

# ARRO Capital Trends

# Investing in Insight



September 19th, 2009 - ARRO Capital Trends Newsletter 5th Edition

## Seasonal Revolutions

We're in the heart of September now, when nature begins denuding herself for the embrace of old man winter, and the beauty of changing leaves from life filled green to ephemeral hues of red, yellow and orange signals the beginning of a new season.

I've always loved the fall, a time of year when one can enjoy a hike or jog under the forest canopies without fear of losing several grams of blood to the mosquitoes and black flies. To me this time of year is a time of consolidation, of preparation for the cold winds of the north and of a renewed recognition of the purpose which these heaven departed winds inevitably bring.

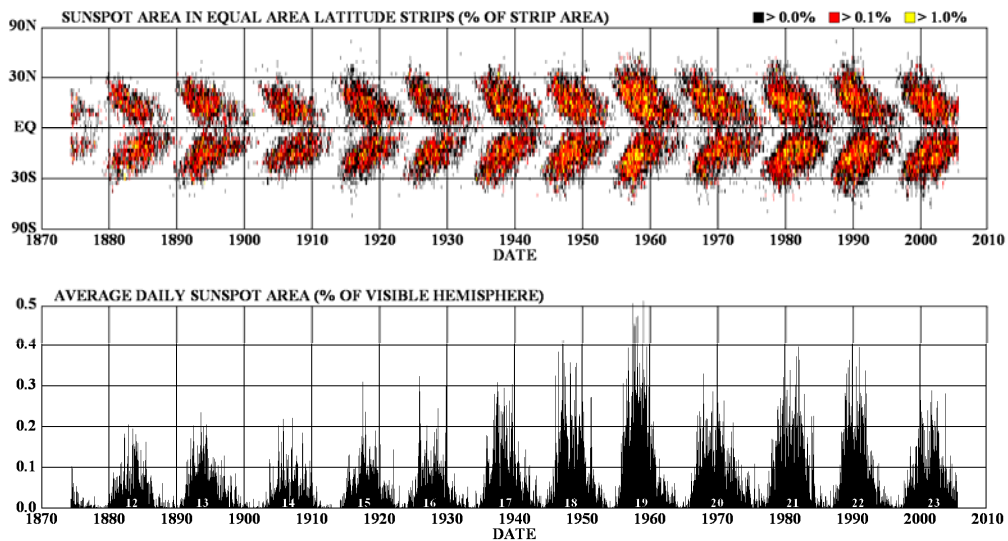
Just as earth endures her cycles of death and rebirth so too does the solar system and the various galaxies throughout the universe in their turn. We find in nature a great working of cycles of change within cycles of change, each movement, each procession affecting every other. Humans as well, though unbeknownst to most, also endure the macroscopic changes that occur in the overarching cosmos, changes that manifest in human behaviour and radiate outward into human society. These cycles of cosmic change have been catalogued by many cultures throughout human history. The sky itself has been mapped, images and stories have been affixed to stars and constellations in order to capture a truth which could be past down as evidence of an understanding of the grand cycle.

When we look to the sky during the day all universal bodies become invisible, or nearly so, under the specter of the Sun, the radiance of which nurtures the growth of sugars and allows for the presence of such complex sentience as human beings. The sun also exhibits its seasons, since it too rotates upon its own axis and flies through space in its own elliptical orbit, a trajectory which causes our solar system to enter into regions of space of variable electromagnetic composition. This solar movement through space has not really been considered relevant by today's social body and is really only under the observation of scientific specialists such as those at the European Space Agency (ESA) and NASA. ([skip solar cycle/social trend section](#))



The cycle associated with the sun that is the most well known is called the Solar Cycle, which consists of a measure of the number of sunspots on the sun at any given time. Sunspots denote solar activity and are regions of magnetic flux that give rise to coronal flares and increased solar winds. We are currently in the midst of a 'deep solar minimum', which is to say that the sun is exhibiting a somewhat protracted period of little to no sunspot activity, leading to a diminished amount of solar wind around the earth's atmosphere. This sunspot cycle has for the past century or more been following a 10 to 12 year pendulum where the number of sunspots increases and decreases in a relatively orderly fashion. Below is a graph which provides an excellent visualization of just how orderly this cycle has been for the past 100+ years.

**DAILY SUNSPOT AREA AVERAGED OVER INDIVIDUAL SOLAR ROTATIONS**

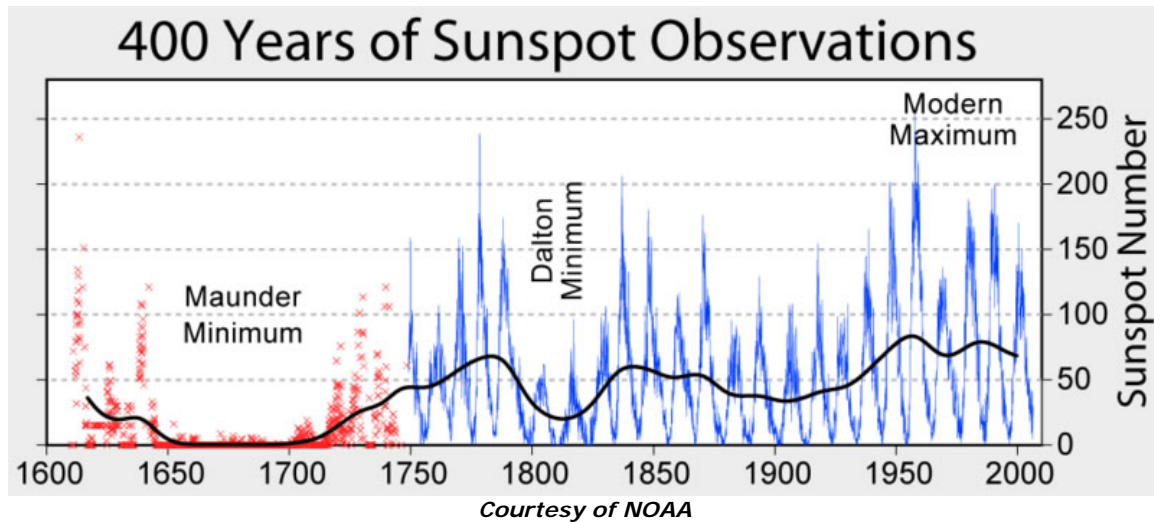


<http://science.msfc.nasa.gov/ssi/pad/solar/images/bfly.gif>

Courtesy of NASA

NASA/NSSTC/HATHAWAY 2005/10

The observation has been made by various researchers who have correlated geologic cores to historical astronomical data that during solar minimums, especially protracted minimums, the earth undergoes a period of cooling. Perhaps the most well known solar minimum is the Maunder Minimum which lasted from approximately 1635 to 1715 with an overlap of 60 years on either side, a duration of roughly 200 years with relatively sparse sunspot activity and which coincides with what has been called the Little Ice Age.



The Little Ice Age, though given no clear cut beginning or end, is roughly outlined in the chart above and is described elsewhere as a period of extreme cold. Here is a description of what it might have been like in the Little Ice Age:

*The Little Ice Age brought colder winters to vast portions of Europe and North America. In the mid-17th century, glaciers in the Swiss Alps advanced, gradually engulfing farms and crushing entire villages. The River Thames and the canals and rivers of the Netherlands often froze over during the winter, and people skated and even held frost fairs on the ice. The first Thames frost fair was in 1607; the last in 1814. The freeze of the Golden Horn and the southern section of the Bosphorus took place in 1622. In 1658, a Swedish army marched across the Great Belt to Denmark to invade Copenhagen. The Baltic Sea froze over, enabling sledge rides from Poland to Sweden, with seasonal inns built on the way. The winter of 1794/1795 was particularly harsh when the French invasion army under Pichegru could march on the frozen rivers of the Netherlands, whilst the Dutch fleet was fixed in the ice in Den Helder harbour. In the winter of 1780, New York Harbor froze, allowing people to walk from Manhattan to Staten Island. Sea ice surrounding Iceland extended for miles in every direction, closing that island's harbors to shipping.*

*The severe winters affected human life in ways large and small. The population of Iceland fell by half, but this was perhaps also due to fluorosis caused by the eruption of the volcano Laki in 1783. Iceland also suffered failures of cereal crops and people moved away from a grain-based diet. In North America, American Indians formed leagues in response to food shortages. In Southern Europe, in Portugal, snow storms were much more frequent than is the case today.*

While a great deal of attention has been given to global warming, a theory based on the assumption that an accumulation of carbon dioxide in the atmosphere leads to planetary heating, the actual fact is that the planet has been undergoing a cooling trend since 1998.(1)(2)

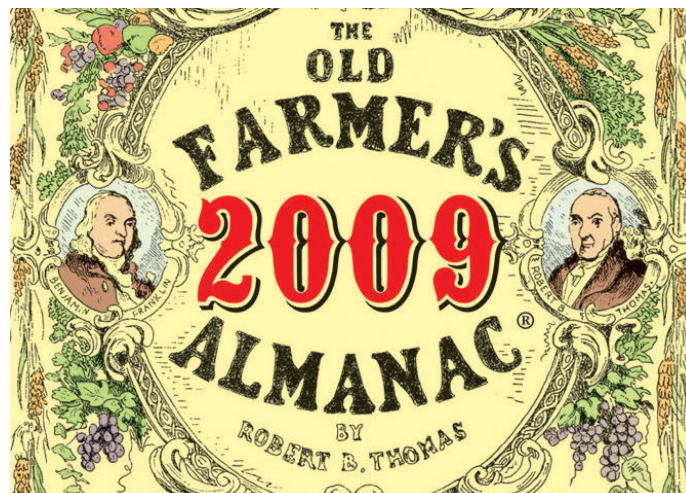
2008 and 2009 have been notable for their record winter snowfalls and summer coolness and not just here in Canada but across vast swathes of geography. The most recently released Farmers Almanac is predicting a continuation of this trend, and not just for a few years but for years to come.(3)

I began consulting the **Farmers Almanac** a few years ago to better gauge seasonal fluctuations and have been continuously astounded by the uncanny accuracy of its forecasts, even more so considering that the predictions are given months in advance. In the 2009 Almanac this past years forecast has been about 85% accurate, proving to me that there is a solid predictive methodology being employed. As it stands, the formula behind the Almanacs methods are kept under wraps:

*"Predictions for each edition are made as far as two years in advance. The Farmers' Almanac publishers are highly secretive about the method used to make its predictions, only stating publicly that it is a "top secret mathematical and astronomical formula that relies on sunspot activity, tidal action, planetary position and many other factors." The identity of the Farmers' Almanac weather forecaster is also a secret. The Almanac's forecaster is referred to by the pseudonym "Caleb Weatherbee." - Wikipedia*

It's a wonderful story really, in a world of satellite radar and computer models that a small publication that was begun in 1818 to help farmers avoid fatal catastrophe at the hands of cosmic decree, can out perform the predictive capacity of technical organizations such as the NOAA (National Oceanic and Atmospheric Administration).

