THINGS THAT MAKE YOU GO Hmmm...

A walk around the fringes of finance

"Does anything in nature despair except man? An animal with a foot caught in a trap does not seem to despair. It is too busy trying to survive. It is all closed in, to a kind of still, intense waiting. Is this a key? Keep busy with survival. Imitate the trees. Learn to lose in order to recover, and remember that nothing stays the same for long, not even pain, psychic pain. Sit it out. Let it all pass. Let it go"

– MAY SARTON, *JOURNAL OF A SOLITUDE*

"I would feel more optimistic about a bright future for man if he spent less time proving that he can outwit Nature and more time tasting her sweetness and respecting her seniority"

– E. B. White

"Do not be angry with the rain; it simply does not know how to fall upwards"

– Vladimir Nabakov

"Adopt the pace of nature: her secret is patience."

– Ralph Waldo Emerson

An Important Announcement

for readers of Things That Make You Go Hmmm.....

A little over Three years ago, when I started writing Things That Make You Go Hmmm..... *it was a vastly different product that was distributed to a small group of mostly friends of mine who, for some strange reason, had a passing interest in my thoughts on a variety of subjects.*

For me it began as a way to share information that was a little below the surface with people who, like me, were trying to figure out how to put together a jigsaw without the picture on the box lid and as a means to engage in a dialogue with sharp minds all around the world in an attempt to figure out not only what was happening but, more importantly, what was going to happen.

What began as an experiment became a labour of love and then morphed into something I hadn't ever envisioned it would become as the internet took over and I found myself exchanging thoughts and ideas with different people from all walks of life all around the globe. It was uplifting, inspiring and deeply humbling in equal part.

As my subscriber list has grown, so has the time taken to try and make sure that what I send out every week is as good as I can possibly make it. If I can't think of anything of interest to write about, I would rather not write anything than send out something I wasn't happy with because I felt a need to be 'out there' every week.

Thankfully, travel aside, the weeks I haven't been able to find a topic worthy of discussion have been very few and far between (and for that I owe a debt of gratitude principally to Jean-Claude Juncker, Mario Draghi, François Hollande and the rest of the inhabitants of Europe's clown car).

Through all the madness of the last few years, I have been a one-man show; writing, designing and publishing Things That Make You go Hmmm..... *then sending it out as a somewhat cumbersome .pdf attachment to a subscriber list that has become larger than I had ever considered possible.*

It has become increasingly clear over recent months, however, that, in order to continue producing Things That Make You Go Hmmm....., *I was going to need help from people far more savvy than me in the world of publishing as it was apparent I had now reached the point where I needed to address the various shortcomings that are part and parcel of being a one-man band.*

One of the first investment letters that I began reading on a regular basis was John Mauldin's Thoughts From The Frontline. *It was timely, insightful, extremely well-written and very educational. It was the inspiration behind my decision to begin writing* Things That Make You Go Hmmm.....

Over the past few years I have been fortunate enough to have gotten to know John personally through my writing and our shared desire to try and navigate a safe passage through the investing minefield in which we find ourselves. He has been extremely generous with his time and always gracious in the donation of his advice to a neophyte in an area where he is the consummate professional and so it was to John that I turned for help in trying to take Things That Make You Go Hmmm.....

to the next stage of its development.

As of next week, the team at Mauldin Economics will be taking over the publication of Things That Make You Go Hmmm..... *and I am really excited about the changes you will see.*

My amateur efforts at design and publication have been replaced by those of a slick team of professionals who make the difference between enthusiastic hack (me) and people who know what they are doing (them) embarrassingly apparent.

But what does this mean for you, dear reader?

Well, frankly, not an awful lot apart from the fact that you will receive a vastly-improved product.

Most importantly, the content and style of this piece absolutely will not change. My voice will not be altered or filtered in any way—*a good thing in some eyes, maybe not so in others. It will just look an awful lot better and be far easier for readers to access.*

From next week, subscribers will receive Things That Make You Go Hmmm..... *directly from Mauldin Economics.*

It will be delivered in the form of an email with links to a downloadable PDF file as well as the HTML format which will be hosted at the Mauldin Economics website (www.mauldineconomics.com). This will make reading on iPads and mobile devices far easier. There will also be an archive of past issues available.

Please add the following email address to your whitelist if you don't want me to end up in your spam folder:

subscribers@mauldineconomics.com

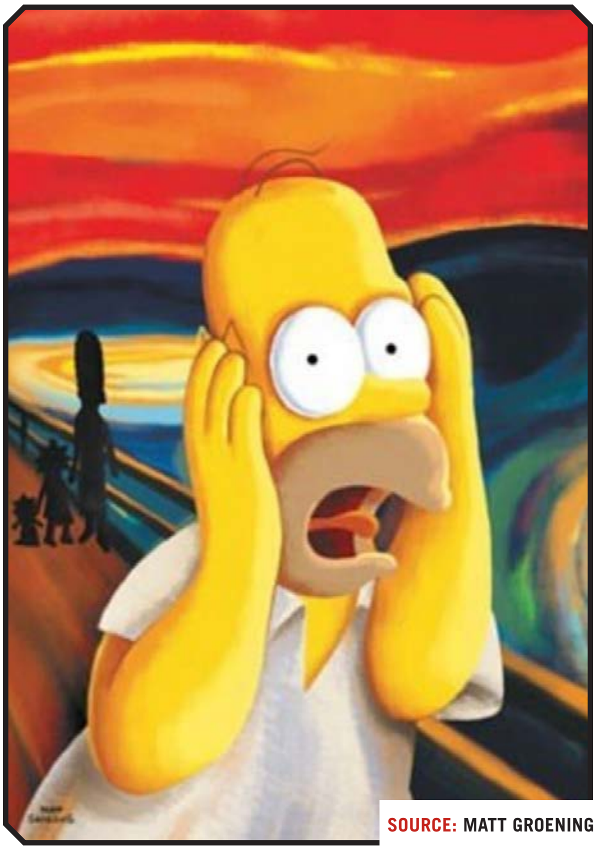
Joining the Mauldin Economics team will help me devote more time to writing *and, hopefully, expand my readership whilst making the whole experience more enjoyable for the people who matter most—the readers.*

In addition to Things That Make You Go Hmmm..... John and I are working on what we think will be another exciting collaboration that will be unveiled soon—but more on that a little later.

