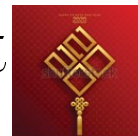




# Financial Crisis Report



## Advancing in a Time of Crisis

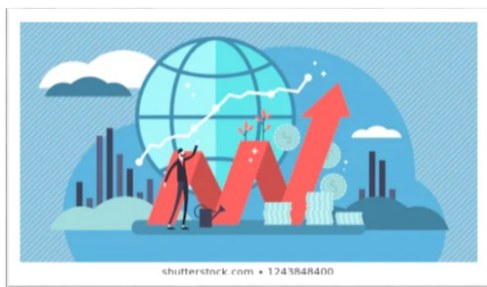
**Words of Wisdom** “The highest activity a human being can attain is learning for understanding, because to understand is to be free” Baruch Spinoza

Inside this issue:

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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.

### U.S. Greatest Economy Ever?



**R**ecently President Trump boasted that the U.S. has “the greatest economy ever. We should have the lowest rates, he told Federal Reserve Chairman Powell, because we are the U.S.”

Well, that’s all well and good but on a relative scale is that really true?

If you go to Japan or Europe, you begin to wonder about the accuracy of Trump’s statement. Except for economic stagnation in Japan and some political disorders in Europe they don’t seem to be doing that bad.

Their trucks are rolling on the highways. Their shops are full. Consumers are consuming. Diners are dining. You see less hard poverty and degenerate misery in Japan and Europe than in the U.S. People live longer, and often better.

In fact, Ireland, for example, is flourishing. There are still many tiny row houses left over from the

grim years of the last century or before. But even they are clean and well-kempt. And GDP per capita in Ireland is now about \$78,000. In the U.S., it is only \$63,000.

And since the turn of the Millennium in 2000, do you know which economy grew fastest – America or Europe?

It’s surprising that the answer is Europe. In the 20 years from 1997 to 2017, the GDP per capita rose 35% in the U.S. In the EU, it grew 37%.

Granted the difference in growth rates is small but with all the problems in Europe, one would never guess they are doing better than the U.S.

#### U.S. Topped Out

Economist Bill Bonner believes the U.S. topped out around 2000. He says that since then, of the world’s major economies – America, Europe, Japan and China – the U.S., and Japan, are the laggards.

Most telling is how the value of U.S.’s leading industries have fallen in real-money terms.

A person could buy the flower of American industry – the 30 Dow stocks – in 1999; it would cost them as much as 40 ounces of gold... or \$1,400 in pre-1971 dollars (when they were fixed to gold at \$35 per ounce).

But if they had left their money in gold, now today, they would be able to buy the Dow twice –

## Fuel Cell, Energy of the Future

two times as much for their money – with the same 40 ounces of gold. (Of course, these figures ignore dividends... which can be substantial over time. We're just looking at capital values.

### Broken Capitalism

Apparently, what this is telling us is that there's something wrong with American capitalism. And Thomas Philippon, a professor at New York University explains what it is:

“First, U.S. markets have become less competitive: concentration is high in many industries, leaders are entrenched, and their profit rates are excessive. Second, this lack of competition has hurt U.S. consumers and workers: it has led to higher prices, lower investment and lower productivity growth. Third, and contrary to common wisdom, the main explanation is political, not technological: I have traced the decrease in competition to increasing barriers to entry and weak antitrust enforcement, sustained by heavy lobbying and campaign contributions.”

Philippon's book, *The Great Reversal: How America Gave Up on Free Markets*, explains how the U.S. abandoned the core values that made it great. In short, it turned away from markets and towards politics.

Markets are how people get wealthy. Politics is how their wealth is redistributed and squandered. And whatever party you belong to, you can see this redistribution and squandering now going on big time.

### Paying the Price

In his book *The State*, German physician and sociologist Franz Oppenheimer put it like this:

There are two fundamentally opposed means whereby man, requiring sustenance, is impelled to obtain the necessary means for satisfying his desires. These are work and robbery, one's own labor and the forcible appropriation of the labor of others.

But why would politics be more pernicious in the U.S. than in Europe and Japan? The simple answer is that Europe and Japan have less of it.

By in large the Japanese are apolitical. They know where Prime Minister Abe's office is but as long as there are no tsunamis or earthquakes that have devastated a city or two, they are really not that interested in what goes on in the Diet. On the other side of the globe, the Europeans speak different languages. They have different histories. Different flags. Different cultures. They mistrust each oth-

er... and all mistrust their central government. So, while Americans lavish power and money on Washington's swamp denizens, Europeans begrudge every penny they send to Brussels.

Crony capitalists connive with the government in both Europe and America, but only about half as much is spent lobbying Brussels as Washington. As for campaign contributions, candidates in the U.S. get 50 times as much as European and Japanese politicians. But we all knew that, or at least assumed it.

So, there are only two choices: politics or markets. In the last half of the 20th century, America gradually swung towards politics. These days our newspapers are replete with articles about an impeachment, new programs to aid an ethnic group or the homeless, demonstrations on climate change, election predictions and every other political event or issue that could possibly be on the minds of the reporters and readers. And now we are paying the price.

For me college football is so much simpler to follow and support.

D. Miyoshi

## Fuel Cell, Energy of the Future



**T**here will be a new engine for vehicles coming out soon. Recently, my good friend took me for a ride in his Mirai, a new experimental Japanese car leased to him by Toyota for testing. It was quiet, powerful and clean. The exhaust pipe emitted only clear water which I drank. It was clean and tasty.

## Fuel Cell, Energy of the Future

It was 150 years ago that the internal combustion engine changed everything.

Before then, there wasn't much use for oil beyond lighting and heat.

Several decades later, it made the automobile revolution possible, leading to Henry Ford's "Model T" and the rise of oil as the dominant form of energy.

The middle class and the high tide of American prosperity was birthed in Detroit's auto factories.

And every single \$50 invested in Ford turned into a million-dollar windfall. Early investors became known as "Detroit millionaires" no matter how much they invested.

But there was another part of the story...

Few know that this other kind of non-oil engine was actually invented 50 years earlier.