One of the keys to the Almanacs success is the affinity of its weather sage to confer with the cycles found within the celestial abode, a lost art which has much crossover appeal and usefulness in the calculation of social trends. The irony for me is that this small book of ultimate utility, with a staying power of almost 200 years, can be found in the supermarket aisle right next door to the National Enquirer and Vogue magazine, publications of no utility whatsoever.



## *Sunspot free – September 14<sup>th</sup>, 2009*



*Courtesy of SOHO*

The earth is now experiencing a solar minimum phase and as a result is provided with a lesser degree of magnetic shielding from the sun, leaving the earth's atmosphere open to cosmic radiations from neighbouring star systems.

*Measurements by the Ulysses spacecraft reveal a 20 percent drop in solar wind pressure since the mid-1990s—the lowest point since such measurements began in the 1960s. The solar wind helps keep galactic cosmic rays out of the inner solar system. With the solar wind flagging, more cosmic rays penetrate the solar system.... Weaker solar wind also means fewer geomagnetic storms and auroras on Earth.*

*Careful measurements by several NASA spacecraft have also shown that the sun's brightness has dimmed by 0.02 percent at visible wavelengths and a whopping 6 percent at extreme UV wavelengths since the solar minimum of 1996.(4)*

This influx of galactic radiation enters the earth's biosphere and engages the body ecology in ways that are just now beginning to be discovered. As these light particles enter the earth's envelope they interact with all life, possibly causing genetic mutations and perhaps even advancing genetic evolution.

*Cosmic rays are energetic particles originating from outer space that impinge on Earth's atmosphere. Almost 90% of all the incoming cosmic ray particles are protons, almost 10% are helium nuclei (alpha particles), and slightly under 1% are heavier elements and electrons (beta minus particles).*

*The variety of particle energies reflects the wide variety of sources. The origins of these particles range from energetic processes on the Sun all the way to as yet unknown events in the farthest reaches of the visible universe.(5)*

As a result of certain studies I've undertaken it's become apparent to me that periods of solar minimum may bring not only a cooling of the atmosphere but also an emergence of social emancipation movements.

My findings have led to me to divide social movements between what I call 'engineered social movements' and 'peoples emancipation movements'. The latter takes place against the wishes of the ruling classes while the former is a pseudo social movement engineered by a ruling class in order to confer the illusion of change. The grading of revolutionary movements into either camp – **human emancipation** or **elite engineered** – is not subjective but in concert with historical facts, facts which are sometimes much in contrast to the general and widely educated historical account. The truism 'history is written by the victor' is more true than most would like to believe, and since the accounts of the vanquished are minimized or erased altogether, the historical account becomes a lopsided testimony.

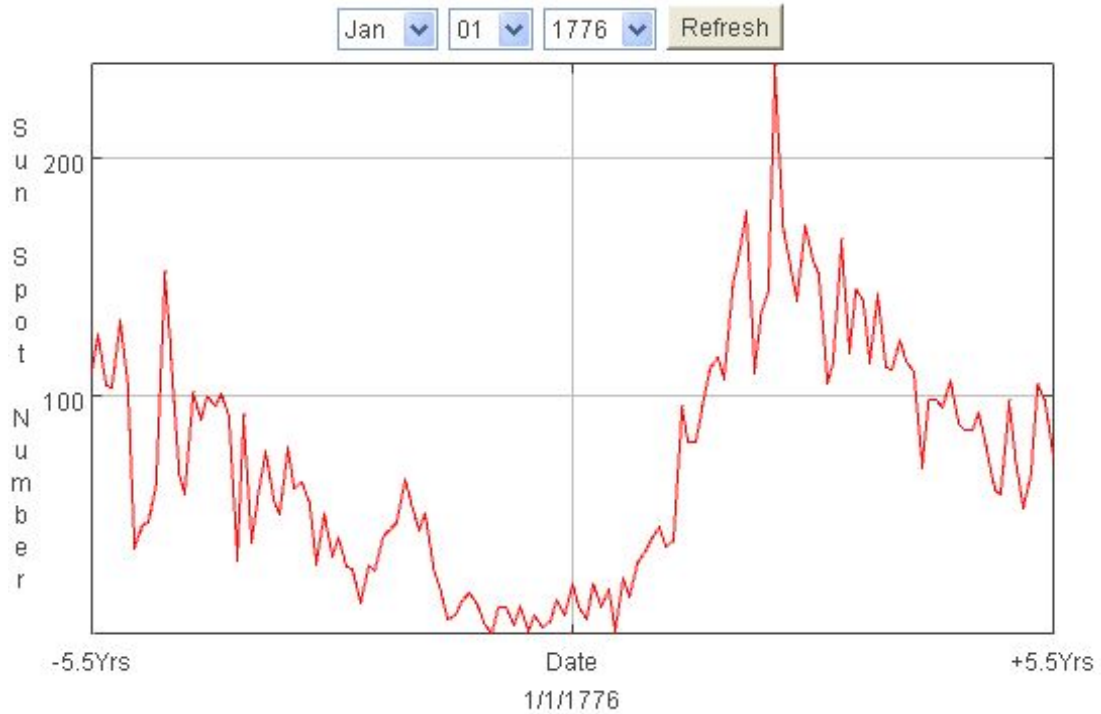
The two examples that come to mind that best represent each camp would be the American Revolution on the side of 'emancipation' and the Bolshevik Revolution on the side of the 'engineered'. Each of these 'revolutions' took place at opposite ends of the solar cycle, the American Revolution during a minimum and the Communist Revolution during a maximum.

Some may ask what differentiates an emancipation movement from a pseudo movement initiated by a ruling elite. The simple answer is that a people's emancipation movement orients a society towards greater collective freedom while a pseudo movement leads to repressive political structures. In the case of the so called 'Russian Revolution' the overthrow of the Russian monarchy was not brought about by mass unrest in the populace, but was in fact brought about by a financier elite who wished to confiscate the wealth of the Russian Royal family (the greatest treasure on earth at that time) and to initiate a top down totalitarian system of control in the form of a workers paradise.(6)(7)

The American Revolution on the other hand was a people based freedom movement aligned against the tyranny of the European elite and their encroaching taxation system and centralized rule. The American Revolution gave rise to a great number of ideals that people the world over associate with freedom and liberty. And just as all life endures cycles so too does America, who has now entered upon a path leading (not inevitably) towards the loss of personal freedoms and an increase in centralized federal power.

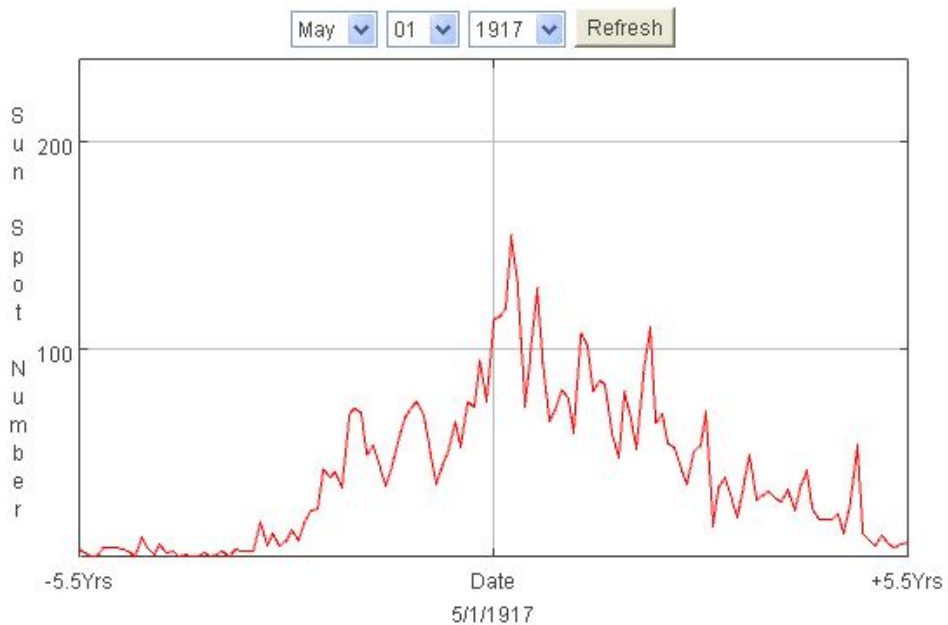
The graphs on the following page provide a glimpse of the sunspot cycle within the time frame of the revolutions:

### American Revolution



*Sun spot charts courtesy of spaceweather.com*

### Bolshevik Revolution



I've compiled a partial list dating back to 1755 (the beginning of reliable sunspot data) of emancipation revolutions, all of which occur at solar minimums, as well as a short list of engineered revolutions which occur during maximums. In looking through the historical accounts it appears to me that the correlation of revolutions and their nature with regards to the solar cycle applies only to major social change events and not minor events. That is to say that the solar cycle can be correlated with revolutions that impact global trends as opposed to those that are merely regional or local. More importantly, solar minimum revolutions have the tendency to transcend purely political motivation and thereby encompass the spiritual.

