

Kitco Essay
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Commentator's Corner

The New Abnormal.

Why Gold And Silver Will Diverge From Most Other Markets.

Analysts and traders have been watching precious metals closely in recent years wondering when and if the metals would separate from the trading influence of the broader stock markets. We've noticed a very gradual departure on the edges. It has been so gradual most would not notice it. We see it in several connected markets during rallies and sell-offs and in other related markets signals-indicators.

Will we get a fast break-away or, will the gradual approach prevail? I suspect a hard breakaway arrives when the broader global stock markets take a hard tumble. However, between now and then there could be many more months of required trading to settle this idea within the psyche of trading and investing minds.

Understand that most participants in global markets still believe in the old paradigm of fundamentals. They are believers in buy and hold forever and follow the New York investment community's mantra as their Washington government lapdogs work in concert to "*Keep The Big Game In Play,*" encouraging all, that (current upsets) this too shall pass.

We don't think so. And, with the new spreading violence in the middle East followed by subsequent rising energy prices, the "*New Normal*" or, should we say the "*New Abnormal*" has arrived and its not leaving any time soon.

"If the US Government and their counterparts in other nations would write-off ALL the bad debts, cut government spending in half and dramatically reduce taxes for all to just 10% of net for companies, and 10% for the Sheeple, then the entire world would quickly turn around creating a boom."

Not a chance. Not even one chance in a million. The reason is the fat cats in New York and Washington, and those in global corporations like things just as they are. The Sheeple are just used for voting and paying taxes. They are considered just useful dirt under the feet of these controllers. Further, as one entrenched politico told us, "all decisions in Washington are carefully planned and on purpose." Nothing happens that is not deliberate. So while their decisions appear very stupid, they have a nefarious purpose.

Included in those decisions are debasement of the US Dollar, the inflation of credit and the giant-credit-housing smash. Further, they planned the shipment of assets and jobs overseas to delete labor costs and the intentional destruction of the entire American middle class stealing their jobs, homes, savings and retirement funds. So far it's working.

On the surface, sharp readers and thinkers in the *Sheeple Herd* keep throwing verbal barbs calling these bankers, congressional thugs and goons and, "*Stupid.*" Yes, they are stupid in what they are doing but its being stupid with a smart and deliberate purpose... and that purpose is to decimate and steal credit and assets of honest Americans and similar folks in other countries. One global currency and one government is the goal.

This is about power and control of whole nations...of the whole world. It has been planned since the Napoleonic Wars when the Rothchild banking cabal in France loaned piles of cash to BOTH SIDES OF THESE WARS TO MAKE MONEY.

All the bad stuff seen in this decade and some in prior decades is part of a grand plan to create a one- world government, have one currency and have all important decisions made by a handful of crooks. The only way things are going to change is when fiat currency has no value and the international criminal cabal is smashed into the ground by their own failing bond markets. If this happens, the *Sheeple Herd* has a small chance, but they will have to fight for it and we think they will.

Watch what's happened in Iceland and Ireland. These folks have no intention of paying bankers back for the bad loans they instigated. After Ireland gives the Euro-bankers the one fingered salute, it is going to spread very fast and then Euro-banking sinks into a smoldering pile of wreckage and cracked-up bond markets. Watch the PIIGS go down first.

With no fiat money to spread around and no takers for their specious bonds, bills and other paper; stock and credit markets as we know them now are finished. Then we'll see some real, old fashioned goods trading, black markets, expanding regional gangs and unbelievable backlash against the instigators. If you thought the 1850-1890 USA era was the wild west,; watch what comes next.

One American pundit said 50 years ago that "*Violence is as American as Apple Pie.*" I did not quote it precisely, but you get the drift. We've heard the gun population within the USA is anywhere from 100-400 million. We have no idea and could never even come close to a guesstimate. However, we do know one thing; the real American patriots are loading for bear and with current open attitudes on the street, they intend to take no prisoners.

We've quoted before from the great book "*When Money Dies,*" by Adam Fergesson, that over 400 politicians were assassinated in the 1920-1921 Austrian-Weimar Germany hyperinflation. This is what happens when things go very desperate.