There were once plans to make it the center of all transportation. And if it wasn't for the discovery of oil and the internal combustion engine, it likely would now be in every car, truck, and plane.

That's what could have been. But we don't have to wonder "what if"...

Because that is exactly what may be about to happen...

You see, due to new technological innovations, that non-oil engine is now reentering the fold...

Now we're about to see the return of the "American Dream."

Recently GM and Honda invested \$85 million in a new car factory in Michigan. It's going to create hundreds, perhaps thousands of middle-class jobs, all employed for good wages, pensions, and fully covered health insurance.

But unlike the factories that GM opened 100 years ago in this same area...

This plant isn't producing vehicles that run on oil or fossil fuels. Nor battery-powered electric vehicles like Tesla.

They run on "Blue Gas" technology instead.

This new technology is poised to create ...

A \$2.5 trillion market.

30 million new middle-class jobs.

And a whole new wave of very wealthy people.

Much like the original factories opened by Ford and GM 100 years ago.

But the biggest winners won't be the big car giants... or even the producers of "Blue Gas"...

It will be the ground-floor technology companies that are putting "Blue Gas" at the center of the energy mix.

They're innovating the engine of the future that's rendering batteries and Tesla obsolete.

We are talking about fuel cells.

Endless Energy Without Losing Charge!



## Fuel Cell, Energy of the Future



If you know fuel cells, you know these are engines that harness hydrogen, the world's most abundant element, what we call "Blue Gas."

Hydrogen is literally everywhere, all around us, and can be produced in tons of different ways.

When it binds with oxygen, hydrogen generates a chemical reaction. And much like batteries, fuel cells convert the power generated from the chemical reaction into usable electricity.

But unlike batteries... which degrade with each charging cycle... These fuel cells never lose their ability to charge!

They don't need to recharge either. As long as there's hydrogen in the tank... Your car "recharges" as you drive.

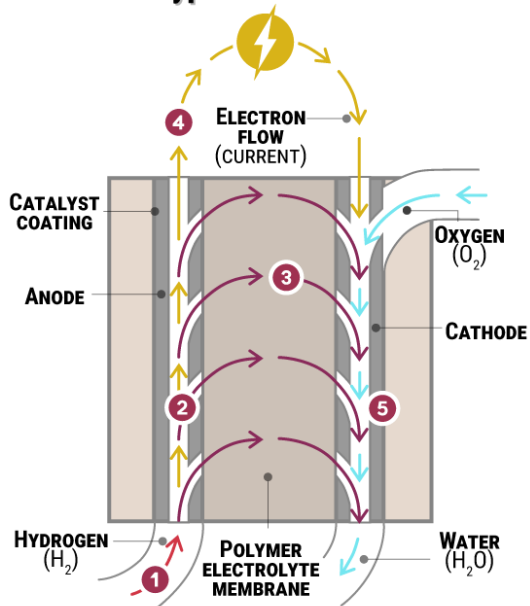
And as mentioned, it takes just five minutes to refill your tank. All for cheaper than gas.

Fuel cells aren't just more efficient than the internal combustion engine... They are much cleaner.



In fact, besides electricity, the only other byproduct is... water. And it's clean enough to drink as I did from my friend's Mirai.

### How A Typical Fuel Cell Works



Source: Outsider Club

It's simple how it works...

Hydrogen is stored in the cell as compressed gas.

There are two parts to the fuel cell: the cathode and the anode.

As the hydrogen enters the anode side, it's stripped of its electrons, which generate an electrical current.

The hydrogen then passes to the cathode side, where it binds with both oxygen and the electrons.

The hydrogen and oxygen are released from the tailpipe as water vapor.

The resulting electricity powers the motor.

As mentioned, fuel cell technology isn't new. It's older than the gasoline engine.

Back in 1839 William Grove invented a "gas battery". This became known today as the fuel cell.

In the 1960s, fuel cells powered the Apollo and Gemini space capsules. They not only fueled the flights to the moon... They also provided the crew's drinking water.

Around the same time, they began seeing use in submarines belong-

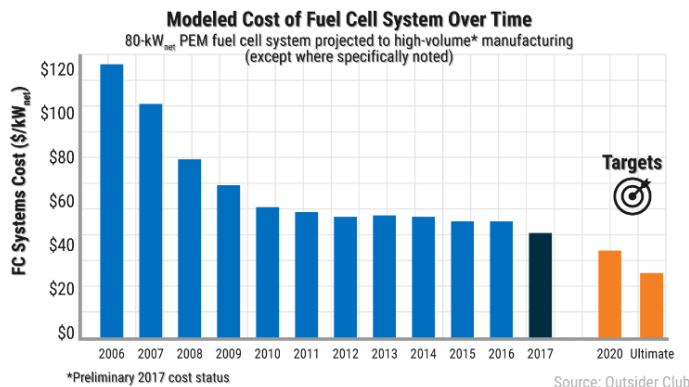


## Fuel Cell, Energy of the Future

ing to the U.S. and German navies. Because fuel cells are so quiet and self-sustaining it makes the submarines super stealthy. It also allows them to stay under water for several weeks at a time without re-emerging.

But except for a few “niche” markets like submarines or spacecraft, fuel cells weren’t used much. This is because they were expensive and not small enough for everyday cars and trucks.

But due to new innovations backed by the Department of Energy, NASA, and the world’s largest car companies... The price of fuel cells has dropped by 60%...



And now that it has entered “Moore’s Law.” What this means is that, as new innovations are developed, the price continues falling.

The cheaper it gets, the more it reaches the mass public. That’s what is now underway. And this is why we’re on the cusp of historic “bigger than Tesla” profits.

Fuel cells are quickly taking the energy world by storm. They’re taking center stage in one of the biggest megatrend of our time:

The global transition to a clean energy world.

“The Hydrogen World”

Wan Gang, China’s “father of electric vehicles,” decided that batteries just won’t cut it. After years of failure, he now says...

“It’s Hydrogen’s Turn.”