In researching this phenomena I noticed that the number of emancipation events is far less in number than those events that are merely political or economic in nature.

The list below is partial since it only goes back to 1775 and appears to have a cycle of its own where clusters of revolutions occur within a 60 year window followed by 100 years of relative stasis. Also of note is that the emancipation revolutions listed below were not all successful, so the cycle seems to be a catalyst predictor but not a predictor of actual outcome, which ostensibly is up to the people themselves to bring to fruition. The list is as follows:

1776 – The **American Revolution** (victorious) / Solar Minimum – Discussed above.

1796 – **The White Lotus Rebellion in China** (defeated) / Solar Minimum - *Chinese anti-Manchu uprising that occurred during the Ch'ing dynasty. It broke out (1796) among impoverished settlers in the mountainous region that separates Sichuan prov. from Hubei and Shaanxi provs. It apparently began as a tax protest led by the White Lotus Society, a secret religious society that forecast the advent of the Buddha, advocated restoration of the native Chinese Ming dynasty, and promised personal salvation to its followers. At first the Ch'ing administration, under the control of Ho-shen, a Manchu official noted for symbolizing the widespread corruption of the Ch'ing dynasty of China, sent inadequate and inefficient imperial forces to suppress the ill-organized rebels. On assuming effective power in 1799, however, Emperor Chia Ch'ing (reigned 1796–1820) overthrew the Ho-shen clique and gave support to the efforts of the more vigorous Manchu commanders as a way of restoring discipline and morale. A systematic program of pacification followed in which the populace was resettled in hundreds of stockaded villages and organized into militia. In its last stage, the Ch'ing suppression policy combined pursuit and extermination of rebel guerrilla bands with a program of amnesty for deserters. Although the Manchu finally crushed (1804) the rebellion, the myth of the military invincibility of the Manchu was shattered.(8)*

1798 – **The Irish Rebellion** (defeated) / Solar Minimum - *The prospect of reform inspired a group of Protestant liberals in Belfast to found the Society of United Irishmen in 1791. The organisation crossed the religious divide with a membership comprising Roman Catholics, Presbyterians, Methodists, other Protestant "dissenters" groups, and some from the Protestant Ascendancy. The Society openly put forward policies of further democratic reforms and Catholic emancipation, reforms which the Irish Parliament had little intention of granting. The British government was just as unwilling to enforce such reforms until pressured to do so in 1793.(9)*

1810 - **Mexican War of Independence** (victorious) / Solar Minimum - *Although a movement toward Mexican independence had already been in progress since*

*Napoleon's conquest of Spain, Hidalgo's passionate declaration was a swift, unpremeditated decision. "Mexicanos, Viva México!" Hidalgo told the Mexicans who were the members of New Spain's lowest caste. He urged the exploited and embittered Mexicans to recover the lands that were stolen from their forefathers.(10)*

**1821 - Greek War of Independence** (victorious) / Solar Minimum - *In 1821 the land that was Greece is controlled by the Turks except for the Ionian Islands which has been occupied by the Venetians, then the French and in 1815 by the British. When the revolution breaks out in the Peloponnesus, the Sultan in Istanbul hangs the Patriarch Grigorios V for failing to keep the Greek Christians in line which they considered his duty for the vast privileges they allowed him. In the Peloponnesus the rebellion is making progress and combined with Ali Pasha's rebellion in Epirus the Turks have their hands full. On March 25th 1821 Bishop Germanos of Patras raises the flag of revolution at the monastery of Agia Lavra near Kalavrita and the battle cry of "Freedom or Death" becomes the motto of the revolution.(11)*

**1963 – Civil Rights March on Washington** (victorious) / Solar Minimum - *"In a sense we've come to our nation's capital to cash a check. When the architects of our republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir. This note was a promise that all men - yes, black men as well as white men - would be guaranteed the unalienable rights of life, liberty and the pursuit of happiness. It is obvious today that America has defaulted on this promissory note."*

**1994 – The Indigenous Zapatista Movement in Mexico** (Spiritual continuation of the Mexican War of Independence - to be determined) / Solar Minimum - *Since 1994, they have been in a declared war "against the Mexican state," though this war has been primarily non-violent and defensive against military, paramilitary, and corporate incursions on their territory. Their social base is mostly indigenous but they have some supporters in urban areas as well as an international web of support. Since December 1994, the Zapatistas had been gradually forming several autonomous municipalities, more or less independent of the Mexican government.*

*In the early 21<sup>st</sup> century the Zapatistas along with other indigenous peoples of the Americas, announced the Intercontinental Indigenous Encounter. They invited indigenous people from all over the Americas and the rest of the world, to gather near Guaymas, Sonora. Comandante David said in an interview; "The object of this meeting is to meet one another and to come to know one another's pains and sufferings. It is to share our experiences, because each tribe is different."(12)*

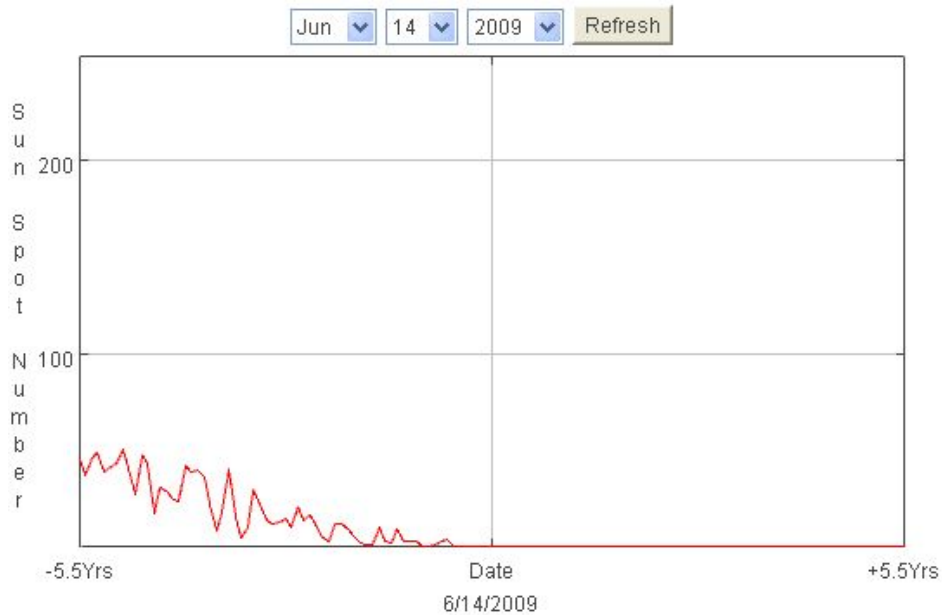
**1994 – South African Apartheid Ends** (victorious – still in transition) / Solar Minimum- *The battle slowly turned the tide as more and more companies withdrew from South Africa. It became clear that Grand Apartheid was doomed as the foreign support melted away. As the generation who had invented apartheid began to die, the younger politicians put forward a more pragmatic view. Race restrictions were relaxed, the black political parties were legalized, and negotiations for power sharing began. This process culminated with the establishment of a plural democracy and all-race elections in 1994.(13)*

**2009 – Iran's Green Revolution** (to be determined) / Solar Minimum – *"Most of the Iranians who are in the streets don't see this election as a simple political competition between an incumbent and a reformer; they are rebelling against the*

*fundamental theocratic structure of the Iranian political system, and the main pillars of Islamic Republic itself. People have been using the election as a cover to take to the streets their deepest dissatisfactions with every aspect of life in Iran -- from the lack of the freedom of expression during non-election season and poor economic conditions to the flawed political structure of the Islamic Republic that places all the major powers of the state in the hands of an unelected Ayatollah.”(14)*



### Iranian Green Revolution



Notable exceptions to the 'emancipation' list are the 'engineered revolutions', namely the French Revolution, the American Civil War and the fall of the Berlin Wall. Though all three events arguably led to a movement towards perceived freedoms none of the

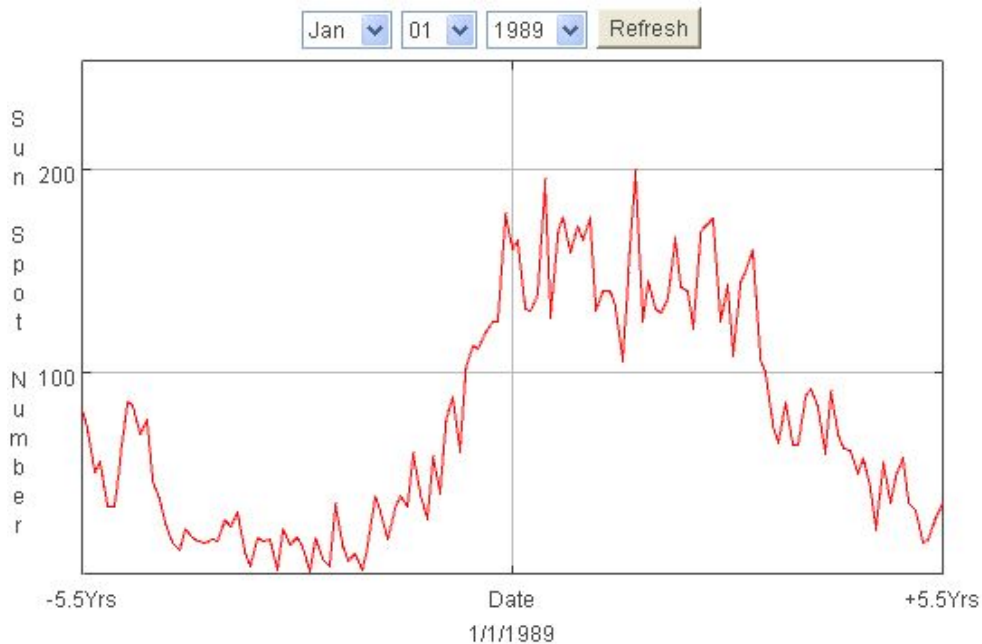
events was the result of a groundswell of public support, but rather were the result of politically derived circumstances. Each engineered revolution can be found firmly amidst the peaks of solar maximums.