Until then, I'd like to thank all of you for your support over the last few years and I look forward to the next few with great anticipation.

For now, though, it's back to business...

Grant



SOURCE: MATT GROENING

The list of human phobias is comprehensive to say the least. Over the centuries the human race has managed to find a way to be afraid of just about everything around it. Some of the fears are familiar ones such as the fear of confined spaces—'claustrophobia', or that of open spaces—'agrophobia', and some are a little more—how can I put this so as not to upset any katagelophobes out there?—'eccentric'.

Did you know, for example that Gephydrophobia is the fear of crossing bridges? Or that Dextrophobia is a fear of objects at the right side of the body? Having Consecotaleophobia (an innate fear of chopsticks) is certainly a handicap if you happen to live in this part of the world and if you suffer from Bolshephobia, your fear of Bolsheviks would have made Octobers pretty rough growing up in Russia.

You think those are strange? How about the specificity of these phobias (which I think we can safely file under 'irrational'):

Arachibutyrophobia - Fear of peanut butter sticking to the roof of the mouth.

Zemmiphobia - Fear of the great mole rat.

Rhabdophobia - Fear of being severely punished or beaten by a rod, or of being severely criticized. Also fear of a magic wand

Pteronophobia - Fear of being tickled by feathers

Peladophobia - Fear of bald people

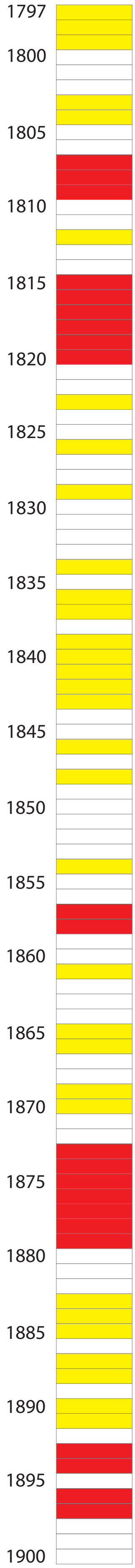
I could go on for a long, long time with these, but that would only upset the thaasophobes amongst you so let's get back to business.

The reason I bring this up is that each and every human phobia is a learned response that a few (in the case of kyphophobia, the fear of stooping) or indeed many (in the case of thanatophobia, the fear of death) develop over the course of their lives, and yet each and every one of us came into this world with the same two identical fears; loud noises (ligyrophobia) and falling (bathophobia).

This innate fear of falling, common to all human beings, may go some way towards explaining the obsession the world seems to have with preventing recessions and avoiding deflation. Recessions are always seen as a bad thing for the economy and, since the days when Alan Greenspan's bony fingers were wrapped around the Federal Reserve's monetary levers, there has been a war waged on the downward half of the business cycle in an attempt to literally abolish it as though that were a) possible or b) desirable.

Just as a world filled with only sunshine would eventually be uninhabitable or a forest without the occasional fire would ultimately stifle itself, the business cycle needs the occasional bust to counteract the booms that cause overheating and excess. That's just the way it is I'm afraid. We may not like it. We may be afraid of falling, but nature need take its course.

By far the biggest fear of the past several years has been that of deflation.



> *(Investopedia): Deflation: A general ~~decline~~ fall in prices, often caused by a ~~reduction~~ fall in the supply of money or credit. Deflation can be caused also by a ~~decrease~~ fall in government, personal or investment spending. The opposite of inflation, deflation has the side effect of increased unemployment since there is a ~~lower~~ fall in the level of demand in the economy, which can lead to an economic depression. Central banks attempt to stop severe deflation, along with severe inflation, in an attempt to keep the excessive ~~drop~~ fall in prices to a minimum.*
>
> *The ~~decline~~ fall in prices of assets, is often known as Asset Deflation.*

Scary stuff. All that falling.

The word 'Depression', when used in an economic context, seems to spark the kind of fear amongst the citizens of developed economies that can only be borne of a phobia.

Grainy photos of long lines of men clad in greatcoats and homburg hats lining up for either jobs or soup are etched in the collective conscious and the fear that we could fall back there again is enough to keep even the most sanguine of men awake at night. For central bank heads it is the pure embodiment of terror.

Collective bathophobia amongst central planners has led in recent years to an extraordinary set of measures which have been enacted—we are constantly told—with the explicit purpose of 'avoiding a Depression'.

None other than Ben Bernanke explained this recently to a group of students at George Washington University in one of a series of lectures designed to explain just what an amazing job Benny and the Feds had done over the past several years in avoiding another you-know-what:

> *(Politico): The subtext in Ben Bernanke's third college lecture was clear: his Fed helped stop a second Great Depression.*
>
> *Appearing before students at George Washington University on Tuesday, the Federal Reserve chairman contrasted his academic expertise—the depression—against his personal experiences.*
>
> *"The Great Depression was much worse than the recent recession," the former Princeton University professor said. "Without a forceful policy response, we would have had a much worse outcome."...*
>
> *If the Fed had not leapt into the crisis as the lender of last resort, Bernanke said Tuesday, the entire global economy would have melted down as was the case in 1929. "Suddenly, there was no trust whatsoever, even among the largest financial institutions," he said.*

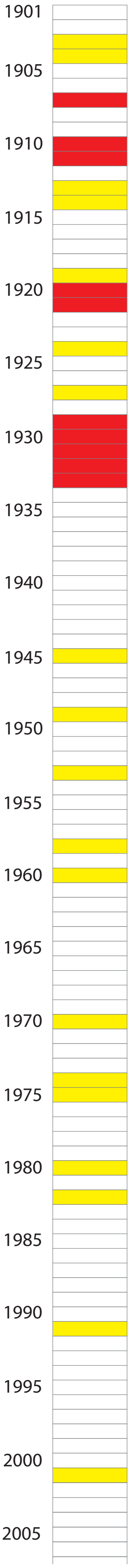
This emotive term is always used in the context of what they are trying to stave off, but interestingly enough, whenever the possibility of a 'Depression' is discussed in real terms as opposed to it being something that must be defeated, the possibility of one occurring is quickly dismissed in soothing tones—we can't have people frightened now, can we?