He just called for China to move to becoming a “hydrogen society” run on fuel cells. In response Shanghai just opened the world’s largest hydrogen fueling station.



China plans to put 1 million fuel cell cars on the road. And it's sparing no expense. In fact, the Chinese government announced that it's cut funding for battery-powered vehicles in half.

And now it's using that money to back fuel cell technology instead! In total, \$17 billion worth of investment is going to fund fuel cells in China — NOT Tesla.

Why batteries will be obsolete and why fuel cells are racing to the front of the global clean power revolution.

In Japan, it’s happening even faster. With the country’s nuclear plants still closed after Fukushima...

The Japanese have been rushing to build a “hydrogen society.” The numbers tell it all.

800,000 fuel cell cars.

20,000 fuel cell buses.

And 900 fueling stations.

That’s Japan’s goal for the next few years. And its plans are now accelerating into overdrive. Japan will showcase its fuel cell tech advances at the 2020 Summer Olympics in Tokyo.

## Eisenhower was Right

Already, it's preparing 100 buses... 40,000 cars... and even the Olympic torch. All fueled by hydrogen.

The Japanese use the Olympics to send their technology around the world

You recall, in the Tokyo Summer Olympics of 1964, the Japanese showcased another kind of new transportation technology... The bullet train. This was the first of its kind. It was one of the biggest advances in mass transportation ever developed at the time.

Since then, 34,000 miles of high-speed railway track have been laid worldwide. Today, Japan has a network of nine high-speed railways, carrying 400,000 passengers on an average day.

If you've traveled around Europe, you already know that the continent-wide bullet train is amazing.

And China leads the way, with 3 billion passenger trips on bullet trains. That's just in 2018. In fact, more Chinese now travel the country on bullet trains than on airplanes.

And it all began at the 1964 Olympics in Tokyo.

Now history is about to repeat itself in 2020 with fuel cells. The Japanese expect that the Olympics will accelerate their fuel cell technology to mass adoption, just like Japan once did for bullet trains.

I am anxious to see how successful they will be.

D. Miyoshi

## Eisenhower was Right



I remember the days well. I was just a little kid playing on the streets of South-Central Los Angeles oblivious to how history was changing around me. It was the beginning of the "Happy Days," the heyday of the American republic, the interwar period between Korea and Vietnam. The economy was booming. The U.S. had the biggest trade surplus... the strongest manufacturing sector... the strongest currency... and the highest salaries in the world. New York was the world's most dynamic city. California was its Shangri-La. And the debt from World War II was being paid down. Life was good.

In the arts, too, America was on top of the world. Motion pictures were the leading artform; Hollywood dominated the industry. As for the plastic arts, nobody did it better than the auto designers of Detroit who, with their sparkling glass and dazzling chrome, created the finest works of art of the century. These machines of beauty, speed and power represented the then prevailing ethos of America.

Elected in 1952, Dwight Eisenhower ended the Korean War, balanced the budget, reduced U.S. debt as a percentage of GDP by 16%, and reduced government spending as a percentage of GDP from 20% to 18% (not even Ronald Reagan was able to do that). He cut defense spending by nearly 30%. The Dow doubled, and personal incomes rose 35%.

Eisenhower also resisted the temptation to throw his weight around overseas. When Israel invaded Egypt in 1956, with the United Kingdom and France eagerly joining in, he refused to take part. But Eisenhower teamed up with the Soviet Union and threatened to sell British bonds if the UK failed to withdraw. He was no saint. But the hallmarks of his two terms were peace and prosperity, with relatively fewer win-lose deals imposed by the feds.

And we should note that Eisenhower was also ably served at the Fed



## Eisenhower was Right

by William McChesney Martin. Martin was a Latin scholar from Yale, who joined the brokerage firm A.G. Edwards after graduation and made full partner two years later. He gave such a good showing of himself that he was elected to head the New York Stock Exchange at age 31. Then, when World War II broke out, he was drafted and served as a private.

McChesney Martin had a simple and modest idea of his mission as chair of the Fed. He sought neither full employment, nor Dow 30,000, nor 2% consumer price inflation. He neither appeased nor sucked up, neither to Democrats nor Republicans.

Today's Fed model – based on “dynamic stochastics” – would have been Greek to him... or perhaps merely ridiculous claptrap. Negative real interest rates... quantitative easing... and a \$4.4 trillion Fed balance sheet – all would have been regarded like a quack hair-growing elixir – with faint hope and much suspicion.

Stories show that the 1950s Fed chief saw his role as simply to “take the punchbowl away” when the party got out of control or to “lean into the wind” when the seas got choppy.

That is to say, McChesney Martin sought to loosen the money when the economy was lagging and tighten monetary policy when the economy was running hot. (we should note Richard Nixon blamed McChesney Martin's “tight money” policies for his loss in the 1960 U.S. presidential election.)

Looking back over history, whatever Eisenhower and McChesney Martin were doing, it seemed to work. GDP rose from \$281 billion in 1950 to \$540 billion in 1960. The rich got richer. The poor got richer, too. Jobs were plentiful. And an ordinary man with an ordinary job could support an ordinary family in a perfectly ordinary way. They were living the “Life of Riley.”

So, you'd think that if you were serious about making America great again, President Trump would want to emulate Ike Eisenhower rather than George W. Bush or for sure Barack Obama.

He would want to end wars, not start them. He would want to balance the federal budget, not run some of the biggest deficits in history. He would reduce federal spending and cut the Pentagon budget, not increase them. He would want less government, not more. And less debt, too, not more of it. That is, he would want to do the exact opposite of the Bush and Obama administrations.

But when we look out on the comical splendor of the USA today, we see neither Dwight Eisenhower reincarnated in the White House nor William McChesney Martin redux at the Fed. Instead, what we see is another thing Eisenhower warned us against on January 17, 1961:

“As we peer into society's future, we – you and I, and our government – must avoid the impulse to live only for today, plundering for our own ease and convenience the precious resources of tomorrow.

We cannot mortgage the material assets of our grandchildren without risking the loss also of their political and spiritual heritage. We want democracy to survive for all generations to come, not to become the insolvent phantom of tomorrow.”