**French Revolution** - The French Revolution was the result of intrigues untold which paved the way for the Reign of Terror where 30,000 to 40,000 people were executed at the guillotines by political radicals, giving rise to the throne of Napoleon the 'Emperor' and ten years of relentless war.

**American Civil War** - It is argued by various historians that the American Civil War was not truly about slavery at all, but that this 'ideal of emancipation' was a tactic by the North used as a public relations ploy against the Confederate States and their strong position of States rights versus the North's orbit of federal power.<sup>(15)</sup> In reality the emancipation of the black slaves was in name only, as legislation for forced segregation coincided with the so called emancipation itself, as is testified to by the need for a civil rights movement in the 60's. Following the war most black slaves remained very much under the yoke of the landowners. The Civil War ended with over half a million dead young men, a state apparatus totally indebted to bankers and a resultant strengthening of the federal governments centralized control.

**Fall of Communism** - The fall of the Berlin Wall which was a precursor to Soviet collapse is another event rife with a surrounding mythology. The truth be told, very few people know what led to the demise of the Soviet State. I won't delve into this subject here except to say that though Russia has begun to emerge from the ashes of this collapse during the last 8 years the previous 12 years following the fall witnessed the absolute destruction of the standard of living for the Russian people and the looting of its national treasures for the second time in a century,

### Fall of the Berlin Wall

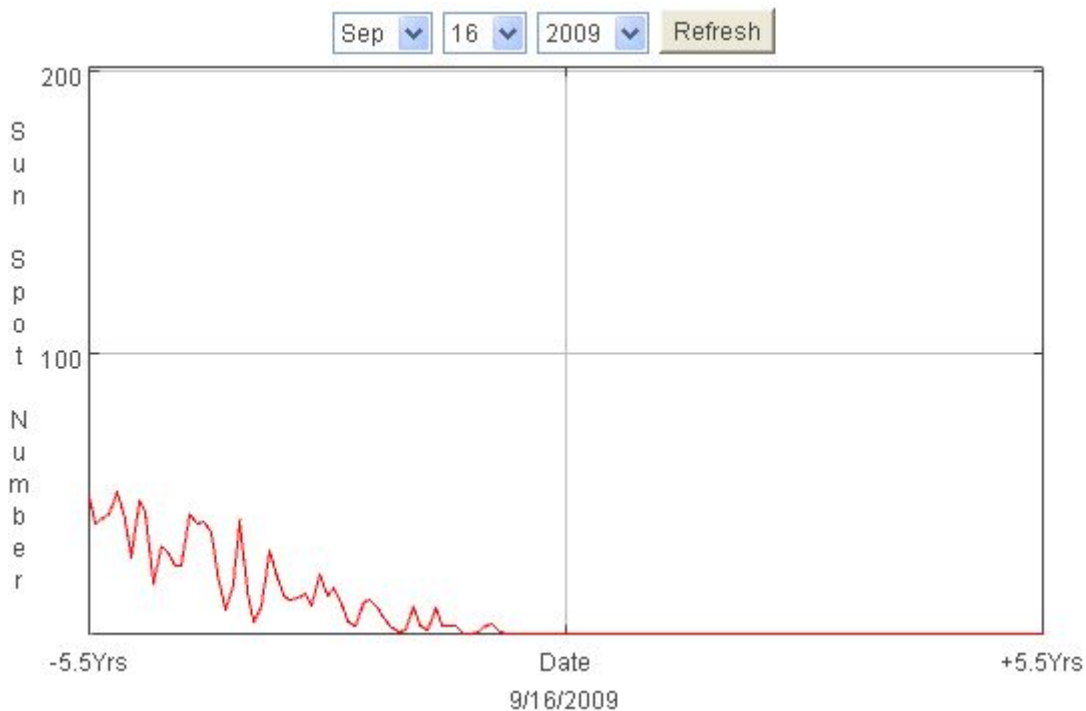


Solar minimums seem to be windows of time where the sun inhales its powerful radiations, leaving humanity exposed to the cosmic weather of change. This change can be partially forecast but not entirely known. Since events such as war can begin during either a minimum or maximum it would not be wise to suggest any hard and fast rules, though to me a pattern is discernable, and indicates that during solar minimums, which last on average 2-3 years, grassroots social change becomes much more focused.

The ratio of solar maximum years to solar minimum years is approximately 4:1 according to the past few hundred years; this suggests that the window of opportunity to implement change is rather fleeting.

The earth is now in what appears to be a deep minimum which started in February of 2006 and has continued to the present. Since 2006 the sun has only become more silent, and it generally takes at least 2-3 years to trend out of a solar minimum, so we are looking towards at least a 6 year solar minimum, twice the length of the average. Solar observers have not seen this type of minimum for a century, so I perceive that we are in a special window of time right now.

**Our current deep minimum with an eerily silent sun (the center line denotes September 16<sup>th</sup>, 2009)**



**The window is open**

As I've stated previously I believe we are living in times of profound change, world events are revealing this, yet despite the clues there is a consistency of denial that is perhaps a specialized manifestation of our cultural affluence.

Inundated by media it is increasingly difficult for the customer of data streams to discern between fact and fiction, between real and imagined as it were. The boxes of

perception that are the triumph of modern marketing are in a constant rush to find the human mind, to overwhelm it with assumptions and viewpoints that reflect a particular ideology or political philosophy.

I will often pick up a newspaper like the Globe and Mail or I'll check out the CBC, NBC, CNN online and am constantly astounded by the sheer vacuousness of it. Out of the volumes of text written perhaps a fraction of 1% is even remotely applicable to the contextual reality of life on earth. It becomes evident that very few people are properly informed about much at all.

Who would know from reading such sources that the **COMEX metals market is verging on collapse** (16) or that the **largest insurance institution in the world is insolvent?**

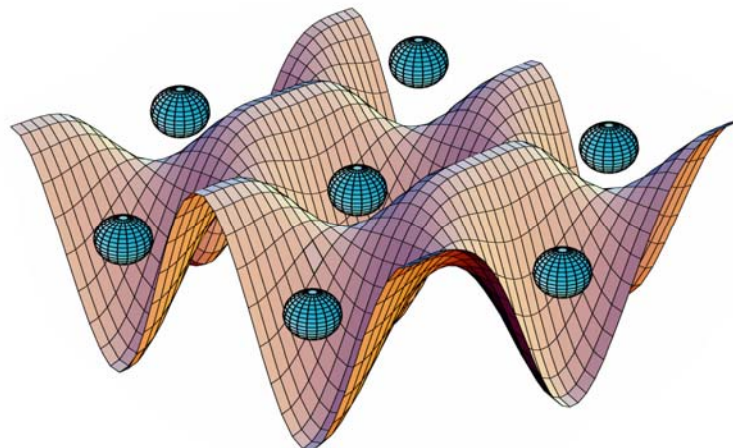
Who would suspect that the H1N1 vaccine being promoted on the news contains **seriously toxic adjuvants such as squalene**, the same substance found to be the cause of Gulf War Syndrome, the debilitating condition suffered by war vets who were vaccinated in Iraq?(17)

Or that the imperceptibly vague war in Afghanistan that gets so much glossed over coverage is really about covert **drug running by high level government and military officials?** Or of the **trauma inflicted on the troops** caught in the middle of this vast complex of deceit?

Yes, fact is stranger than fiction, and as each day passes, the chasm between the road that leads to truth and the road of fleeting comfort grows ever wider. The speed with which radical information is transforming perceptions however is cause for optimism, as even the veil of corporate control is not immune to the creeping element of truth.

To me this time is a time of destiny, where in a window of opportunity the trajectory can be set for a renaissance of human creativity. Certain periods in history provide the cosmic impetus for an evolutionary leap in understanding, where a confluence of humans seeking true purpose coalesce into a holistic and vibrant movement. I do believe that this process is now well underway.