"... Without a forceful policy response, we would have had a much worse outcome.,"

But what are the origins of this quest to avoid such falls and why is there such a huge desire to immediately put a stop to recessions of any kind? After all, they are just nature's way of healing a broken economy. The fact that they sometimes break to the upside is no less dangerous than when they break to the downside and yet nobody seems to have any great desire to pop bubbles while they are inflating.

If the economy wasn't allowed to get ahead of itself in the first place, any recessions would be far less dramatic—but of course, in such a scenario, neither would the expansions and that we just can't have now, can we?

By now, you may well be wondering just what the hell is happening in the left-hand margin of this page. Well, I'll tell you.

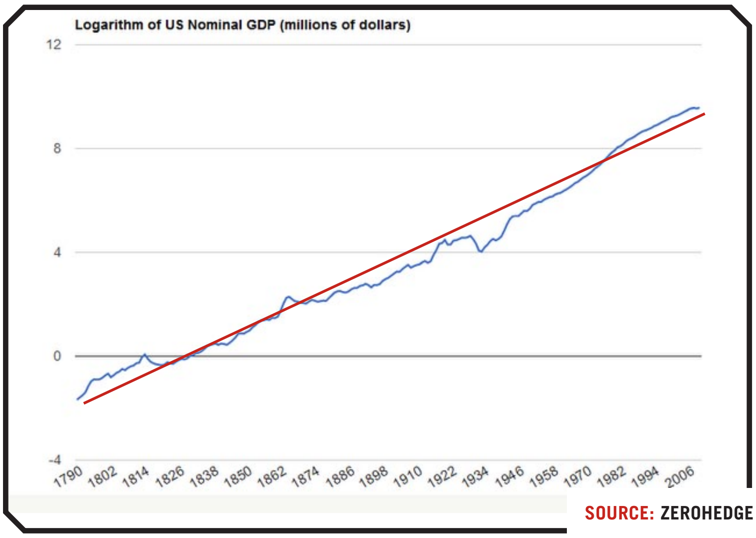


The timeline you see there is a representation of recessions (yellow) and 'panics' or depressions (red) in the United States of America from 1797 to the present day. As can be clearly seen from the first part of this chart, between 1797 and 1900, the United States was in recession or depression (or even full-on panic) for 54 years versus 50 years of 'normal' economic conditions.

As you can see on this page, things got a lot more 'stable' during the 20th century—although, between the turn of the century and the end of the Great Depression in 1933, the bad years (seventeen) still outweighed the stable (sixteen).

It was only after the Great Depression that things became far steadier and—if we omit the WWII years—the period where the ratio of recessionary conditions to expansionary is easily the lowest is clearly after 1971 (which of course, quite coincidentally, saw the abolition of the dollar's peg to gold).

But what did the US economy look like through all these booms and busts, I wonder? Well, if we take a look at nominal GDP on a logarithmic scale over roughly the same period as the charts in the margins of pages 5 and 6, it may come as something of a surprise:



SOURCE: ZEROHEDGE

The damage done by the Great Depression is clearly apparent but what is quite extraordinary is the relative smoothness of the progression which is shown by the overlaid red trendline.

Booms/busts, recessions/depressions and even the odd panic for the most part did little to stop the US juggernaut. They felt good (or bad) at the time, no doubt, but like most events, once viewed through the prism of history, they are compressed into brief moments in time.

I have no doubt that the last five years along with the next five will spawn more books than any period in history since WWII and for those of us living through this turbulent period of modern history, it seems endless, but fifty years on, people will observe what we have labeled the 'Global Financial Crisis' as a moment in time just as we do the 'Great Depression'. I am sure it will be a moment in time that will doubtless teach a lot of lessons—though I fear the lessons learned through the mistakes we made will far outweigh those lessons learned from brilliant decision-making or decisive action.

Oddly enough, the man at the helm of the US Federal Reserve as we navigate these stormy seas is widely recognized as one of the world's greatest authorities on The Great Depression—which makes many of his actions all the more troubling. History, I suspect, will not be kind to him, but for now the jury remains out.

In 2008, as the GFC 'threatened to drag the world into a Depression' (see, I told you), the Chairman of the Federal Reserve and renowned Great Depression scholar, Ben Bernanke, set about instituting the plan he was convinced would avert the great fall of which he was petrified.

His extensive studies had led him to the conviction that the most serious mistake made during the 1930s was that the Federal Reserve of the day, under the combined stewardship of Roy A. Young (1927-1930), Eugene I. Meyer (1930-1933) and Eugene R. Black (1933-1934) failed to step hard enough on the stimulatory pedal, and that to *ensure* the same thing didn't happen again, all he had to do was, well, print money basically—a belief he outlined in his most famous speech to date, delivered at the National Economists Club, Washington, D.C. on November 21, 2002:

> *I am confident that the Fed would take whatever means necessary to prevent significant deflation in the United States and, moreover, that the U.S. central bank, in cooperation with other parts of the government as needed, has sufficient policy instruments to ensure that any deflation that might occur would be both mild and brief...*
>
> *But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.*

The speech was entitled "Deflation: Making Sure "It" Doesn't Happen Here".

It's hard to be 'sure' about anything except death, taxes and the Mets blowing any kind of a lead, but this speech more than just about any other given by the man Marc Faber calls 'Meeester Bernaaanky' gives us a valuable insight into the workings of the central banker's brain.

They are 'sure' they can do what they need to do.

Thus far, Bernanke's certainty has led to two rounds of Quantitative Easing followed in short order by Operation Twist.

Clearly, it stands to reason that QE1 was implemented with the firm belief that it alone would be enough to provide the necessary jolt to 'the

SOURCE: BLOOMBERG

system' and stave off deflation. After all, when you are 'sure' that the only mistake made by Depression-era central bank chiefs was too little, rather than too much, why would you go off half-cocked? After studying for so long, Bernanke was hardly likely to make the same mistake as his predecessors.