So what is today's nearly \$22 trillion national debt? It is exactly what Eisenhower urged us to avoid – plundering the future... and mortgaging the precious assets of our grandchildren.

But the wise general didn't stop there. He also saw the Deep State taking shape:

“In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted.

Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.”

Why did George W. Bush make up the “weapons of mass destruction” fantasy and attack Iraq, after he had promised voters a more “humble” foreign policy? Why did Barack Obama continue the Middle East military misadventures, even after he had pledged to end them? How come Donald J. Trump – who repeatedly criticized America's losing wars in the Middle East and promised a new, “America First” foreign policy – got fully on board with the entire Bush/Obama program?

Why did the Trump government run \$850 billion deficits... in peacetime, during an economic expansion... anticipating total debt of some \$30 trillion to \$40 trillion within 10 years? Why was the Fed being run by a disciple of Bush/Obama-era Fed chiefs, Bernanke and Yellen, rather than someone in the McChesney Martin tradition? And why would the Pentagon budget be increased, when it could be cut in half and probably still improve the safety of the Homeland?

I view President Trump as a socially crude yet operationally effective president.

But at the level of grand economics, I wonder if President Trump's economic and social programs are the result of some type of genius with methods that are nearly divine... mysterious... inscrutable... beyond the comprehension of ordinary mortals? Does President



## How Civil Wars Happen

Trump see something the ordinary person cannot? Or is it that General Eisenhower simply just saw more clearly than any of us, including Trump?

In this year of 2020 with 20/20 hindsight , it's difficult to escape the hypothesis that General Eisenhower was right. He identified two big temptations for the American Republic of the 1950s; following generations gave in to both of them. Through the subsequent decades, I also lost sight of how we as a country had gone astray from Ike's admonitions. Until it was too late.

Now the country has spent its children's and grandchildren's money. And it now has a national debt of nearly \$22 trillion. That's up from \$289 billion (\$2.4 trillion in today's dollars) when Ike left the White House.

And we allowed the "unwarranted influence" of the "military-industrial complex" to grow into a monster. No president, no matter how good his intentions, has been able to stop it.

And so the beat goes on.

D. Miyoshi

## How Civil Wars Happen



**I**n last month's issue I wrote an article entitled "Is America in a Civil War?" I left the question open to the reader whether we are or not.

Recently a friend sent to me the following article which I believe accurately describes how civil wars happen and the reasons why. To be fair, the article is written from the perspective of a Republican and thus casts much of the causal blame on the Democrats. With that

proviso, I submit it to you for your reading consideration.

The article was written by Jack Devere Minzey, born 6 October 1928 and died 8 April 2018. He was the Department Head of Education at Eastern Michigan University and a prolific author of numerous books, most of which were on the topic of Education and the Government role therein. This was the last of his works.

D. Miyoshi

## Civil War: How do civil wars happen?

Two or more sides disagree on who runs the country. And they can't settle the question through elections because they don't even agree that elections are how you decide who's in charge. That's the basic issue here. Who decides who runs the country? When you hate each other but accept the election results, you have a country. When you stop accepting election results, you have a countdown to a civil war.

The Mueller investigation was about removing President Trump from office and overturning the results of an election. We all know that. But it's not the first time they've done this. The first time a Republican president was elected this century, they said he didn't really win. The Supreme Court gave him the election. There's a pattern here.

What do sure odds of the Democrats rejecting the next Republican president really mean? It means they don't accept the results of any election that they don't win. It means they don't believe that transfers of power in this country are determined by elections. That's a civil war.

There's no shooting. At least not unless you count the attempt to kill a bunch of Republicans at a charity baseball game practice.

But the Democrats have rejected our system of government.

This isn't dissent. It's not disagreement. You can hate the other party. You can think they're the worst thing that ever happened to the country. But then you work harder to win the next election. When you consistently reject the results of elections that you don't win, what you want is a dictatorship.

Your very own dictatorship.

The only legitimate exercise of power in this country, according to Democrats, is its own. Whenever Republicans exercise power, it's inherently illegitimate. The Democrats lost Congress. They lost the



## TIM ALLEN - ON TRUMP ...

White House. So, what did they do? They began trying to run the country through Federal judges and bureaucrats. Every time that a Federal judge issues an order saying that the President of the United States can't scratch his own back without his say so, that's the civil war.

Our system of government is based on the constitution, but that's not the system that runs this country. The Democrat's system is that any part of government that it runs gets total and unlimited power over the country.

If the Democrats are in the White House, then the president can do anything. And, I mean anything. He can have his own amnesty for illegal aliens. He can fine you for not having health insurance. He can use the IRS as his own police force and imprison citizens who speak against him. He can provide guns and money (Fast and Furious) (Iran nuclear deal) to other countries to support his own agenda and watch while one of America's Ambassador's is dragged through the streets and murdered doing nothing to aid our citizens. His power is unlimited. He's a dictator. But when Republicans get into the White House, suddenly the President can't do anything. He isn't even allowed to undo the illegal alien amnesty that his predecessor illegally invented. A Democrat in the White House has 'discretion' to completely decide every aspect of immigration policy. A Republican doesn't even have the 'discretion' to reverse him. That's how the game is played. That's how our country is run. Sad but true, although the left hasn't yet won that particular fight.

When a Democrat is in the White House, states aren't even allowed to enforce immigration law. But when a Republican is in the White House, states can create their own immigration laws. Under Obama, a state wasn't allowed to go to the bathroom without asking permission. But under Trump, Jerry Brown can go around saying that California is an independent republic and sign treaties with other countries. The Constitution has something to say about that. Whether it's Federal or State, Executive, Legislative or Judiciary, the left moves power around to run the country. If it controls an institution, then that institution is suddenly the supreme power in the land. This is what I call a moving dictatorship

Donald Trump has caused the Shadow Government to come out of hiding: Professional government is a guild. Like medieval guilds. You can't serve in if you're not a member. If you haven't been indoctrinated into its arcane rituals. If you aren't in the club. And Trump isn't in the club. He brought in a bunch of people who aren't in the club with him.

