genius and insanity is only measured by success." To the extent this is true, Elon is certainly toeing the line, as his wildly prominent business ventures continue to operate deep in the red, propped up largely on investor confidence in his ability to execute.

This idea that Elon is teetering between genius and insanity was effectively inked on paper last month when he agreed to the 10-year compensation agreement mentioned earlier. Elon gets *zero* salary on the deal, with his entire payout tied to Tesla's market cap... which many believe to be overvalued already.

Business Insider called the compensation agreement "delusional."

What makes this compensation agreement especially bizarre is that less than a year ago, Elon publicly recognized Tesla's stock was overpriced. Here's a very clear-cut statement from Elon in May of last year when Tesla was trading a little over \$50 billion:

I do believe this market cap is higher than we have any right to deserve... We're a money losing company.

Yet today, Elon is committing himself to a compensation

package that includes the ultimate milestone of Tesla reaching \$650 billion in market value, more than 11 times the company's current valuation.

No doubt this is an enormously ambitious target and one the market obviously doesn't agree with quite yet. Perhaps Musk knows something we all don't, or perhaps he's just finally begun to drink his own Kool-Aid.

One thing that's for certain, at least, is that Elon doesn't have an easy road ahead of him. If the stress was getting to him before, one can only imagine how he'll handle the pressure of having to take Tesla to \$650 billion in a decade.

For Tesla to get there, the company is going to face an untold number of obstacles, but perhaps the most pressing *right now* is developing a growing supply chain of energy metals.

For Tesla to grow 11 times over the next decade, it needs mining companies of strategic energy metals to grow right along with it. The problem for Elon is that some of the metals used in Tesla's batteries are in incredibly short supply.

In the case of cobalt, for instance, there's only one late-phase primary cobalt project in North America right now. That obviously puts Tesla in a bit of a bind, but it also puts that mining company in a very promising and potentially lucrative position.

Sixty-six percent of the world's cobalt comes from the Democratic Republic of Congo (DRC). But cobalt is so critical in the lithium ion battery supply chain that companies are eager to look outside the DRC for a more secure source of the mineral.

The rising price of cobalt is providing plenty of incentive to auto manufacturers to obtain supplies under long-term contracts. It is also providing plenty of incentive to investors to find "cobalt plays" that could cash in on the boom.

Unfortunately, investing in cobalt is easier said than done. Most so-called cobalt companies are not yet mining any of the metal. They simply own properties that might begin mining cobalt in the future.

So obviously, any problems with cobalt delivery will create



Rocket Man's Real Plan

big problems downstream for manufacturers like Tesla (as well as Apple) who will look for other sources.

Just another stressor for Musk. Maybe playing with flamethrowers will relieve some of that.

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Rocket Man's Real Plan



On September 19, 2017 at the U.N. President Trump declared “Rocket man is on a suicide mission” referring to Kim Jong Un’s plan to attack the U.S. with a nuclear missile. At the time, the media focused on the humorous use of the appellation “rocket man” and the presumption that if Kim Jong Un did launch an attack, it would be his last.

So, this begs the question, why would Kim Jong Un launch such an attack if he knew the U.S. would counter with its own nuclear attack that would destroy him and his country. Maybe because Kim Jong Un thinks that after his attack the U.S. would not be able to launch such a counter-attack?

Our sources are indicating there is “chatter” over secure lines that North Korea is preparing to launch a “pre-emptive attack” against Japan sometime between March and April. This is not to say an attack is assured. But it is an indication how serious the situation has become. But in late February, after the U.S. had imposed further economic sanctions North Korea issued a state-

ment that it may be willing to hold talks with the U.S. This is encouraging but it may be just a gambit by North Korea to catch us off guard or buy more time to develop its particular nuclear payload.

Doomsday Clock



For those of us who grew up during the Cold War, we are all too familiar with the looming shadow of the ominously named Doomsday Clock.

If not, just think of it as a big old clock that was built to illustrate the likelihood of a global catastrophe.

On the clock, midnight represents a world-changing disaster, like a nuclear war. And the closer we get to midnight, the more likely such an event is to happen.

Right now, as tensions bubble with North Korea, the clock sits at two minutes to midnight.

“Months Away”

Of course, the Doomsday Clock is just a symbol. What does “two minutes to midnight” actually mean to you and me?

In its simplest terms, it means that we are staring down the barrel of a potential catastrophe.

And it doesn’t take a genius to see where that catastrophe is coming from. Yes, from rocket man.

On February 6, U.S. disarmament ambassador Robert Wood told delegates in Geneva that “North Korea may now be only months away from the capability to strike the United States with nuclear-armed ballistic missiles.” And this isn’t just some lone guy’s crazy theory.