Except, QE1 didn't fix things. Sure, it made some things better; the S&P soared over 50% during the experiment (but then the Fed's mandate doesn't extend to ensuring equity markets are as high as they can possibly be—or so I thought) and bond prices initially rallied sharply, though by the end of the experiment, they had retraced all their gains as the chart on the previous page demonstrates (red arrows show the movement in the *price* of US 10-year treasurys whilst yellow arrows measure the price of the S&P500 during the various Fed interventions).

This must have been baffling for Ben Bernanke. After all, he *knew* exactly what the errors in policy were through the Depression and he *knew* with absolute certainty that he could make *sure* deflation 'couldn't happen here'... and yet, his measures had failed to alleviate the problem. How bizarre.

As can clearly be seen in the aforementioned chart, immediately QE1 stopped, bond and equity prices moved sharply. The S&P500 fell 15% in three months whilst bonds, having fallen through most of QE1, began rising in anticipation of some additional stimulus.

Markets were frontrunning the Fed's next easing. It's amazing how quickly this adaptive behaviour happens, huh?

QE2 was *only* necessary because QE1 had failed to satisfactorily address the problems facing the US economy and so it stands to reason that, based upon his extensive research, the Fed Chairman would now do enough to *ensure* a satisfactory outcome. After all, knowing exactly what was needed, you'd hardly be likely to go off half-cocked *twice* now, would you?

Sure enough, after the ~~taking of some heavy profits due to the largesse of the Fed~~ sharp fall in equity prices, the onset of QE2 propelled the S&P500 almost 30% higher once again, but the effects on the bond market—ground zero for intervention—were even more illustrative.

As soon as the announcement was made that QE2 would begin, the bond market slid precipitously as those who had bought bonds in anticipation of more action happily cashed in and sold to the greatest of fools; the Fed.

The end of QE2 brought about the predictable sell-off in equities but for the first time, bonds were starting to actually do what 'the plan' had intended and increase in price.

Perhaps the medicine was finally reaching the patient?

Perhaps.

Now, it isn't the kind of thing that is talked about at cocktail parties at the Marriner S. Eccles building, but the rise in US government bond prices just happened to coincide with a sudden rise in the world's understanding of two things:

1) The degree to which Europe was in trouble

2) The true level of incompetence of its leaders

As equities slumped, bonds kept on rising (though this was in large part due to the onset of coulrophobia—a fear of clowns; in this case, those running Europe) and, despite prices being materially higher than at the beginning of QE1, Operation Twist was announced to target a specific part of the interest rate curve because, by now, things still weren't working out *quite* as Bernanke had been *sure* they would.

"... Now, it isn't the kind of thing that is talked about at cocktail parties at the Marriner S. Eccles building, but the rise in US government bond prices just happened to coincide with a sudden rise in the world's understanding of two things..."

One can almost imagine his creeping atychiphobia (fear of failure) becoming too much to bear.

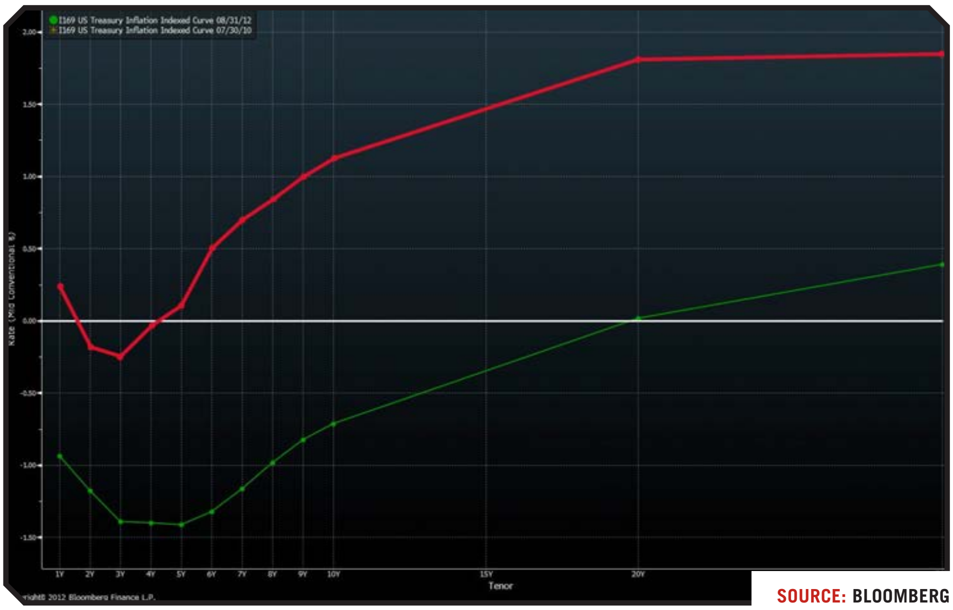
And so it was that, as August 2012 came to a close, the S&P500 was a little under 10% from its all-time high (set in the halcyon days of 2007 when debt was abundant and cheap, the only fear was that of missing out and there had never been a nationwide fall in housing prices), the US government could borrow money at lower rates than just about any time in its history..... and the world was practically *begging* for QE3.

What must have been going through the mind of Ben Bernanke?

Here was a man who knew *exactly* what he needed to do to *ensure* a favourable outcome and yet all he seemed to have done was to get the world hooked on a steady dose of stimulus.

US unemployment was stubbornly refusing to drop which was definitely not in keeping with a successful execution of one half of the Fed's mandate, but inflation was—if you believe the official statistics at least—benign.

Surely he could hardly justify intervention in bond markets with the US able to borrow money all the way out to 7 years before having to pay more than 1%? Or with a TIPS curve that in the past two years had gone negative out to TWENTY years (Green curve, chart, below. The red curve is this week in 2010)?



SOURCE: BLOOMBERG

Surely there was no way the non-political Fed Chairman could intervene in markets with only 66 days left until a Presidential election, was there?

Surely, with prominent members of his own Federal Reserve system decrying both the 'success' (or lack of it) of previous QE as well as the likely effect of further rounds he couldn't go again?