### **Changing the Money Landscape**



In past newsletters I've proposed the idea that there is a global web of interconnected financial control, it now appears that a new type of research methodology can provide the hard numbers to support this argument. In an article dated August 25, 2009 Inside Science details the findings of two physicists with new insights into the 'backbone' of the financial world:

*A recent analysis of the 2007 financial markets of 48 countries has revealed that the world's finances are in the hands of just a few mutual funds, banks, and corporations. This is the first clear picture of the global concentration of financial power, and point out the worldwide financial system's vulnerability as it stood on the brink of the current economic crisis.*

*A pair of physicists at the Swiss Federal Institute of Technology in Zurich did a physics-based analysis of the world economy as it looked in early 2007. Stefano Battiston and James Glattfelder extracted the information from the tangled yarn that links 24,877 stocks and 106,141 shareholding entities in 48 countries, revealing what they called the "backbone" of each country's financial market. These backbones represented the owners of 80 percent of a country's market capital, yet consisted of remarkably few shareholders.*

*"You start off with these huge national networks that are really big, quite dense," Glattfelder said. "From that you're able to ... unveil the important structure in this original big network. You then realize most of the network isn't at all important."*

*The most pared-down backbones exist in Anglo-Saxon countries. Paradoxically; these same countries are considered by economists to have the most widely-held stocks in the world, with ownership of companies tending to be spread out among many investors. But while each American company may link to many owners, Glattfelder and Battiston's analysis found that the owners varied little from stock to stock, meaning that comparatively few hands are holding the reins of the entire market.*

*"If you would look at this locally, it's always distributed," Glattfelder said. "If you then look at who is at the end of these links, you find that it's the same guys, [which] is not something you'd expect from the local view."*

*Matthew Jackson, an economist from Stanford University in Calif. who studies social and economic networks, said that Glattfelder and Battiston's approach could be used to answer more pointed questions about corporate control and how companies interact.*

*"It's clear, looking at financial contagion and recent crises, that understanding interrelations between companies and holdings is very important in the future," he said. "Certainly people have some understanding of how large some of these financial institutions in the world are, there's some feeling of how intertwined they are, but there's a big difference between having an impression and actually having ... more explicit numbers to put behind it."(18)*

That physicists are devising methods to break down the illusions of separation in the financial arena reveals the sheer weight of complexity within the world of finance. A complexity that has been woven into the fabric of every major industrial society on earth, and which constitutes a grave dependency on an ever smaller clique of

monied institutions. This dependency gives cause to an unending pressure under which nations are urged to capitulate their autonomy to private banks, and where a nations resources are auctioned off by compromised politicians compliant to the dictates of special interests, ultimately to the detriment of the greater social body.

This growing burden, in the form of private debt, is now going parabolic, pushing governments, businesses and families to the wall. Never before has there been such a widespread consensus that things are just simply getting harder. The cost of energy, transportation and food has increased, at the same time bank and government fees have surged higher, yet wages have dropped and unemployment figures continue to worsen. The second wave of mortgage resets has barely begun in the United States and commercial real estate is now contracting at an unprecedented rate. On September 1<sup>st</sup> Bloomberg reported on the commercial real estate market:

*Banks held \$1.087 trillion of commercial property loans in the quarter, up from \$1.077 trillion in the previous three months. That's almost 15 percent of all loans and leases held by banks, Real Estate Econometrics said. Defaults are rising both for lenders who hold commercial mortgages and for bondholders in the \$700 billion U.S. market for securities backed by commercial mortgages.*

*The CMBS market accounts for about 22 percent of the nation's \$3.4 trillion in commercial real estate debt, according to the Real Estate Roundtable. Defaults and late payments on loans bundled into CMBS could surpass 7 percent by the end of this year, research firm Reis Inc. said on July 30.*

#### *Falling Behind*

*Banks are beginning to recognize that more past due commercial property loans are unlikely to be paid in full. Commercial mortgages labelled as "non-accrual" more than doubled in the second quarter from a year earlier, to \$27.76 billion, according to Real Estate Econometrics. The figure reflected a 31 percent increase from the previous three months.(19)*

The real economy is shrinking in America; this contracting economic base coincides with the rise of energy consumption in China and greater Southeast Asia, a region of creditor nations who now have an economic advantage in the marketplace. The inevitable result of this new parameter set is the continued and protracted diminution of living standards in debtor nations, primarily the United States and Britain. Canada too is affected by this transition since a weakened US economy will cause a drag on our export dependent trade balance. To what extent this contraction of wealth will impact the Canadian banks remains to be seen, and largely depends, like all confidence games, on the perception of the public. Canadian banks are leveraged 18-1 on average, compared to 26-1 south of the border (20).

One might be tempted to find solace in this apparent difference, however in the instance of a bank run caused by a derivatives cascade, of which Canadian banks are heavily invested, 18-1 leverage is little better than 26-1. Most bank customers are woefully ill informed as to how banks generally work, which accounts for the blind trust the banks have been given during the past several decades of relative stability. It is however the beginning of a period of transition, and banks that were once pillars of stability can no longer exude such confidence.

Can a Canadian bank fail? Anything is possible given the right circumstances. For a possible precursor we need only look to Iceland. If it happened that a Canadian bank proved to be on the verge of failure our government would do what governments around the world have been doing since the contraction last year and even before, they would swallow the loss at the expense of the taxpayer, fuelling inflation as a result. Fundamentally we have a situation of hopeless dependence, where customers blindly trust faceless institutions with their savings, in exchange for the perceived benefit of long term security, all the while never questioning the financial situation of the bank itself. That the banks invest depositor money in risky instruments is virtually lost on the public, since questioning the banks motives apparently died out about 5 generations ago.

So if the governments of the industrialized nations refuse to allow the 'too big to fails' to fall by the wayside what is there to be concerned about? To begin with, propping up poorly managed businesses that would go bankrupt without government handouts is a bad idea in a free market system, it rewards failure and punishes those who run a tight ship and who would have benefited from the new opening in market share. Government intervention in the form of bailouts and stimulus also adds a burden on the tax base, since the monies being injected must be accounted for somewhere. During a bailout the failure of large businesses is charged to the public account, a public which is left with little recourse to regain its loss.



This situation is fundamentally unsound and undemocratic, since the funding of failure must in due course be extracted from public works and social programs that would much better benefit the social body. And since we live under the yolk of a usurious money expansion system called fiat money (money printed at interest) the accumulation of debt equates to an exponentially increasing debt payment which cuts ever deeper into the public purse.

What appears to be a viable solution (bank bailouts) on the surface is in actuality a reactionary response which inevitably leads to economic decay and financial ruin.

The political philosophy currently in vogue is that without intervention the public would be irretrievably harmed by the domino effect of massive losses, yet never is it mentioned by Ottawa or Washington that the very same intervention will create the conditions of a debt trap the likes of which could never be paid back. This political fix is little more than a shell game, a charade, whereby the public is kept ignorant to the growing loss of national wealth, hidden by the veneer of a caring and concerned establishment.



**Minority Leader Lawrence F. Cafero Jr., R-Norwalk, far right, speaks while colleagues play solitaire and catch up with game scores on their computers as the House convenes to vote on a new budget for the fiscal year in the Capitol [AP Photo/Jessica Hill]**

The truth is that business failure, whether a large bank or a small shop, must be allowed its due course. This natural mechanism of correction provides a cleansing effect, which forestalled only leads to distortions of competitiveness in the market. Controlled and managed markets do not work in the long term, they always self destruct in the end, being adverse to self correction as they are.

If the intent of government intervention is to keep people from feeling the effects of their poor judgement, than the national apparatus itself is in opposition to the universal law of reciprocation, which provides one the goods of their own sowing. To artificially quarantine this law is to create a causal kinetic force that will create upheavals that cannot be foreseen. If people have become complacent, unquestioning and obedient of authority, whether that authority is a professor, politician or bank, it is on the individual's shoulders alone to live with the consequences of such obeisance. Why should it fall on my shoulders by way of increased taxation and the degradation of my standard of living, if someone else has made a mistake of trust? This basic fundamental right to make a mistake and learn from it is what keeps a society honest; it provides the framework of evolution. The

abolition of such a process will surely lead to a period of untold agony in the not too distant future.

## **At War**

Do you recognize a war when you see it? What if there are no tanks on the field, and no soldiers on the front lines, would you still recognize it?

The conception of war most people hold is that of heavy artillery, fighter jets and uniformed generals. However there is another type of war, one where the shots fired are contract defaults, withdrawals of massive volumes of money and the protection of minerals resources from external competitors. This type of war is largely unseen by most because it occurs in the arena of economics, though its effects can be just as destructive as those of a conventional war. We are now firmly in the midst of such a war, and the threat of massive casualties is growing by the day.

Several weeks ago the Chinese government sent shockwaves throughout the derivatives markets by announcing that it would support Chinese companies who wished to default on their underwater derivatives positions (21). Reuters ran the following story:

*BEIJING, Aug 31 - A report that Chinese state-owned companies will be allowed to walk away from loss-making commodity derivative trades provoked anger and dismay among investment bankers on Monday as they feared it may set a damaging precedent.*

*The State-owned Assets Supervision and Administration Commission, the regulator and nominal shareholder for state-owned enterprises (SOEs), told six foreign banks that SOEs reserved the right to default on contracts, Caijing magazine quoted an unnamed industry source as saying in an article published on Saturday.*

*While the details of the report could not be confirmed, it was Monday's hot topic in financial circles from Shanghai to Singapore as commodity marketers feared that companies holding underwater price hedges could simply renege on the deals, costing banks millions of dollars in profit.*

*The warning from SASAC follows a series of measures from Beijing this year to crack down on the sale of derivative products by foreign banks to Chinese enterprises, principally big consumers, who bought protection against higher prices last year only to watch the market collapse -- leaving them with losses.*

...