Now we're seeing what the pros do when amateurs try to walk in on them. They spy on them, they investigate them and they send them to jail. They use the tools of power to bring them down.

That's not a free country.

It's not a free country when FBI agents who support Hillary take out an 'insurance policy' against Trump winning the election. It's not a free country when Obama officials engage in massive unmasking of the opposition. It's not a free country when the media responds to the other guy winning by trying to ban the conservative media that supported him from social media. It's not a free country when all of the above collude together to overturn an election because the guy who wasn't supposed to win.... did.

Have no doubt, we're in a civil war between conservative volunteer government and a leftist socialist Democrat professional government.

End of article

The following article was also recently sent to me by a good friend. I think my good friend appreciates wise celebrities. Tim Allen appears to be a wise celebrity. D. Miyoshi

## TIM ALLEN - ON TRUMP ...



**W**hatever your feelings for Trump, these are some interesting points that Tim Allen makes. Put your hatred aside and think about these observations.

Tim Allen is credited with writing this.

From: Tim Allen

Here are some interesting points to think about prior to 2020, especially to my friends on the fence, like moderate Democrats, Libertarians and Independents and the never Trump Republicans and those thinking of "walking away" from the Democratic party.

## The Looming China Coronavirus

Women are upset at Trump’s naughty words -- they also bought 80 million copies of 50 Shades of Gray.

Not one feminist has defended Sarah Sanders. It seems women’s rights only matter if those women are liberal.

No Border Walls. No voter ID laws. Did you figure it out yet? But wait... there's more.

Chelsea Clinton got out of college and got a job at NBC that paid \$900,000 per year. Her mom flies around the country speaking out about white privilege.

And just like that, they went from being against foreign interference in our elections to allowing non-citizens to vote in our elections.

President Trump’s wall costs less than the Obamacare website. Let that sink in, America.

We are one election away from open borders, socialism, gun confiscation, and full-term abortion nationally. We are fighting evil.

They sent more troops and armament to arrest Roger Stone than they sent to defend Benghazi.

60 years ago, Venezuela was 4th on the world economic freedom index. Today, they are 179th and their citizens are dying of starvation. In only 10 years, Venezuela was destroyed by democratic socialism.

Russia donated \$0.00 to the Trump campaign. Russia donated \$145,600,000 to the Clinton Foundation. But Trump was the one investigated!

Nancy Pelosi invited illegal aliens to the State of the Union. President Trump Invited victims of illegal aliens to the State of the Union. Let that sink in.

A socialist is basically a communist who doesn’t have the power to take everything from their citizens at gunpoint ... Yet!

How do you walk 3000 miles across Mexico without food or support and show up at our border 100 pounds overweight and with a cell-phone?

Alexandria Ocasio Cortez wants to ban cars, ban planes, give out

universal income and thinks socialism works. She calls Donald Trump crazy.

Bill Clinton paid \$850,000 to Paula Jones To get her to go away. I don’t remember the FBI raiding his lawyer’s office.

I wake up every day and I am grateful that Hillary Clinton is not the president of the United States of America.

The same media that told me Hillary Clinton had a 95% chance of winning now tells me Trump’s approval ratings are low.

“The problem with socialism is that sooner or later you run out of other people’s money.”— Margaret Thatcher

Maxine Waters opposes voter ID laws; She thinks that they are racist. You need to have a photo ID to attend her town hall meetings.

President Trump said — "They’re not after me. They’re after you. I’m just in their way."

Now, go Back & Read this Again like your Future Depends upon it... Because it Does.

## The Looming China Coronavirus Catastrophe



**W**uhan, China is a city of 11 million people. That makes it bigger than any U.S. city, including New York and Los Angeles. Huanggang, a city of 7.5 million, is just 35 miles from Wuhan, and has more people than all but one metro area in the United States — New York City.



## The Looming China Coronavirus

China has dozens of cities with gigantic populations. But these two cities matter because, as of this writing in mid-January, the Chinese government has put them on lockdown, thanks to a rapidly spreading coronavirus.

“To my knowledge, trying to contain a city of 11 million people is new to science,” a representative of the World Health Organization told the Associated Press.

The containment effort also looks like a failure: Outbreak confirmations have already gone global. Hong Kong and Singapore have confirmed new cases of coronavirus. So have the United States, Thailand, Taiwan, Japan, and South Korea. Mexico and Russia have potential cases, too.

Macau, the island known to be an Asian gambling mecca, is considering a shutdown of all 40 of its casinos. Airport passengers are being screened. In “lockdown” areas, markets and social gathering places are being closed off — and scared citizens are not allowed to flee.

The world is on edge — and China’s leadership is under a white-hot spotlight — because of what happened 17 years ago.

### What We Know About The Coronavirus:

Symptoms. Coronaviruses are a family of viruses that cause illness ranging from the common cold to more severe diseases such as pneumonia to Middle East respiratory syndrome and severe acute respiratory syndrome, or SARS.

Common signs of infection include fever, cough, shortness of breath and breathing difficulties.

In more severe cases, infection can cause pneumonia, severe acute respiratory syndrome, kidney failure and death.

In other words, if you are feeling sick and have recently traveled through an airport or been around someone who recently traveled, you should seek medical care.

Transmission/ vaccine. The virus can be spread from animals to people and from people to people.

It is spread by coughing, sneezing and through close contact with an infected person or even an object carrying the virus.

There is no vaccine yet.

However, scientists around the world, including the U.S., are currently working on a vaccine.

The problem is the development of a vaccine has just begun, meaning it will most likely be at least a year before we have an approved, readily available vaccine.

In addition, while there is no particular treatment for the Coronavirus, recommended treatment is similar to those for cold, such as rest and drinking a lot of fluid.

In other words, doctors recommend treating the symptoms since there is nothing they can do to combat the virus.

Spreading in the U.S. Simply put, with the ease of global travel, the spread of any disease is only a plane ride away.