> **DJ Fed's Plosser: Don't Think More Easing Is Needed Right Now –CNBC*
> **DJ Fed's Plosser: Consumers Want to Save More –CNBC*
> **DJ Fed's Plosser: Businesses Don't Want to Invest Because of Uncertainty –CNBC*
> **PLOSSER: MONETARY POLICY CAN'T FIX ECONOMY HEADWINDS*
> **DJ Fed's Plosser: Monetary Policy Is at an Extraordinary Level of Accommodation –CNBC*
> **DJ Fed's Plosser: When Excess Reserves Flow Out, Risk of Inflation Will Grow –CNBC*
> **DJ Fed's Plosser: Until Uncertainty Decreases, Headwinds Will Continue –CNBC*
> **PLOSSER SAYS SIZE OF BALANCE SHEET IS A RISK 'DOWN THE ROAD'*
> **DJ Fed's Plosser: No Point in Growing Balance Sheet Further –CNBC*
> **DJ Fed's Plosser: Accommodation Creates Risks -CNBC*

Surely he couldn't?

Of *course* he could!

(WSJ): A defiant Ben Bernanke sought to shoot down criticism of the Federal Reserve's easy-money policies and strengthen the case for new efforts by the central bank to bring down what he described as gravely high unemployment.

Markets have been on edge for

> *months about whether the Fed will launch another large bond-buying program. Fed Chairman Bernanke, speaking Friday at the central bank's annual retreat here, offered a vigorous defense of the Fed's $2.3 trillion in bond purchases since 2008, estimating they helped lead to more than two million jobs—and signaled that he is strongly considering another installment.*
>
> *"Central bank securities purchases have provided meaningful support to the economic recovery," he said adding later that, "we should not rule out the further use of such policies if economic conditions warrant."*

Now, at this stage I should point out that it is, for the moment, just talk on Bernanke's part—after all, why ease when you get exactly the same effect merely by talking about doing so?—but the Fed is playing a very dangerous game.

With stock market volumes at generational lows while markets crawl to within coo-ee of their all-time highs, it is readily apparent that those participants still playing are doing so in anticipation of getting a nice, juicy Fed-induced bump into which to sell their holdings. The only problem is the fact that those on the sidelines aren't chrematophobes, (afraid of money) nor are they waiting for prices to climb another 15% before they step in to buy. They are waiting for what they see as an inevitable correction to more attractive levels once either common sense about the global slowdown that is clearly underway asserts itself, or the Fed disappoints.

QE3 *IS* coming folks. Maybe not quite yet, but soon and when it does, it will be a coordinated blitz between the Fed, the ECB, the BoE and the PBOC with the BoJ tagging along because... well, why not? Not only will it be coordinated, but it will be gigantic. It's really all they have left now.

The fear of falling that surrounds deflation has paralyzed the world for the last four years and drastic measures have been taken to stave off that which central planners fear the most.

Lately, the big problem the world has faced has been Europe's unwillingness to ~~get its head out of its a**~~ come to a collective decision about how to tackle the suffocating debt, but in recent weeks Mario Draghi has seemingly lost patience with political leaders and has begun to force the issue.

Coincidentally, this week, as he opted not to attend Jackson Hole, in an op-ed published, importantly, in Germany's Die Zeit, Draghi signaled just how Europe was going to finally turn on the printing presses:

> *"The ECB will do what is necessary to ensure price stability. It will remain independent. And it will always act within its mandate.*
>
> *Yet it should be understood that fulfilling our mandate sometimes requires us to go beyond standard monetary policy tools. When markets are fragmented or influenced by irrational fears, our monetary policy signals do not reach citizens evenly across the euro area. We have to fix such blockages to ensure a single monetary policy, and therefore price stability for all euro-area citizens.*
>
> *This may at times require exceptional measures. But this is our responsibility as the central bank of the euro area as a whole."*

In essence?

> *"In order to uphold the law, Your Honour, sometimes we have to break the law"*

Draghi has promised to *always* act within his mandate—except when circumstances dictate that he go outside it.

Temporarily of course.

That sound you heard? That was the dust-covered tarp being hauled off the printing press in the ECB basement.

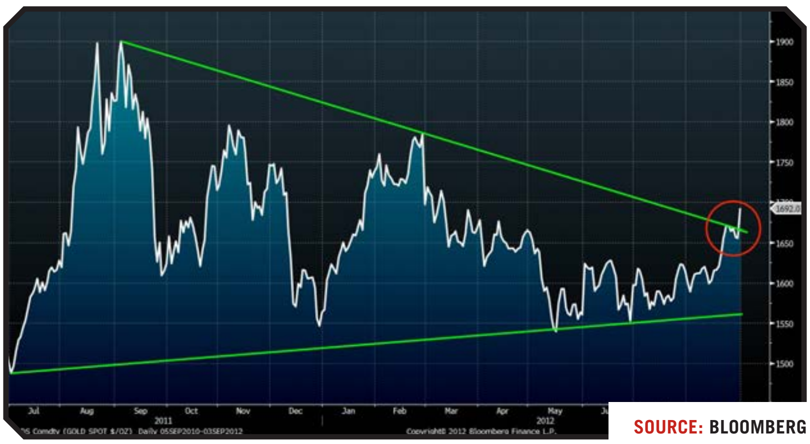
After four years of aggressive, yet ultimately futile stimulus by the Federal Reserve, BoE and PBOC, the ECB is about to join the printing party and when that happens, the inflation/deflation debate is basically over.

Don't believe me? Ask gold which broke out this week in the wake of Bernanke's speech after staunchly (and somewhat surprisingly) refusing to wilt in the face of a lot of commentary in the run-up to Jackson Hole that had suggested there would be no QE3.

Normally that talk alone would have been enough to send gold scampering lower but not this time.. It's almost as if someone knew something? But that would be crazy talk.

So... will the combined might of the ~~Avengers~~ world's central bankers be enough to quell the fear of falling that all of us are born with? Well, one thing is for certain, it will not be for the want of trying and in the next few months they seem likely to unleash the quantitative Kraaken once and for all.

By lining up the kind of unlimited stimulus measures that the likes of Draghi and the Fed's Eric Rosengren have been advocating, the deflation trade will be over and we can all go about our lives safe from our fear of falling.