*It's also unclear why Chinese state firms, which have suggested that their foreign banks sometimes did not disclose full information of potential risks when selling them complicated products, did not seek redress through the courts.*

Here is a brief description of a derivative:

*A Derivative is a financial instrument that is derived from some other underlying asset, index, event, value or condition. Rather than trade or exchange the underlying*

*itself, derivative traders enter into an agreement to exchange cash or assets over time based on the underlying. A simple example is a futures contract: an agreement to exchange the underlying asset at a future date. Commercial and investment banks make up the foundation of the over the counter (OTC) derivatives market. Investors use derivatives to protect against risks, such as sudden changes in price or value of the underlying asset. Others tap derivatives to take on extra risk, in the hope of extra gains.(22)*

China owns billions of these derivatives products and it has finally come to light, they have decided that they have had enough of seeing the value of their derivatives positions toyed with by the manipulation of the price of the underlying asset. They have taken issue with the fact that these derivatives have been bundled together like junk in a manner that resembles the mortgage backed derivatives that brought down the world markets last year. The quietly spoken position in Chinese financial circles is that the derivatives contracts were invalid to begin with, being packaged and rated in a way that would hide the true risk to potential investors.

The assumption of these junk assets by the Chinese is a point of major contention, and has led to what I believe is a full blown, behind the scenes, economic war. The Chinese are issuing warnings to the Americans, and their list of allies is ever growing. They are simply fed up with having to continually swallow US garbage while taking unending losses.

The threat of derivative defaults on the part of China is enough to make those in Western high finance sweat through their designer suits. The potential reverberations of a concerted effort by such a large derivatives holder would surely be enough to collapse those US institutions that were at one point deemed too big to fail. Even with government support the losses would prove too epic.

### **The Gold Bomb**

China is also diversifying its strategic position by becoming the largest gold buyer in the world in an attempt to offset its US treasury holdings. The Chinese are at full tilt in their plan to spend their holding of US dollars, and they are doing so by buying up mining companies (23), by acquiring raw materials such as copper, oil and iron and by securing energy deals with neighbouring states such as Russia.

The Chinese are concerned by the ongoing devaluation of the US dollar, a now obvious symptom of the US government's fiscal promiscuity. The US policy of quantitative easing (printing money out of thin air) threatens the Chinese savings base, which is largely US debt, since the policy is inflationary in nature. China is therefore buying gold and silver as a hedge against the inflation they see as an inevitable outcome of such recklessness. The Chinese perceive the debasement of their savings by the threat of a US de facto inflationary default as an act of war. In self defence, as China sees itself vulnerable to US policy, the Chinese have begun a bold initiative to saturate their domestic economy with inflationary hedges. Mineweb.com carried the following story in the first week of September:

*Apparently China is pushing the idea of buying gold and silver for investment purposes to the general population in the way that Western television sells soap powder. If 1.3 billion Chinese citizens start buying gold and silver, even in tiny quantities, imagine what that will do to the market!*

*The report notes that China's Central Television, the main state-owned television company, has run a news programme letting the public know how easy it is to buy precious metals as an investment. On silver investment the announcer is quoted as saying " China has introduced its first ever investment opportunity for silver bullion. The bars are available in 500g, 1kg, 2kg and 5kg with a purity of 99.9%.*

...

*Now, by next year, Chinese consumption of gold is likely to exceed that of India, which has been for years the world's biggest gold market. And one suspects that the potential for gold purchasing by individuals is only in its earliest stages. As more and more Chinese move into the cities and individual wealth grows, this trend is only likely to accelerate.*

*Paul ends the piece on Chinese gold and silver potential with the following comment: "Simply put, the Chinese government is trying to trigger a national gold craze...and its working. The Chinese public now has gold trading platforms on steroids.... ..Also, for the first time in history, Chinese investors can even trade gold abroad (in London) with the swipe of a 'Lucky Gold' card. I can't even get Bank of America to open a foreign currency account."(24)*



To make sure the news piece above wasn't a one off event I checked my sources and found this at the **Sovereign Man website**:

*Gold is quickly reaching the mania phase in China, and there are clear signs of it on the ground.*

*About a month ago, we reported that for the first time ever, the Chinese government is promoting gold and silver as investments. And by "promoting," we meant cramming it down people's throats.*

*We knew this was ground-breaking news at the time– a clear indication of long-term demand growth, as well as a sign that the government will be accepting higher inflation in the future.*

*Ironically, this story was little noticed in the gold industry at the time, mostly because the information was only being circulated in China (in Chinese, for that matter). Fortunately, my friend and China insider Christine Verone was able to get me the scoop, and we ran it here first.*

*Since that report, three things have happened;*

*First - the mainstream media has latched on to the story about Chinese gold... Forbes, Moneyweek, Reuters, the blogosphere; it's out there now, and adding a bit of extra buzz to the gold market.*

*Second- the government has stepped up its promotional campaign, and Chinese consumers have responded on cue. Gold demand has grown dramatically just this year, particularly as savvy local investors are starting to view Chinese stocks suspiciously.*

*You can buy gold in China at any bank– even tiny banks in tier-3 cities sell gold. More importantly, however, the government is setting up official Chinese Mint stores all over the country.*

*On the inside, they look like jewellery shops– armed guards, glass viewing cases, etc. But instead of diamond crusted earrings and white star sapphires, you see bars. Lots of bars.*

*The government mints bars in sizes ranging from 5 grams (which are so tiny they're actually cute) to 1 kilogram. The prices are updated instantly– they have a Bloomberg screen which tracks the spot price, generally indexed to the Renminbi price in Shanghai rather than New York or London (another sign of Chinese financial independence).*

*The bars are all serialized and 9999 purity, the same as you would get from Switzerland. They are also certified by the gold exchange, which validates the quality. The premium runs 10 renminbi per gram, or roughly \$30 (US) per ounce.*

*We went into several stores and saw Chinese people buying like crazy... all with cash. The most popular denominations were 10 grams and 50 grams, as well as every piece of jewellery in sight. I'm surprised the mint shops didn't sell out at the inventory was flying off the shelf.<sup>(25)</sup>*

The direction being taken by the Chinese government is extremely bullish for gold and silver over the long term, I would have to say that with demand for bullion rising as fast as it is that we are nearing the end game for gold and silver. The day will come, sooner for silver than for gold, that bullion will be in shortage, at which point the precious metals will be less like a hedge and more like the best investment in any given portfolio.

With the news of China's precious metals mania, it's not surprising to hear whispers that China has placed an informal ban on the export of both gold and silver, with the exception of a few panda coins. In its apparent bid to create a bullion economy China this past year surpassed South Africa to become the world's largest gold producer for the first time ever, mining 300 tonnes of gold in 2008 (26).

When I made my pick for gold in 2004 I had little idea that China would play such a crucial role in the unfolding bullion push, though China is by no means alone. Russia has upped its production of gold by ramping up facilities in Siberia where one of the largest gold reserves in the world can be found. The Russian government also nationalized the gold mining industry in 2007 as a strategic development and is a proponent of adding gold as a backing to the ruble, an idea that they have floated on and off for the past several years. In Germany the firm TG-Gold-Super-Markt has been installing gold ATMs throughout Germany, Switzerland and Austria, with 500 machines slated to be installed by 2010. (27)

There is an emerging pattern here, and it is a flight to safety, into the only currencies without counter party risks, the precious metals. There is a darkening countenance about affairs in the United States, and despite the graceful rhetoric of Barack Obama, one by one nations are lining up for the exits. Concerned nations rightly perceive the writing on the wall, they sense in growing unison the last days of the US petrol dollar.

Before this frenzied bullion action was even really underway, I warned of the impending dollar devaluation, the situation I described is now coming to a head. Germany, Switzerland, China and the United Arab Emirates have all requested delivery of their gold stored in US and UK vaults. This development is tantamount to a vote of non-confidence for the US/UK axis and is the biggest news in the gold market of all the big news items, and there has been a lot of big news! A well summarized article in the Trumpet from a few days ago described the situation:

*The world is preparing to abandon the U.S. dollar and the UK pound.*

*Pronouncements from Hong Kong, the United Arab Emirates, Switzerland and Germany have made clear that the Anglo-Saxon financial system's doom is only a matter of time.*

*A huge announcement out of Hong Kong rattled the financial world on September 3. Although big media relegated the story to the back pages, it should have been front and center! What's the news? China is demanding its gold back.*

*"Hong Kong is pulling all its physical gold holdings from depositories in London," reported MarketWatch.*

*The announcement, coming in the midst of the global economic crisis, is sending a clear signal: Britain is in far worse economic shape than generally realized, and China thinks it needs to get its gold out while it can—before something happens to it.*

*But China's decision to demand its gold back is more than just a vote of no-confidence against the pound. It is a direct challenge to the whole global Anglo-Saxon-dominated financial system.*

*China wants its own gold bullion money center. Toward this end, it also announced that it has created bullion storage facilities in Hong Kong to compete with London and New York. Chinese officials said they will soon launch a marketing drive to convince Asian central banks to transfer their gold reserves from overseas money centers to a storage complex closer to home in Hong Kong.*

*America and Britain owe China and other countries trillions of dollars. As long as Washington and London did not overtly abuse the ability to create money, Beijing was happy to keep lending. But with the global financial situation still teetering on the precipice, both Britain and the U.S. have publicly admitted to "quantitative easing" (the technical term for creating new money out of thin air) to intervene in the bond market and pay back borrowed money. The dollar is at risk of a major devaluation—and China knows it.*

*Once countries start down the funny-money road, confidence deteriorates rapidly. How valuable is that \$100 bill when the government is creating hundreds of billions to give to big banks? It is often a short trip to the paper currency recycle bin. At that point, you have a free-for-all. Once it gets ugly, nations will go to extremes to avert economic collapse.*

*Thus, China wants its gold. As much as possible, as soon as possible, before the world's monetary system falls apart.*

*On September 6, Ambrose Evans-Pritchard reported in the Telegraph his conversations with Cheng Siwei, former vice chairman of the Chinese Communist Party Standing Committee. According to Evans-Pritchard, Cheng, who now acts as sort of an unofficial economic ambassador to the world, says that China is alarmed by U.S. money printing.*