Passengers from Wuhan to the U.S. on direct or indirect flights, are only allowed to land at one of five U.S. airports, where health professionals with the CDC are screening them for symptoms.

Those airports are JFK, Los Angeles International Airport, San Francisco International Airport, Hartsfield-Jackson Atlanta International Airport and Chicago O’Hare International Airport.

These airport screenings might not catch everyone infected because the incubation period can last a week, so it can take a week after getting infected before showing any symptoms.

With confirmed cases now seen in different parts of the world, the best way to protect yourself is practicing good hand hygiene and good respiratory hygiene, similar to ways you avoid contracting the flu.

In addition, make sure you’ve got plenty of common cold medicine on hand and be prepared to hunker down in your house, if it comes to that.

### Virus Surges

In the last week of January the toll from the deadly virus more than doubled with officials confirming at least 213 deaths, while the number of reported illnesses rose to nearly 9,000. Cases have been reported in at least 16 countries and the US has identified at





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least five separate cases involving people who carried the virus back from recent trips to the Chinese city of Wuhan, the outbreak's epicenter. Chinese officials, grappling with a travel rush around the Lunar New Year holiday, have applied an unprecedented quarantine across 16 cities totaling almost 50 million people. Studies show the virus, a type of coronavirus related to SARS and MERS, spreads to two to three new people for each person infected. The high contagion rate means officials would have to contain 60% of all new cases to reverse the epidemic rather than simply slow its spread.

The World Health Organization declared that the corona virus (officially known as 2019-nCoV) a global health emergency. (Editor's note, we should keep in mind the source of these statistics. It is possible, if not likely, that the actual numbers are much higher than reported).

In 2002-2003 you will recall a different strain of coronavirus known as SARS, which stands for "severe acute respiratory syndrome," broke out in Southern China. The SARS epidemic went global and ultimately killed 774 people.

The death toll for this new outbreak, as of January 2020, has climbed into the hundreds. Nobody knows how high it will go. Looking back at 2003, the points of comparison are already grim.

A deadly virus outbreak is a drag on global growth. Lunar New Year celebrations are popular in January all across Asia; now hundreds of millions of travelers will stay home instead. Retail business in Asia, especially Japan, will also take a hit as shoppers avoid public spaces. It's little wonder China stocks are down sharply. In the West too, travel and hospitality business will slow — think airlines and hotels — as travelers cancel their plans.

Crude oil and energy stocks are being hit particularly hard, with crude oil, already battered from a post-Iran reversal, down another 3% on coronavirus news. This is at least partly muscle memory from the 2002-2003 SARS event, when global commodity prices saw a mini-collapse.

Drawing from the SARS episode, Goldman Sachs predicts oil demand could fall by 260,000 barrels per day, with two-thirds of that coming from unused jet fuel (as travelers stay home).

### Will the Current Market Continue Down?

Most experts say it "depends"

... on the news...

... on containment...

... on people's mood...

The bottom line, is they don't know.

Many investors are worried that the markets are getting kicked off their highs and that this is the beginning of the end. That's logical, but at this point is unfounded.

In fact, the markets spend about two-thirds of the time at (or within) 10% of new highs... meaning the drive to higher prices is very real and very profitable.

But when the market does come down in earnest, it will. And that event, while not accurately predictable, is inevitable no matter what happens.

### General Economic Impact

For broader markets, the impact of the corona virus epidemic remains unknown. If the outbreak dies out relatively quickly, markets could recover. If the outbreak severely worsens, however, the odds increase for a global slowdown, possibly tipping into global recession.

Paul Tudor Jones, one of the legendary hedge fund managers who attended the Davos conference, is worried. Tudor said:

"If you look at what happened in 2003... stock markets sold off double digits," Jones told CNBC. "If you look at the escalation of the reported cases, it feels a lot like that. There's no vaccination (although there is data that show there is an available a vaccination). There's no cure. ... If I was an investor, I'd be really nervous."

On the bullish side of the ledger, speculators are piling into a company called Alpha Pro Tech, a micro-cap stock with a market value below \$70 million.

The stock is up nearly 50% in the past few days, again on muscle memory: In the SARS episode from 17 years ago, APT rose hundreds of percentage points. The company manufactures "disposable protective apparel" and "infection control products,"





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which means business is good when people are freaking out.

I am not recommending chasing a micro-cap stock. — that’s a good way to get burned — but APT is a bellwether for how investors are feeling. If the vertical spike of this stock gets even more vertical, watch out for the market, the economy and ultimately the society.

Global equity markets are entering 2020 on a very strong footing. So, if the coronavirus is contained in a reasonable amount of time, stocks are likely to weather this storm, too, and the major U.S. indexes are generally reflecting this with calm trading.

But, if the outbreak plays out in a worst-case-scenario type of way, however, all bets are off — and four more Chinese cities have gone on lockdown just in the time this was written.

### A Short Term Profit Opportunity

As in the 2003 SARS outbreak, it’s no surprise there is expected to be severe negative impact upon certain sectors of the economies of China, the U.S. and the world. Already, many of my clients are placing heavy shorts on selected companies especially in China such as the holder of a range of fast food restaurants in mainland China. For aggressive international investors, this will be another opportunity to showcase how shorting the market, using stocks or options leads to very large profits in a very short period of time.

### Biological and Financial Contagions

The word “contagion,” applies to both human populations and financial markets — and in more ways than you may expect.

There’s a reason why financial experts and risk managers use the word “contagion” to describe a financial panic.

Obviously, the word contagion refers to an epidemic or pandemic. In the public health field, a disease can be transmitted from human to human through coughing, shared needles, shared food or contact involving bodily fluids.

An initial carrier of a disease (“patient zero”) may have many contacts before the disease even appears.

Some diseases have a latency period of weeks or longer, which means patient zero can infect hundreds before health professionals are even aware of the disease. Then those hundreds can infect thousands or even millions before they are identified as carriers.

In extreme cases, such as the “Spanish flu” pandemic of 1918–20 involving the H1N1 influenza virus, the number infected can reach 500 million and the death toll can run over 100 million.

A similar dynamic applies in financial panics.