Rocket Man's Real Plan

In January the director of the CIA said something similar, stating that North Korea was only a “handful of months” from being able to attack the U.S. They obviously know something we don't.

Now, some folks might point out the “diplomatic thaw” between North Korea and South Korea in recent months. (Apparently, a “diplomatic thaw” is what journalists call it when one country stops threatening to blow another country to kingdom come.)

Of course, there's some truth there. It looks like South Korea has been able to coax *some* civility out of their northern cousins by having them participate in the Winter Olympics.

But the timing of this sudden change of heart feels all wrong.

We all know that Kim Jong Un has never been known for his diplomacy and charm.

In fact, the only thing you can count on this guy for is his ability to be aggressive and irrational at every turn.

Which is why it strikes us as highly suspicious that — just as North Korea's nuclear arsenal is armed and ready — he is suddenly trying to make nice.

Doesn't it seem far more likely that he is simply acting civil to catch the U.S. and our allies Japan and South Korea off guard?

North Korea's Plan of Attack

Now, let's not pussyfoot around the facts here. Landing a nuke on mainland America would be difficult — extremely difficult.

Even apart from the insane amount of math involved in shooting a missile from one continent to another, there's so much that could go wrong.

The missile could break up in re-entry... be shot down by our missile shield... or simply fail to detonate.

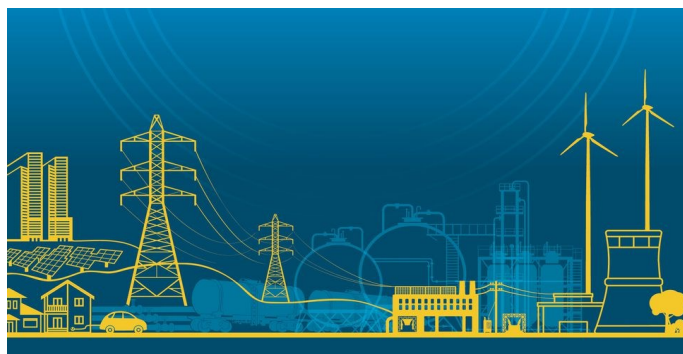
And as mentioned in the beginning, Un will not get a second chance after he launches a nuke at the U.S.

That's why I believe the North Koreans have no intention of actually trying to hit the mainland with a missile.

In fact, it appears it was never part of their plan.

Instead, indications are they're aiming at our one major vulnerability...

The grid.



By detonating a high-altitude nuclear EMP (electromagnetic pulse) bomb over the U.S., they could instantly shut down the electric power grid and throw the country into chaos — at the same time mitigating the risk on their part.

This would leave the entire country without electricity... indefinitely.

No lights... no electronics... no computers, banks, or Wall Street...

Our entire economy, civilization and way of life would be wiped out in a second.

Our 401(k)s — gone.

Our stocks — gone.

Our cryptocurrencies — gone.

The entire concept of money as we know it — gone.

The upside of an EMP attack is that it won't kill us instantly.

But it won't just be a throwback to simpler times like some folks think it will be.

The harsh reality is that we've become so dependent on technology that most folks won't survive the years after an EMP.

Who Betrayed Anne Frank?

Last October, two experts told Congress that an EMP could "shut down the U.S. electric power grid for an indefinite period, leading to the death within a year of up to 90% of all Americans." One caveat should be made here. The attack by rocket man on the grid does not necessarily have to be the grid of the U.S.

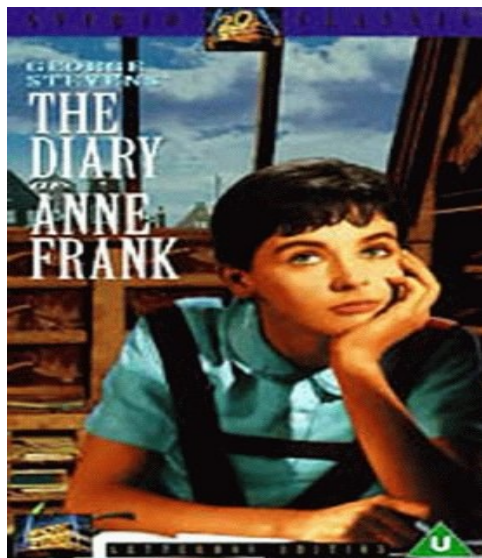
As mentioned in the beginning, this attack could (and in fact there is even a greater chance) it would be made against the grid of Japan. But whether the attack is made against Japan or the U.S., the U.S. would be required to launch a counter attack against North Korea, that would require us to suffer all of the attendant consequences such an action would entail.

This is not a very encouraging prognostication.

Therefore, we have to look at strategies to survive if such an attack were made. We will cover these strategies in later newsletters.