*Cheng stated on the record that China has lost confidence in the U.S. dollar and is moving toward a partial gold standard through reserve accumulation. "The U.S. spends tomorrow's money today," he said. "We Chinese spend today's money tomorrow. That's why we have this financial crisis."*

*"If they keep printing money to buy bonds it will lead to inflation, and after a year or two the dollar will fall hard. Most of our foreign reserves are in U.S. bonds, and this is very difficult to change, so we will diversify,"*

*Other nations are grabbing their gold and heading for the exits too. A few months ago, the United Arab Emirates announced that it had begun constructing a major gold storage facility that would be marketed to members of the Gulf Cooperation Council. The UAE said it had requested its gold currently stored by the London Bullion Market Association to be sent home.*

*Bob Chapman's International Forecaster reports that Germany stores significant portions of its gold with the U.S. government. He says that Germany has asked that its gold stored in the U.S. be transferred back home. Economic analyst Jim Willie also mentions unconfirmed reports that Germany has requested that its gold be sent back.*

*Even Switzerland has threatened to remove its gold from custodial accounts in the U.S. Reuters reported in February that the populist Swiss National Party (Switzerland's largest political party) said that if Washington decided to go ahead and force Swiss Banking Giant UBS to divulge names of its banking clients that Switzerland should, among other things, pull all of its national gold reserves from America. America has since pressed ahead with its case. In August, UBS said it would release approximately 10,000 client names.*

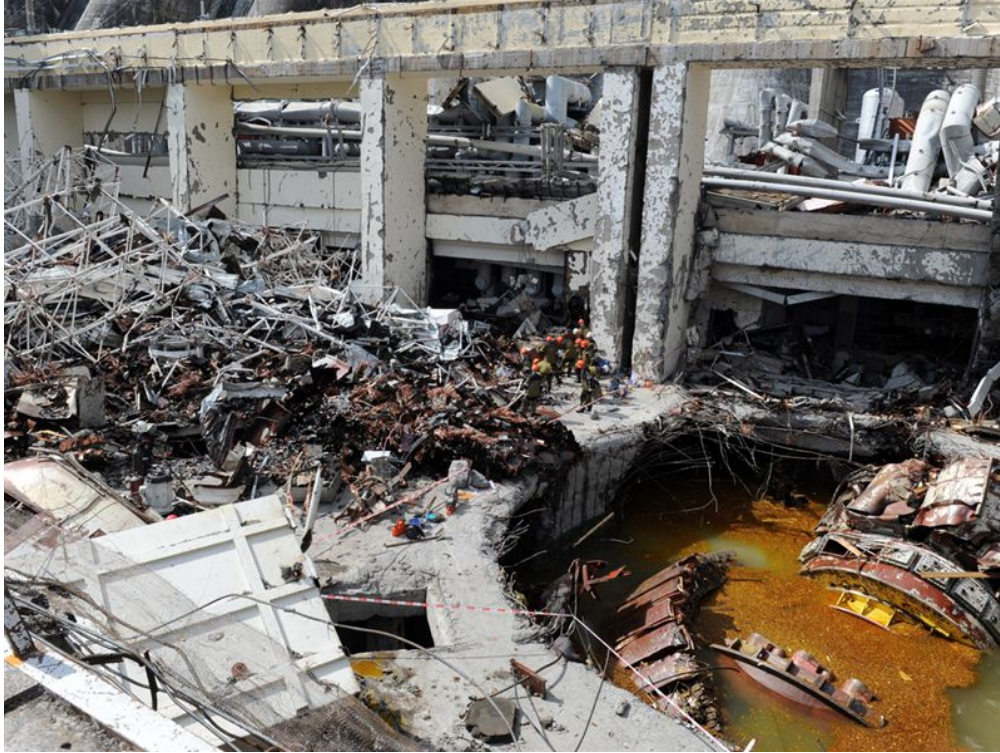
*Everywhere you look, big events are occurring in the global economy. Last week, the United Nations said that the dollar's unique role as a global currency was at an end. Although China, Brazil, Russia and India have all called for a new economic system not based on the dollar, this is the first time that a multinational institution has suggested scrapping the greenback. Also last week, the U.S. administration was forced to ask Congress to raise the debt ceiling again—this time to over \$12 trillion—a level that will be breached by October. On Friday, three more banks failed in the U.S., bringing the total to 92 this year. The Federal Deposit Insurance Corp. recently increased the number of problem banks on its watch list to 400—up from around 300 during the first quarter of the year. In Britain, last week, the World Economic Forum listed Britain's economy as less stable than Peru's.*

*The world is awaking to the possibility that America and Britain face real collapse. The part that stings the worst is that one can't blame them for getting their gold while they can. They are right: The facts indicate America's and Britain's economies are going down. It is just a question of time.(28)*

Before either America or Britain fails my estimation is that there will be one more push for a massive Eurasian War theatre, in an attempt to re-align economic conditions through the use of sheer force. The Empire of the City financial establishment, no friend of either the British or American people, is braced for imminent economic defeat. Knowing that their economic hand has come up short they will gravitate towards a hot war, beginning with an escalation of force in Pakistan and Afghanistan, which is already underway, and a second run proxy war between Georgia (US satellite) and South Ossetia (Russian Satellite). The aim is to provoke tensions such that an incursion into Iran becomes more open ended, and less publicly polarizing.

If this war theatre is opened up sufficiently, the conflict will spiral out of control since the countries that would become involved based purely on self interests include - Israel, Russia, US/UK, Iran, Pakistan, Lebanon, Syria, Turkey, Palestine, Ukraine, France, India and possibly even China. This set of nations would divide the world along lines that could easily erupt into a war that no one with an ounce of sanity wants to see.

Behind the scenes of this growing global tension there are an increasing number of obscure flashpoints taking place as events shift into hyper drive. In the oil and gas rich Caspian basin Chechen Rebels (a US proxy) are demanding nationhood and territorial sovereignty under the threat that they will begin attacking Russian oil and gas pipelines as well as power supply structures.



**On August 17<sup>th</sup>, 2009 both a hydro dam and police station were bombed inside Russia, killing almost 100 hundred people. The Rebels claimed responsibility in assertion of their demands.**

Increasing pressure is now being brought upon Russia to align with the US/UK on Iran, these pressures include - Georgia's Israeli trained military becoming more belligerent and threatening an offensive against South Ossetia, the Black Sea stand off with NATO and Russian ships has intensified (29) and the threat of a US proxy war fought internally through the Chechen Rebels threatens to catapult terrorism deep into the heart of the Russian nation.

The economic war that has been building for years is now bubbling over into hot spots of armed conflict. We can expect to see more of this moving forward, especially considering the financial situation bearing in upon the US/UK axis.

China's position in this geopolitical chessboard is for now largely economic, as they move to acquire material dominance over their competitors.

### **Rare Earth**

Chinas defensive posture does not start or end with gold, but is a broad based endeavour that includes various mineral resources. The latest news out of the tech

sector is that China, the world's number one producer of rare earth elements, is planning to restrict the export of these vital elements which are a key ingredient in the manufacture of everything from hybrid cars to superconductors.

Ambrose Evans Pritchard of the Telegraph covered the story:

*A draft report by China's Ministry of Industry and Information Technology has called for a total ban on foreign shipments of terbium, dysprosium, yttrium, thulium, and lutetium. Other metals such as neodymium, europium, cerium, and lanthanum will be restricted to a combined export quota of 35,000 tonnes a year, far below global needs.*

***China mines over 95pc of the world's rare earth minerals**, mostly in Inner Mongolia. The move to hoard reserves is the clearest sign to date that the global struggle for diminishing resources is shifting into a new phase. Countries may find it hard to obtain key materials at any price.*

*Alistair Stephens, from Australia's rare metals group Arafura, said his contacts in China had been shown a copy of the draft -- 'Rare Earths Industry Development Plan 2009-2015'. Any decision will be made by China's State Council.*

*"This isn't about the China holding the world to ransom. They are saying **we need these resources to develop our own economy and achieve energy efficiency, so go find your own supplies**", he said.*

...

*Blackberries, iPods, mobile phones, plasma TVs, navigation systems, and air defence missiles all use a sprinkling of rare earth metals. They are used to filter viruses and bacteria from water, and cleaning up sarin gas and VX nerve agents.*

*New uses are emerging all the time, and some promise quantum leaps in efficiency. The Tokyo Institute of Technology has made a breakthrough in superconductivity using rare earth metals that lower the friction on power lines and could slash electricity leakage.*

*The Japanese government has drawn up a "Strategy for Ensuring Stable Supplies of Rare Metals". It calls for 'stockpiling' and plans for "securing overseas resources.(30)*

Outside of China the rare earth mining sector is virtually non-existent, the few major mines in the US and Australia were put out of business by the Chinese who flooded the marketplace early this century. China therefore has a stranglehold on the world production of these technologically necessary elements, causing pangs of fear in tech heavy export nations such as Japan and Germany. Due to the tight supply situation that is arising old mines are now coming back online, while new sources are being explored.

The extraction and refinement of rare earth minerals is very specialized and not without extensive overhead and know how. China is at least a decade ahead of its competitors in this regard insuring that world demand for these rare elements will

continue well into the future. I recommend that those interested in high returns look closely at the rare earths.