Famed financial consultant Jim Rickards explains how a financial panic can begin with one bank or broker going bankrupt as the result of a market collapse (a “financial patient zero.”)

But the financial distress quickly spreads to banks that did business with the failed entity and then to stockholders and depositors of those other banks and so on until the entire world is in the grip of a financial panic as happened in 2008.

Still, the comparison between medical pandemics and financial panics is more than a metaphor.

Disease contagion and financial contagion both work the same way. The nonlinear mathematics and system dynamics are identical in the two cases even though the “virus” is financial distress rather than a biological virus.

### But what happens when these two dynamic functions interact? What happens when a biological virus turns into a financial virus?

We’re seeing it happen in China.

It’s the time of the Lunar New Year holiday in China, China’s most important public holiday. It’s traditionally a time of wide-spread celebration.

But, for many Chinese cities, not this year.

Many major Chinese cities have been shut down, with no citizens allowed to leave, and their transportation systems have been closed.

Retail sales are also suffering as consumers remain home instead of risking contagion with trips to the store.

The disease is causing financial panic in China at a time when it can least afford it. GDP growth has hit a wall and investors have curtailed new investment.





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Could it unleash a global financial panic that ultimately results in a lockdown of the banking system?

Rickards believes it's possible, but far too soon to say. He thinks this is the type of catalyst that could take a year to build.

But the case for a pending financial collapse is well grounded. Financial crises occur on a regular basis including 1987, 1994, 1998, 2000, 2008. That averages out to about once every five years for the past thirty years.

There has not been a financial crisis for over ten years, so the world is overdue. It's also the case that each crisis is bigger than the one before.

I began this newsletter in late 2011 because I believed there would be a financial crisis beginning sometime in 2018. Obviously, that did not happen very likely due to President Trump's liberal economic policies. But I believe it's simply a matter of time before the forces of history prevail and the inevitable financial crisis comes upon us.

The reason a severe financial crisis will happen soon is because of the system scale. In complex dynamic systems such as capital markets, risk is an exponential function of system scale. Increasing market scale correlates with exponentially larger market collapses.

Due to central bank intervention, total global debt has increased by more than \$150 trillion over the past 15 years. Too-big-to-fail banks are bigger than ever, have a larger percentage of the total assets of the banking system and have much larger derivatives books.

So the threat of financial contagion is higher today than ever because the entire system is larger than before. And the larger size of the system implies a future global liquidity crisis and market panic far larger than the Panic of 2008.

An even greater danger for markets is when two kinds of contagion converge. Such as now when we're seeing biological and financial contagions emerging in China. Financial contagions can also converge when market losses spillover into broader markets. Then those losses give rise to systematic trading against a particular instrument or hedge fund.

When the targeted instrument or fund is driven under, credit loss-

es spread to a wider group of fund counterparts who then fall under suspicion themselves. Soon a market-wide liquidity panic emerges in which, "everybody wants his money back."

This is exactly what happened during the Russia-Long Term Capital Management (LTCM) crisis in 1998.

It was an international monetary crisis that started in Thailand in June of 1997, spread to Indonesia and Korea, and then finally Russia by August of '98. It was exactly like a spreading contagion.

LTCM wasn't a country, although it was a hedge fund as big as a country in terms of its financial footings. Rickards was right in the middle of that crash. He was the general counsel of that firm. He was in the conference room, in the deal room, at a big New York law firm. Included were Treasury officials, Federal Reserve officials, other government officials, Long-Term Capital, and Rickard's partners.

There were 14 banks in the LTCM bailout fund. There were 19 other banks in a one billion dollar unsecured credit facility. Rickards negotiated that bailout. He was on point for one side of the deal and had to coordinate all that. So he saw it all.

It was a 4 billion dollar all-cash deal, which they put together in 72 hours with no due diligence. Anyone who's raised money for his or her company, or done deals can think about that and imagine how difficult it would be to get a group of banks to write you a check for \$4 billion in 3 days.

Systematic pressure on LTCM persisted until the fund was almost broke. As Wall Street attacked the fund, they missed the fact that they were also the creditors of the fund. By breaking LTCM, they were breaking themselves. That's when the Fed intervened and forced Wall Street to bail out the fund.

Those involved can say they bailed out Long-Term Capital. But if Long-Term Capital had failed, and it was on the way to failure, \$1.3 trillion of derivatives would've been flipped back to Wall Street.

So in reality, Wall Street bailed out itself.

Fast-forward 10 years. The panic of 2008 was an even more extreme version of 1998. We were days, if not hours, from the sequential collapse of every major bank in the world. The 2008 panic had its roots in sub-prime mortgages, but quickly spread to debt obligations of all kinds, especially money market funds and





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European bank commercial paper.

Think of contagion again. What had happened there? You had a banking crisis. Except in 2008, Wall Street did not bail out a hedge fund; instead the central banks bailed out Wall Street.

The point, again, is that today systemic risk is more dangerous than ever, and each crisis is bigger than the one before. Remember also, as Rickards has advised, too-big-to-fail banks are bigger than ever, have a larger percentage of the total assets of the banking system, and have much larger derivatives books.

Where could the next financial contagion start?

Rickards believes it could well begin in the corporate debt market, especially higher-risk corporate debt or “junk bonds.” The next financial collapse will quite possibly come from junk bonds. How is that possible?

Since the great financial crisis in 2008, extremely low interest rates allowed the total number of highly speculative corporate bonds, or “junk bonds,” to rise about 60% — a record high. Many businesses became extremely leveraged as a result. Estimates put the total amount of junk bonds outstanding at about \$3.7 trillion.

The danger is that when the next downturn comes, many corporations will be unable to service their debt. Defaults will spread throughout the system like a deadly contagion, and the damage will be enormous.

If default rates are only 10% — a conservative assumption — this corporate debt fiasco will be at least six times larger than the subprime losses in 2007-08.

Many investors would be caught completely unprepared. Once the tsunami hits, no one would be spared. The stock market would collapse in the face of rising credit losses and tightening credit conditions.