I am a peaceful non-violent journalist interested in the truth and being of service to my readers, friends, traders and investors. I want no part in any violence but I am a smart student of history. I believe history repeats and that day of "*Refreshing the Tree Of Liberty*" is not very far away. Not far at all.

Most nations and those with freedom and liberty have a shelf life of approximately 250 years. America is now in our 235th year if the baseline is 1776. This means if those cycles hold true, that within the next 15 years or less, the *Grand American Experiment* is duly ready for some "*Tree Refreshing.*"

When you steal a man's home, his job, his savings, his future, and his retirement, that man is going to go gunning. The *Sheeple Boyz* have got the guns and there are probably lots of girls that do too. The rule of law in the USA has long since gone down the drain. Congress, and our president are imposing laws at will and do so in violation of the U.S. Constitution and our Bill of Rights and, of course, the most important all, the *Ten Commandments*.

While a long hot summer appears to be arriving in the states' this summer, those kinds of violent riots, fires and other mayhem will at first be smothered by the cops; both local and regional. However, when the dollar and the bond markets are toast, we'll begin to enter *The New Abnormal as breakdowns occur everywhere.*

All the freaks, crooks, psychopaths and greedy bankers and politicians will have no where to hide. If I was in that camp I would be extricating myself from these gangs and finding a place for a new life. We do not encourage or wish violence on anyone. However history books tell us and, have proven time and time again, this is what lies ahead under these circumstances. Do not go to violence. Be peaceful and stay out of the way.

So When Do The Precious Metals Diverge?

No one is so smart that they can measure with any accuracy when credit breaks-up or exactly when the Federal Reserve and other central bankers lose control. It seems that each of the popular, in the news countries we discuss have some kind of Black Swan lurking and ready to wreak havoc. It could be China's real estate market, Japan's credit market or, something within Western or Eastern Europe. It could be food rationing, earthquakes, or a roiled energy market or, a catastrophic credit market failure in America. It could be violence against world leaders or, even a false report on the stock markets.

Remember the USA *Flash Crash!* Just this week the Aussie Stock Exchange closed for a glitch. It could be Saudi Arabia going upside down with problems similar to Egypt. In any event, so much of the world is held together with chewing gum and bailing wire, the smart ones are personally preparing to deal with it. Most understand that when a severe crisis hits you get no institutional help...they only get in the way for public relations reasons.

Some Key Events That Signal Precious Metals Could Diverge.

1. Precious metals shares begin to rise or stay flat (not selling) when broader markets sell off.
2. Gold and silver futures trade-up faster even when the broader stock markets are rising.
3. Base metals and precious metals diverge. When base metals are falling including key industrial metals like copper, something big is coming.
4. When New York analysts talk of something not in the news that ought not to require any public discussion, go opposite to what they are saying. Shakespeare called it, "*Me-Thinks Thou Protesteth too much.*" One example is Geithner telling the herd this morning that Congress needs to address the housing situation in the next two years. Sorry stupid, this should have been addressed and blocked when Greenspan gave zero rates ten years ago. Timmy said "Next two years" to give his boss wiggle room getting him past the election. These dolts probably won't get to the next voting date before a crash and mayhem hits them on their lying heads.

The New Abnormal Continued

Our key discussion point in this report is to encourage traders, readers and investors to understand there is no returning to the olden days of Ozzie & Harriett and the 1950's. The New Abnormal is inflation to hyperinflation moving toward destruction of the US Dollar. It appears we are mostly safe until May or June when the "Sell In May And Go Away" bell rings. The US National Budget will not be fixed and the GOP's have no prayer of cutting any programs dramatically. They are making lots of dust and news, but to no avail. The government will not be shut down and politics gets more rough and nasty as the budget fights spill over into the states. Watch California-Wisconsin for a states' failure roadmap.