D. Miyoshi

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Before I could drive my Mom took me to see the movie *The Dairy of Anne Frank*. From its title, I was expecting the movie to be a real dud but it turned out to be one of the most memorable movies I have ever seen. We all know that it is based on

the true autobiography of Annelies Marie "Anne" Frank and is considered one of the great books of the twentieth century.

But at the end of the movie, people were wondering who told the Nazis where the Frank family was hiding? The movie did not reveal who betrayed the Frank family because it was a mystery then and to this day it still remains one of history's big mysteries. Sadly, of the eight members of the family, only Anne's father Otto survived the concentration camps.

Bill Patalon, a writer for the financial publication *Private Briefing* reports that a former Federal Bureau of Investigation agent now hopes to solve the 74-year-old mystery with the help of the most advanced technologies available today - artificial intelligence (AI).

AI is one of those technologies whose complexity makes it a real challenge to "get your head around."

But it's also an incredibly powerful innovation - meaning it's a technology that you, as an investor, have to hitch onto.

And this saga - about as important and meaningful as you'll find - is also a tale that will help you understand just what AI actually is.

The World's Dearest Diary

Anne Frank was born in Frankfurt, Germany, in 1929. She lived most of her life in Amsterdam - where her family moved when she was 4½ after the Nazis came to power in Germany.

The father Otto made several attempts to get visas to get his family out of Europe (his widowed mother, Alice, had fled to Switzerland in 1933), but when Germany occupied the Netherlands in May 1940, the Frank family was essentially trapped.

From that point on, restrictions escalated in a terrifying fashion. Despite being a German national, Ann lost her

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citizenship and became "stateless." Otto ran the Dutch operation of the spice firm Opetka - and transferred control to make it appear "more Aryan."

On June 12, 1942 - Anne's 13th birthday - she received from her parents a special gift, a red plaid diary. She used it to put down what she saw, thought and felt - confiding to an imaginary friend named "Kitty" and, as it turned out, recording for the millions who would read her words what was happening to her "stateless" family.

"I hope I will be able to confide everything to you, as I have never been able to confide in anyone," Anne wrote in her first entry, "and I hope you will be a great source of comfort and support."

The diary has done just that - for millions of folks. The teenager chronicled the escalation of anti-Semitism in Adolf Hitler's Europe in a way that only a firsthand observer could.

Anne kept writing - especially after her family went into hiding in July 1942, just a month after her birthday. Nazi persecutions of Jews had surged, and Otto Frank feared for his family. They moved into a group of rooms behind that hinged bookcase - really a secret annex at the back of Otto's store.

And that's where they lived for the next two years - the risks, intrigue and terror all chronicled in Anne Frank's red plaid diary. Her writings betrayed her youth, but showed a clever side, too. She assigned pseudonyms to all the folks hiding with her. Refugee Friedrich "Fritz" Pfeffer, a 50-something dentist who had a contentious relationship with the teen, was referred to as "Albert Dussel" or "Mr. Dussel" - a name that translates to "Mr. Nitwit."

A great piece from back in October by *Washington Post* writer Cleve R. Wootson Jr. details the risks the family faced every single day.

"Anne Frank's Amsterdam was a maze of danger for the eight hiding Jews," Wootson wrote. "The annex where they lived could be seen easily from several nearby

homes. A curtain accidentally left open or a loud noise at the wrong time could lead to discovery. They relied on counterfeit food-ration coupons to stay alive, operations that involved sympathetic collaborators and were heavily scrutinized by police. Dutch officers were paid for every Jew they turned over to the Nazis... they leaned heavily and sometimes violently on people suspected of helping Jews avoid the Nazis."

The long odds finally caught up with the "Hidden Eight" - the Frank family and the others in hiding with them: They were found on a summer day in 1944, arrested and sent to concentration camps. By the time the war ended, all but Otto were dead. Anne and her older sister, Margot, both died of typhus at the Bergen-Belsen concentration camp in Germany - probably in February 1945.

Anne was 15.

Otto Frank spent the rest of his life trying to figure out who tipped off the Nazis.

Without success.

And so began "one of the biggest cold cases in history," says retired FBI agent Vince Pankoke, who infiltrated Wall Street to nail Big Finance criminals and who also went after the Colombian drug cartels.

Now Pankoke is trying to crack the case of who betrayed Anne Frank.

And he's using artificial intelligence technology to help him.

Magnified Profits

Let's face it: Technology just keeps increasing in complexity. Indeed, the "Convergence Economy" we talk about all the time here - where two or more technologies intersect to create a wholly new invention, product or business sector - just exacerbates that complexity. I've



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likened that dynamic to the innovation equivalent of a mathematical equation where $1 + 1 = 10$.