This is just one more example of capital market complexity and it signals the fact that the next crisis will be worse than the last.

Also, new automated trading algorithms like high-frequency trading techniques used in stock markets could add to liquidity in normal times, but the liquidity could disappear instantly in times of market stress. And when the catalyst is triggered and panic commences, impersonal dynamics take on a life of their own.

These kinds of sudden, unexpected crashes that seem to emerge from nowhere are entirely consistent with the predictions of complexity theory.

The ability of central banks to deal with a new crisis is highly constrained by low interest rates and bloated balance sheets, which have not been normalized since the last crisis. In fact, the Fed has been expanding its balance sheet at a rate not seen since the financial crisis. And it's not far from its 2015 high.

Complacency has crept back into markets as the Fed's liquidity has sent stocks to new records, despite the latest coronavirus development. But this is when we need to be the most careful. And the threat of contagion is a scary reminder of the hidden linkages in modern capital markets.

As this newsletter has been advising for the past several years, the conditions are in place. But we can't wait for the shock to occur because by then it will be too late. We won't be able to get our money out of the market in time because it'll be a mad rush to the exits.

The solution for most investors is to have some assets outside the traditional markets and outside the banking system. That means physical gold and silver, real estate and fine art. We have heard this before but it's being said again because it's true.

We must not wait until it's too late.

D. Miyoshi



## Impeachment, Politics Over Law



**T**he Constitution provides, in express terms, that the President, as well as the Vice-President and all civil officers, may be impeached for “treason, bribery, or other high crimes and misdemeanors.” It was framed by men who had learned to their sorrow the falsity of the English maxim, that “the king can do no wrong,” and established by the people, who meant to hold all their public servants, the highest and the lowest, to the strictest accountability.

But the problem is the Constitution does not define the meaning of “high crimes and misdemeanors” for which a President may be removed. Thus, the House are left to their wits to determine if the President has committed an offence or offences justifying it issuing articles of impeachment and the Senate must determine if it will convict the President under those articles.

As it happened strictly along party lines with the controlling Democrats prevailing and not one Republican voting for impeachment, the House Democrats unsurprisingly voted to impeach President Trump.

The articles of impeachment provide that President Trump abused his power for asking Ukraine to investigate former Vice President Joseph R. Biden, one of Mr. Trump’s potential opponents in the November election, and obstruction of Congress for not cooperating with the House impeachment

inquiry.

Now the Republican controlled Senate must decide in a Senate Impeachment trial whether to remove from office President Trump by convicting him of impeachment. The Senate must decide by a 2/3 vote (67 Senators) for impeachment. Since the Democrats and Independents count for 49 of the 100 votes, they need at least 18 Republican senators to vote for impeachment. This is highly unlikely to occur. Any Republican Senator voting for impeachment could be committing political suicide. This would include Senator Mitt Romney, an avowed opponent of President Trump.

We should note the impeachment procedure is a political construct, it is not a consecrated legal process that is based on the establishment of facts, evidence and proof. And this is the problem our counven try now faces. We are beginning to decide matters of national and international consequence based on overriding political condemnation and not on legal offenses proved beyond a shadow of doubt.

Kenneth Starr who led the independent investigation that led to President Clinton’s impeachment warned that American had foolishly entered the “age of impeachment.” Soon, impeachments may become as abundant as referendums in our political process.

As this is written President Trump's legal team has finished their defense in the Senate's trial and GOP leaders say a key vote on whether to call new witnesses will be held Jan 31, the day this newsletter is published. That vote will likely determine whether the Senate trial ends this weekend of Feb 2 or persists, potentially through the Feb 4 State of the Union address.

Four Senate Republicans would need to side with the 47 Democrats to call any new witnesses; Sens. Mitt Romney (R-UT) and Susan Collins (R-ME) have signaled they are considering the move.

But Senator Lamar Alexander of Tennessee has just announced he would not join Democrats in calling for witnesses stating “there is no need for more evidence to prove something that has already been proven and that does not



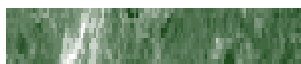
## Impeachment, Politics Over Law



Advancing in a Time of Crisis



Financial Crisis Report



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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.

meet the U.S. Constitution's high bar for an impeachable offense."

This may effectively foreclose the Senate from calling witnesses to the trial including former National Security Advisor John Bolton whose soon to be published book "*The Room Where It Happened: A White House Memoir*" supports the claim that President Trump withheld military aid to pressure Ukraine to investigate Joe Biden.

But even if witnesses were called and Bolton were to testify what he states in his upcoming book, that President Trump personally told him that he hoped to continue to withhold nearly \$400 million in military aid for Ukraine until the country announced investigations into political rival Joe Biden and his son Hunter, the big question remains, does that rise to the level of a high crime and misdemeanor sufficient to oust the president from office?

This "hope" of President Trump may have been a thought in his mind but we do not live in a "Minority Report" world where thoughts can be crimes. Further, it was proven the military aid was not withheld but was given well before the stated deadline and also the Ukrainian officials were not even aware that the military aid was being withheld.

The Democrats allege that there was a "quid pro quo" in President Trump's request to withhold military aid in order to convince Ukraine to investigate Joe Biden. But if the Ukraine officials did not know the aid was

being withheld, there effectively is no "quid" for President Trump's "quid."

We are left with no fault, no crime, no harm, yet there is the allegation that President Trump committed a high crime and misdemeanor.

We can all see this is not the result of a fully prosecuted trial within an established legal system but is instead the outcome of an ordinary schism fight in a common political assembly.

The impeachment process is now becoming so easy to implement it will serve to encourage future politicians of a controlling party in the House to go out and chant "Impeach 46 or 47 or 48....or whoever.

Perhaps the ultimate message in this unfortunate political charade is that it is all President Trump's fault. That if he were a more popular and politically sensitive, bi-partisan oriented president instead of one who doggedly strives to achieve what he believes is right, he would never have been impeached.

If that's the message the political parties want to send, this country's reputed democratic system is in serious trouble.

God help us.

D. Miyoshi



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