SOURCE: BLOOMBERG

Of course, at that point, the human race will have another irrational fear to deal with:

Zimbabwephobia

****

OK.... so a quick rundown of what's in store this week and then I'm outta here:

- *Spain*
- *More Spain*
- *Dutch socialists*
- *Rampant food price inflation*
- *An $8 trillion budget deficit*
- *A French nationalization (perish the thought)*
- *The closing of a different gold 'window'*
- *An assessment of India's economy*
- *Draghi's battles with Eurocrats*
- *An OECD endorsement for ECB bond-buying*
- *An interview with Jens Wiedmann*
- *Monetary transmission blockages*
- *Gold & Silver charts*
- *A history of hyperinflation*
- *CPI..no, wait...PCE..no. Wait...which are we using now?*
- *Jim Grant*
- *Jon Stewart*
- *Michael Steele*
- *and John Mauldin*

That's it from me, but before I go, can anyone tell me whose idea of a joke it was to make the name for a fear of long words:

hippopotomonstrosesquipedaliophobia

That's just not fair.

Until next time...

Contents

02 September 2012

I think there's a good reason to buy gold if you can, and as soon as possible.

Here's why:

Based on the data I chart below, I believe the window of time to buy gold for less than $1,700 an ounce is very limited.

I examined gold's three largest corrections since the bull market began in 2001, including how long it took to recover from those corrections and establish new highs.

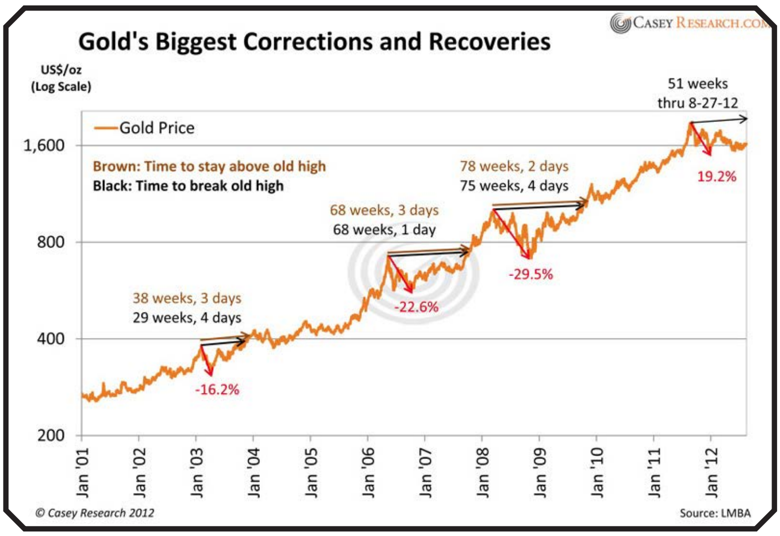
The conclusion that emerged is that the current lull in gold prices will almost certainly end soon, if it hasn't already.

Gold set a record on September 5, 2011 at $1,895 an ounce (London PM Fix) and to date has fallen as low as $1,531 (December 29, 2011), a decline of 19.2%. Gold has tested that level several times since but never broke below it.

In order to determine how long it might take to breach $1,895 again, I measured the time it took to mount new highs after big corrections in the past.

The following chart details the three largest corrections since 2001, and calculates how many weeks it took the gold price to a) breach the old high, and b) stay above that level.

In 2006, after a total decline of 22.6%, it took a year and four months for gold to surpass its old high. After the 2008 meltdown, it was a year and six months later before the metal hit a new record. The 16.2% drop in 2003 lasted seven months, and another two months before the price stayed above it.



You can see that our correction has lasted just shy of a year. If we matched the recovery time of 2006, gold would hit a new high on Christmas Eve (Merry Christmas!).

But here's the thing: that's how long it would take gold to breach $1,900 again – it will take a couple months or more for the price to work up to that level, meaning the remaining time to buy gold under $1,700 will likely be measured in days or weeks, not months.

This is bolstered by the fact that the price moved up strongly last week.

And just as importantly, we're on the doorstep of the seasonally strongest month of the year.

This is an educated guess, of course, but what the data make clear is that all corrections eventually end – even the bloodbath in 2008.

The current lag will come to an end too, and we're certainly closer to the end of this corrective period than the beginning.

This has direct investment implications.

First, once gold breaches its old high, you'll probably never be able to buy it at current prices again in this cycle.

★ ★ ★ *JEFF CLARK* / **LINK**

Pressure is mounting on the European Central Bank to water down emergency measures to prop up Spain and Italy, after reports that the chief of Germany's Bundesbank threatened to quit in protest at the plan.

Pressure is mounting on the European Central Bank to water down emergency measures to prop up Spain and Italy, after divisions within the eurozone were laid bare by reports that the chief of Germany's Bundesbank threatened to quit in protest at the plan.

ECB president Mario Draghi was expected next week to unveil a new bond-buying programme to help the two struggling eurozone states go on without a formal bail-out. Analysts now expect the measures to fall short of Mr Draghi's vow to do "whatever it takes" after the German government had to persuade the influential Jens Weidmann to stay in his post.

Details of the rift emerged as economists prepared to cut their growth forecasts for the single currency bloc once again, following dismal eurozone unemployment figures that saw joblessness rise above 18m for the first time. It also came as Madrid signed up to a vital financial reform package to secure a €100bn (£79bn) eurozone bail-out for its banks.

Mr Draghi appeared to have secured the authority to press ahead with his bond-buying programme after winning the support of the German chancellor, Angela Merkel. With just days to go, he has been confronted with a new problem.

> "... An absolute majority of Socialists would increase the probability that the government will be able to deliver tougher fiscal austerity,"

Stepping up the pressure, fellow German ECB policymaker Jörg Asmussen said the ECB should only buy bonds if the International Monetary Fund was involved in setting an economic reform programme in return. Analysts expect Mr Weidmann to be outvoted on the ECB next week, but his threat to quit would put Ms Merkel, the region's power-broker, in an awkward political position as the Bundesbank is revered in Germany.

"By being so outspoken beforehand, he hopes to limit the extent of the operation," a senior ECB source told Reuters. "That would constantly put a question mark over how far we could go."

Berenberg Bank economist Holger Schmieding said: "Opposition from Weidmann and reservations from some other council members will mean that ECB bond purchases could be highly conditional . . . and not bring yields down quite as much as Italy and Spain might like to see."