Traders And Investors Should Expect The Following:

- 1. The new USA budget will be another smoke and mirrors non-budget solving nothing significant. The Federal Reserve will continue to print and pour in more paper, finishing QE2 at the end of March and beginning QE3 in the second quarter. In summer, we get QE 4. Numbers 3 and 4 will not be announced they just do it.**
- 2. US inflation is now running over +20% for food and energy and is rising even faster. Other stuff is deflating or is beginning to see price increases starting newer inflation in other sectors. The definition of *Hyperinflation* is inflation running at an annualized rate above +50%. The USA dollar either fails and is replaced or, is cut in half on value from index 80.00 to 40.00.**
- 3. USA food-makers and restaurants are struggling with higher prices. Big chain grocery stores are trying to hold the line but their margins are already razor thin. Marginal food stores and small retailers will fail in droves.**
- 4. American farmers are going full-out to plant fence-to-fence as grain prices skyrocket. One top analyst said that if the corn crop falters this summer for any reason we are in big trouble. Corn reserves are the lowest since 1974, yet the government is demanding more corn for ethanol. The last ethanol corn number we saw was 5 Million bushels for fuel that is essentially not economically viable. This is mandated for the greenies and tree-huggers to get votes.**
- 5. China has 35% inflation (not-announced) with real estate prices totally out of control. A top analyst wrote the real estate bubble is separate from the other stuff. We see a blend of slower sectors (inflation of other stuff, moving into real hard inflation). China has severe food shortages and they will be buying lots of grain on world markets, especially USA soybeans. Major freezing-drought has killed over 30% of their grain and the government is now spending \$75 Billion on domestic police security equal to their national defense budget. This means they expect riots and violence over food problems, jobs, payroll, inflation and general shortages.**
- 6. Basic ores like iron, zinc, manganese, aluminum, copper and others see prices rise on China demand and new inflation. A new report says iron ore is going up +20% right now. Recently, copper was nearly \$4.60 a pound; over \$10,000 per ton.**
- 7. Most markets seem bullish until later spring. After this we are very wary, expecting a flat summer with increasing volatility beginning in later August. This fall could be very traumatic. Inflation will be quite difficult and could morph into something worse. Remember, credit is king and when the king is dead so are we monetarily.**
- 8. Crude oil and other products are now firm with higher supports and prices. On this Friday morning of 3-4-11, crude oil futures are 103.20 with highs over 103.57. Watch for 108 next higher resistance followed by \$112-115. Natural gas is plentiful and prices should stay low until our summer air conditioning season when power plants ramp-up the juice to run all the A/C demand. Jet-A and diesel prices are rising. The airlines must install fuel surcharges on tickets and truckers have to raise transport prices again. This means that everything riding on a truck costs more, especially food.**

9. Mexico suffered a hard freeze a few weeks ago from the USA border all the way to their southern border near Guatemala. Since they provide 50% of USA national demand for fruits and vegetables, those products in USA stores will encounter shortages and prices could temporarily double. The newer crop is planted next month in April and will not be ready for shipment until later May or June. Meanwhile, a large production-USA delivery hole exists.
10. The Middle Eastern crisis will spread. Iran is fomenting trouble in most all nations now in an uproar with riots, joblessness and inflation. The Saudi's are throwing billions at their Sheeple to quiet their herd and so far it's working. However, Iran and their bad-boy friends are going to "*seize the moment*" to gain political footholds where they have not been before.
11. These troubles in the Middle East will spread and give the global central bankers an opportunity to save their failing selves by starting a new World War III with Iran. We forecast Iran will be attacked by outsiders in 2012 or 2013. Sadly, this could be the mother of all wars involving most major nations in the fight for global power and energy.

Now, more than ever, it is important to take the immediate necessary precautions to protect yourself and your families and friends. Traders and investors should be buying precious metals and *select shares* right now. In our newsletter we have a great list of trading and investing ideas for you.

Meanwhile, you can never go wrong buying physical precious metals and holding them for security. We've had a constant run of nearly ten years in gold rising +15% per year or more, so this remains a good trade. In the last twelve months, gold rallied over 34% and is going ever faster. As outstanding as those numbers are, silver is doing even better.

It's not going to stop any time soon. In fact, we predict those annual percentages will rise even more and this offers a chance, arriving only once in 25 years on the historical commodity cycles.

Roger Wiegand is Editor of *Trader Tracks* Newsletter for gold, silver and energy traders. Roger provides recommendations for short and longer term traditional stock shares, futures and commodities trading with specifics for individual trades. See webeatthestreet.com for more information. Listen to our *Traderrog Daily Market Close on the Korelin Economics Report* website <http://www.kereport.com/>

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