### **Japan's New Look**

Since WWII Japan has been an unofficial US proxy, always keeping right behind the United States on all matters, like a trusty servant they could not be moved against their master. Perhaps it was the US funding of Japan's post war development and the integration of its markets with the West that so endeared Japan to the US. Maybe there was even a tinge of cultural shame at the hands of US defeat, especially after the Hiroshima and Nagasaki atrocities. Such a complete devastation likely scarred the psyche of a once proud people whose historical social structure was that of a well educated warrior class. Now, some 50+ years later Japan is beginning to shed its shame, its political establishment upended seriously for the first time in decades. In the August national elections the Democratic Party of Japan won in a landslide victory ousting the long reigning conservative liberals. The newly elected incoming Prime Minister Yukio Hatoyama spared no time in sending harsh words in the immediate direction of the US administration. The following was reported by the UK Telegraph on September 11<sup>th</sup>, 2009:

*Yukio Hatoyama, the leader of the Democratic Party of Japan, has caused alarm in Washington after publishing an article blaming the US for the ills of capitalism, the global economy and "the destruction of human dignity".*

*He also intends to examine an agreement that permits US warships to dock at Japanese ports, in violation of the nation's non-nuclear principles. Mr Hatoyama says he will also look again at the \$6 billion cost faced by Japan to transfer thousands of US troops from their base in Okinawa to the Pacific island of Guam amid a wide-ranging review of the American military presence on Japanese soil.*

*His election campaign promised a more "independent" foreign policy from Washington and closer relations with Asian neighbours, including China. On Thursday, he repeated his intention to defy the US and end the Maritime Self-Defence Force's re-supply mission in the Indian Ocean.(31)*

Will this change in government be more than just populist rhetoric? Time will tell but my sense is that a grand re-orientation of the global body politic is taking place, damaged economies and unemployed populations have the tendency to upend the status quo. In this solar minimum phase we can expect to see much more in the way of political surprises, of this I have no doubt.

### **Charge'm Up**

Imagine a battery that will store 20 - 40 kilowatts of power, can provide 5 kilowatts of continuous energy for 4 hours (or 20 hours of 1 kilowatt continuous), and runs no hotter than 90 degrees C. Imagine that this battery will last for ten years at one charge a day and show no signs of weakness in that entire time. If you know anything about renewable energy and where current battery technology is at than the sentences above likely make you very excited. A battery like this is what I call a 'game changer'. I say this because if the specs are accurate renewable energy such as solar and wind, which are intermittent, can be used as a primary power source. What excites me even more is the prospect of two or three of these batteries storing

up to 120 kilowatts of power (wow) which are then recharged by a wood gasifier/3 phase generator set-up such as this one - **The Off Gridder**.

The reality of off-grid living, with comfort, is emerging and I'm glad to be in the thick of the research, finding the key technologies that will pave the way for a more sustainable and enjoyable future. I recommend that those interested in this type of technology read the following article which goes into much greater detail than I have. Don't forget to keep a close eye on the company developing this tech, it just might make you very happy one day....

### **New battery could change the world, one house at a time.**

#### **A breathe of fresh AIR (Company Profile)**

Want to start manufacturing cars? How about cars that run on compressed air?



**Motor Development International** (MDI) of France is a fledgling company I've been watching for about 5 years. Every now and again I check in on them to see how things are coming along, and it looks to me like their nearing the finish line. The MDI model cars are basically electric vehicles in the sense that when you plug them in air is compressed and stored in explosion resistant on board tanks. The tanks provide the fuel (compressed air) to a small piston engine. New models include mass transport buses that are hybrids, toggling between conventional fuel and compressed air as required.

MDI has also begun work on compressed air backup power systems and compressed air tractors. As the line of products grows and as the finalization of the factory floor plans reaches completion MDI becomes a very viable business proposition for an investor or group of investors who wish to move into vehicle production. MDI provides investor packages for those interested in distributing, manufacturing or servicing the MDI fleet of vehicles. The following is an excerpt from their industrial concept page:

*MDI imagined and created the “Dealer/Manufacturer/Partner” concept by commercializing turnkey factories to manufacture cars locally. Unlike the huge classic assembly plants (particularly polluting), the MDI concept offers various micro production factories throughout the world.*

*These plants will manufacture 80% of the MDI vehicles and will sell them onsite.*

*This concept represents a drastic decrease in costs and the logistic problems associated with the conventional process (stocks and freight of finished cars to the dealers etc...), not withstanding its beneficial impact on the environment.*



*In the MDI production concept, the suppliers are chosen in a way that reduces costs, logistics and freights. All the purchases are managed at an MDI central purchasing unit, to beneficiate from the advantages of bulk buying.*

*Taking into account the number of MDI plants necessary to reach the volume of manufactured cars in a conventional plant, the MDI industrial concept allows for a reduction in the logistic costs while decreasing the percentage of CO2 generated in the transport of finished cars and raw materials. - MDI*

Something of note about this business opportunity. Tata motors of India, the jewel of Indian auto manufacturing, has signed an exclusive deal with MDI for all of India. So if you want to open a plant in India you're out of luck....



## **In Conclusion**

All this recent talk of minerals forces me to touch upon one other subject of crucial importance, that subject is the environment itself. As much as I'm a bull on precious metals right now it's fundamentally a matter of survival and wealth evolution that dictates this direction. I don't hold any romantic notions about gold or silver, although I do recognize them more for their healing abilities (*I'll save that for another newsletter*) than for their purely aesthetic value. I don't subscribe to the religion of the golden calf however, and believe that eventually the need for money will no longer be with us. Though being the pragmatist that I sometimes am I recognize the value of precious metals as a store of value in this time and place, since as noble metals they neither tarnish nor lose their special metallic properties (healing properties included). To say that these noble elements hold no physical value is both facetious and incorrect, though failing to recognize their social costs is equally incorrect.

### **At what environmental cost is gold and silver extracted from the earth?**

The leaching of ores in gold mining is generally carried out using a cyanide containing solution, a process which uses up vast amounts of fresh water. In nations where environmental protections are in place the resulting toxic sludge from the leaching process would be stored in tailing ponds and recycled for reuse. In a nation without regulation the sludge may simply be dumped into a lake, river, ocean or even pit. Some companies attempt to adhere to a higher standard no matter where they produce, many do not. The fact of the matter is that industry in 'emerging' economies is often much dirtier, labour standards are often non existent or at times sub-par, with the odd exception to the rule. There is an unwritten rule in certain industrialist circles that if you can get away with it and it saves or makes you money, than do it.



***It's not tomato soup with leeks, it's a severely contaminated river in China.***

This is the unfortunate scenario, whether it be a gold coin or a laptop computer, the environmental damage that takes place is real, and it is affecting the quality of life for people everywhere. The issue of runaway pollution during the production of goods is more a problem of will than of possibility. Unfortunately, capital up until this point has chosen the path of profits above all else, when in truth, if the will were in place, the earth could be gently harvested. The gentler kinder way might result in initial outlays that are significantly higher, but so should it be, since this is the true cost of making something without destroying another. And as technology advanced, costs would come down, and all would be well...

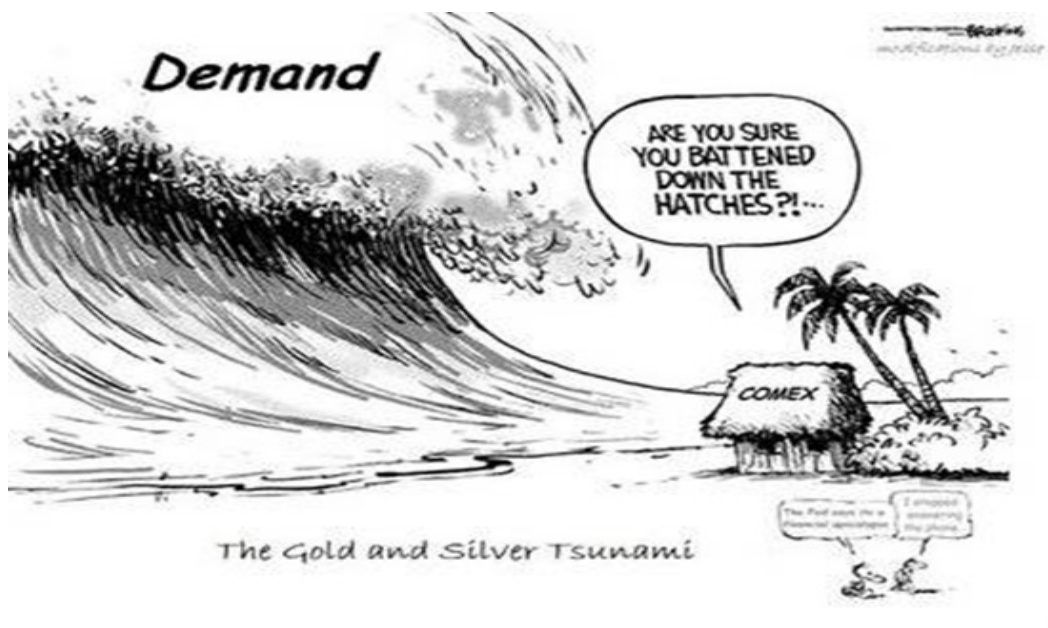
The reality on the ground is in every way inconceivable at times, and if you think I'm exaggerating check out this **story of a river in China that carries the gift of cancer and knows only the colour red.**

Knowing full well the environmental destruction being wrought in the name of consumer products, including the computer I now use, it remains my intention to promote financial safety so that a new model of manufacture may rise from the wealth of those individuals who share a heightened sense of awareness. I intend to play my part in the emergence of this new way of capital management and to support the people, companies and technologies that are leading the way in this clean production revolution.

The earth can heal, humans can develop new tools to facilitate this, and all that is lost can be recreated. So let us move forward with the intention to survive and thrive in the waves of change, following our hearts, and building our wealth to reconstruct this damaged garden.

May you prosper,

Angelo Zachos



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