Adding to the sense of uncertainty, ECB officials on Friday night said governors would be presented with a list of options for bond purchases the day before they sit down to deliberate the plan. Economists said the process increased the chances of a decision being pushed back.

UK DAILY TELEGRAPH / **LINK**

World food prices jumped 10 percent in July as drought parched crop lands in the United States and Eastern Europe, the World Bank said in a statement urging governments to shore up programs that protect their most vulnerable populations.

From June to July, corn and wheat prices rose by 25 percent each, soybean prices by 17 percent, and only rice prices went down, by 4 percent, the World Bank said on Thursday.

Overall, the World Bank's Food Price Index, which tracks the price of internationally traded food commodities, was 6 percent higher than in July of last year, and 1 percent over the previous peak of February 2011.

U.S. soybean futures hit a record high of $17.78 per bushel in trading on Thursday, while corn futures remained near the record of $8.49 set earlier this month.

"We cannot allow these historic price hikes to turn into a lifetime of perils as families take their children out of school and eat less nutritious food to compensate for the high prices," World Bank Group President Jim Yong Kim said. "Countries must strengthen their targeted programs to ease the pressure on the most vulnerable population, and implement the right policies."

"Africa and the Middle East are particularly vulnerable, but so are people in other countries where the prices of grains have gone up abruptly," Kim added.

A severe drought in the United States has sharply cut corn and soybean yields this year, while a dry summer in Russia, Ukraine and Kazakhstan has hurt wheat output.

The World Bank said its experts do not foresee a repeat of 2008, when a food price spike triggered riots in some countries.

"However, negative factors -- such as exporters pursuing panic policies, a severe El Nino, disappointing Southern hemisphere crops, or strong increases in energy prices -- could cause significant further grain prices hikes such as those experienced four years ago," the bank said.

Separately, finance ministers from the 21-member Asia Pacific Economic Cooperation (APEC) group issued a statement at their meeting on Thursday in Moscow urging countries "to avoid export bans" in response to food price concerns.

APEC member Russia imposed a temporary embargo on grain exports two years ago after crops failed.

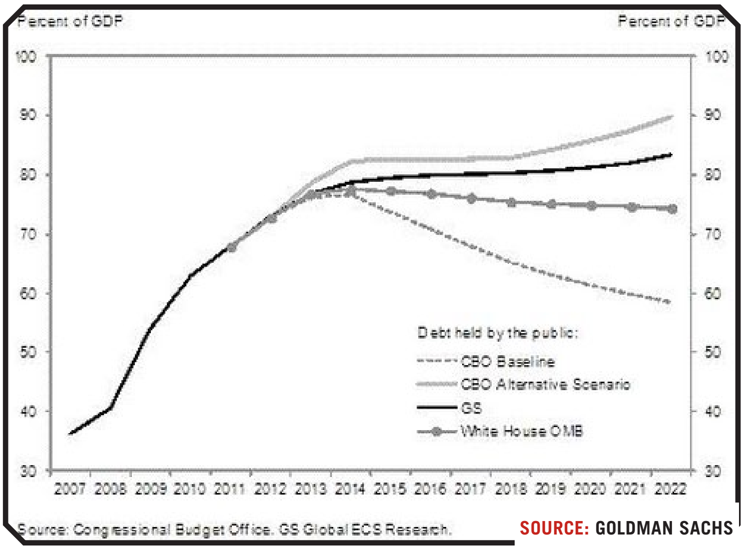
APEC leaders are expected to address food security concerns when they meet next week in Vladivostok.

"I think this is one of the areas where APEC member economies can really work together ... to ensure the inflationary results of drought do not impact the poorest and most disadvantaged people in the world," a U.S. State Department official told reporters on Wednesday.

REUTERS / **LINK**

Goldman's latest analysis

of the US budget shows a staggering gap of $8 trillion in the next 10 years. This materially diverges from the latest White House projection as well as from the CBO's "baseline".



SOURCE: GOLDMAN SACHS

CLICK TO ENLARGE

GS: - Through 2022, we forecast a cumulative deficit of roughly $8 trillion (3.9%) under a "business as usual" assumption that envisions extension of most current policies but no further deficit reduction measures.

The question of course is whether Goldman's nightmare scenario could be altered by the "changing of the guard" in Washington. The answer isn't entirely obvious. The US government clearly needs to shrink. But according to Goldman's model, increased "austerity" - which would presumably be a policy of the Romney Administration - is likely to slow economic growth and reduce tax revenue. The lower tax revenue would offset lower government spending. This is something we may unfortunately be already witnessing in Europe (Italy for example).

GS: - The two main risks to the forecast are related, but work in opposite directions. First, there is a clear possibility of greater fiscal restraint than we assume in our forecast [presumably due to a change in Washington]. While we assume that most of the spending reductions enacted in 2011 will be maintained, we make no assumption regarding the enactment of another round of deficit reduction measures in 2013. The second risk, working in the opposite direction, is that growth could come in under our forecast, particularly if the first risk--tighter-than-expected fiscal policy--does indeed materialize.

This does not bode well for the US public debt levels going forward no matter who is in the White House. The following chart shows Goldman's projection (compared with the White House and the CBO) of the US debt to GDP ratio - creeping toward mid 80s. A number of economists unaffiliated with the government or with GS think Goldman's forecast is quite realistic and may in fact be a bit optimistic.

SOBERLOOK / **LINK**

India does not trust its economic statistics much. So far the economy's sagging performance has been the result of a collapse in private-sector investment. The fear has long been that the problem will spread from the country's board rooms to its streets, with consumption faltering. Uneasy about the reliability of official data, for months Mumbai's analysts have been scouring for clues that people are penny pinching. The most recent scare came from biscuits. India's top manufacturer has complained of a sudden slowdown in the numbers being munched in the countryside.

Yet for all the gripes about their reliability, the latest GDP figures, published on August 31st, paint a less worrying picture. For the first time in a year and half India's economy has stopped decelerating. GDP expanded at a rate of 5.5% in the quarter ending June, compared with the previous year. That is still poor—the fourth-slowest figure for a decade, and far below the government's rose-tinted forecasts. But it is slightly better than expected and also ahead of the prior quarter's 5.3% rate. A slump has not turned into a rout. Bears had talked of growth below 5%, at which point another bout of panic and a sell-off of the rupee would have been likely. Based on the breakdown of GDP by sector, a surge in construction seems to have helped lift performance a little.