Remember, the PC was just a really cool "personal productivity device" - until it was linked into the high-speed networks of the internet. That created new innovations like servers, streaming video, digital payments and cloud storage.

For Patalon - an analyst/stockpicker/writer whose job it is to identify these trends, find ways to profit from them, and then explain it to folks in a way that makes it all accessible - this "Convergence Economy" makes life quite the challenge.

That's why - instead of relying on gobbledygook jargon to tell you about such advances as Big Data or AI - it's easier to find stories that will show you how these inventions can be put to use.

Stories like the "Anne Frank Cold Case."

Which Patalon can use to help explain the powerful potential offered by Big Data and AI.

The Cold Case "I-Team"

Otto Frank would have loved to have this technology to work with. Miep Gies, a family friend who'd been helping the refugees, had discovered Anne's diary in the annex following the arrest of the "Hidden Eight" - and had given it to Otto, saying "this is your daughter's legacy."

He published his daughter's diary, and then set to work trying to determine who'd betrayed them.

As surprising as it might seem, the betrayer shouldn't have been hard to determine - the Nazis kept meticulous records - but these records had been destroyed in a bombing.

According to The Post's Wootson, investigations in 1947

and 1963 turned up nothing - though, as part of the latter, the still-alive Otto said he suspected Willem van Maaren, a recently hired employee who hadn't been told about the secret bookcase. However, van Maaren was suspicious - and was known for setting "traps" to discover folks who might be in the offices after business hours.

Other amateur sleuths, through the decades, have zeroed in on such potential betrayers as Anton "Tonny" Ahlers, a Dutch Nazi and informant to the Amsterdam Gestapo, and perhaps also the wife of an employee who helped the Frank family hide.

Other theorists (including a recent study by the Anne Frank House itself) say the Franks and the other refugees were discovered because of plain-old "bad luck" - perhaps even due to Nazi investigations of counterfeit ration coupons.

With the loss of documents, the passage of time and the deaths of all the firsthand witnesses, it would seem to be "game over."

But Pankoke doesn't think so.

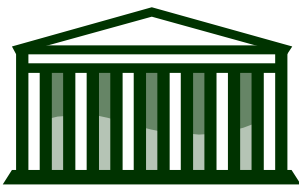
Stating that "there is no statute of limitations on the truth," the former FBI agent has teamed up with a Dutch production company known as Proditione Media to investigate this cold case.

In addition to the 20-person team - an assimilation of researchers, journalists, genealogists, technologists, historians and others - the team will rely on a piece of AI/data analytics software that can scan, correlate and assess millions of documents in a search for new investigative "leads."

The team will start with police reports, the writings of the Frank family and their helpers, Nazi records, notes from German spies and other historical records - a process it refers to as "testimonial reconstruction," and something that's only possible with powerful AI computers.



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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 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.

"There is, of course, all possible types of administration done by the Germans of the time," Thijs Baynes, the filmmaker behind the project, told The Guardian. "And there is an even bigger circle of circumstantial evidence. What [Dutch Nazi party] members were in the neighborhood? What connections were with the Gestapo? Where were Gestapo agents living? To find that kind of information you have to go through millions of documents."

And there are plenty of other places still to look, too. Reams of documents were shipped here to America and later transferred to microfilm. Scanning and analyzing them manually would take years, if not forever. But AI software can do this much more quickly, while also establishing the connections that different workers toiling in different locations might fail to see.

Indeed, the computer - created by Dutch Big Data player Xomnia - can process in seconds the amount of information that would take a man or woman a decade to get through.

"Xomnia is building an information storage and retrieval system that allows the researchers to record any information they find in the historical archives," said Xomnia Chief Data Scientist Marius Helf. "Our software allows them to search the data and visualize it new ways. This has already led to a few new traces. In the future, we plan to make the systems more intelligent, in the sense that it will be able to automatically connect persons, events, and places. We hope that this way we

can find important and new clues to understand what actually happened in the weeks preceding the arrest of the Anne Frank family Aug. 4, 1944 and eventually be able to identify the traitor with high confidence."

Proditione is also seeking help from others around the world - and has asked folks with information or unpublished documents to submit them through its website.

"The bottom line is until this day, there is nothing that's really held water or been definitive," Pankoke told The Post. "The point of the investigation is fact-finding just to discover the truth."

Patalon doesn't know what chip Xomnia is using in its cold-case computer. But he does know that AI is gaining traction - and the technology's uses are limited only by the creativity of the folks who are seeking to apply it.

And with the distinct possibility of finally solving the cold-case tale of Anne Frank, the huge potential of AI's opportunity for the investment world is becoming very clear. It will definitely be a new source of profits for astute investors.

Here is to your successful investing.

D. Miyoshi



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