Whether this is an inflection point, though, is far less clear. For a start there is, as always, a statistical twist. India's number-crunchers provide an alternative breakdown of GDP by expenditure, which is also calculated on a slightly different basis (at market prices rather than factor cost). This is not the benchmark measure of growth in India and is said to be even less reliable than most data. Still, it shows overall growth dropped to 3.9%. Private consumption did slow down. Capital investment remained moribund. And the only thing showing animal spirits was government consumption.

Assume, however, that private consumption is holding up. That still leaves the original sin, the government's deficit. Including the central government and the states, it is set to hit 8-9% this year and miss the budget targets by a mile. A rising oil price has meant the cost of fuel subsidies has soared. Despite its promises, an embattled government has lacked the nerve to tackle them. A big deficit is not about mere book-keeping. The central bank, among others, reckons it is at the root of India's troubles, crowding out more productive private investment and causing inflation. And, unless dealt with soon, high borrowing may prompt the credit-rating agencies to carry out their threat to downgrade India to junk status.

ECONOMIST / **LINK**

> **"... a "run-off scenario is probably not the preferred solution of the French government due to the importance of the bank's lending activities to the French housing market..."**

The French government said on Saturday it had agreed to rescue troubled mortgage provider Credit Immobilier de France after a fruitless search for a buyer for the lender, which faced a liquidity crisis.

CIF had been up for sale since at least May after its future was thrown into doubt by the evaporation of once-cheap funding from credit markets, on which it depends to finance its operations.

"To allow the CIF group to respect its overall commitments, the state decided to respond favourably to its request to grant it a guarantee," Finance Minister Pierre Moscovici said in a statement.

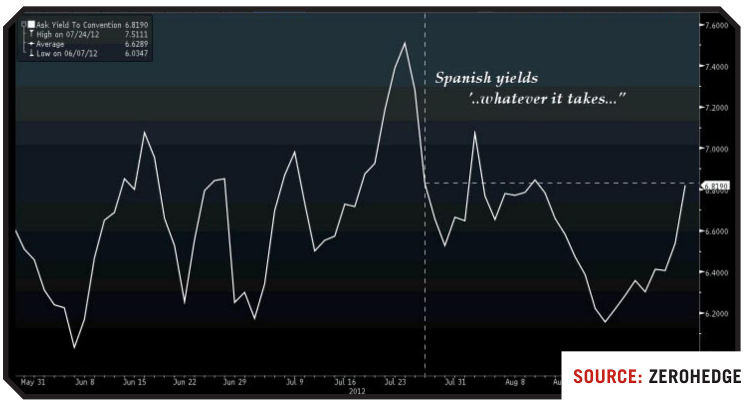
The CIF rescue is the latest in a series of headaches for newly elected Socialist President François Hollande, whose government is already struggling to minimise planned lay-offs at other crisis-hit companies like Peugeot and Carrefour, as well as the final wind-down of Franco-Belgian lender Dexia.

The state guarantee to CIF, facing the expiration of a €1.75bn covered bond in early October, was subject to approval by the European Commission, Moscovici said.

On Tuesday, Moody's cut CIF's credit rating, citing what it said was an increasing probability that the banking group would be placed into a "run-off" scenario rather than being rescued as a going concern, raising risks for its creditors.

The government, which said CIF's business model had been weakened by incoming tougher bank capital ratios, did not say whether it would still seek a buyer or try to wind down the group.

Moody's said a "run-off scenario is probably not the preferred solution of the French government due to the importance of the bank's lending activities to the French housing market, especially in assisting less privileged households".



SOURCE: ZEROHEDGE

CLICK TO ENLARGE

However, a report by Le Figaro newspaper, whose online edition broke the news of the government rescue, said a winding down of the group, which has about 300 branches, was the most likely outcome.

Earlier this week, business daily Les Echos reported that another government-owned bank, Banque Postale, was opposed to rescuing CIF itself.

CIF's Chief Executive Claude Sadoun is resigning, to be replaced by Bernard Sevez.

The government, which did not mention Sadoun by name, said it would ask the company's "previous CEO" to relinquish all potential severance payments.

FT / **LINK**

"... An absolute majority of Socialists would increase the probability that the government will be able to deliver tougher fiscal austerity,"

Spain is beginning to lose the support of its banks as last-resort buyers of government debt, with lenders selling out of their holdings at the fastest pace in more than two years in July, ratcheting up pressure on the European Central Bank to step in and put an end to the country's burgeoning debt crisis.

The sales are a blow to Madrid, which was increasingly reliant on domestic banks to buy its debt after an exodus of foreign investors. Domestic lenders, under political pressure to support the sovereign, used cheap loans from the ECB to buy an extra EUR87bn of debt between December 2011 and March this year.

But that support has begun to ebb, with Spanish banks selling over EUR17bn of debt since then, according to ECB data. In July alone, domestic lenders reduced their holdings by EUR9.3bn, in part to meet an outflow of deposits, signalling that money is now too tight to support the sovereign.

"The spike in yields that we saw in July is consistent with deposit outflows and a local sell-off of sovereign paper," said Sohail Malik, senior portfolio manager for European Credit Management's special situations team. The firm has USD9.5bn in assets under management. "Ultimately, you need one entity to assume a huge amount of supply and that can only be the ECB."

Yields on Spanish 10-year government bonds hit a euro-era record high of 7.7% in July. While they have since come down after ECB President Mario Draghi signalled the central bank might be willing to buy Spanish debt, there are as yet no concrete plans for a rescue. The ECB meets again this Thursday.

"We saw some improvement after the Draghi speech, so the rally must have been backed up by opportunistic hedge funds and trading books of banks," said Malik. The yield on 10-year debt is currently about 6.6%. "But the endgame is that we need an entity to absorb a huge amount of supply."

Madrid is planning a further seven debt auctions before the end of the year, the next coming on Thursday. The sovereign has already completed about two-thirds of its planned EUR86bn of debt issuance this year, but the final slog could be difficult if the ECB fails to buy and domestic banks continue to shrink their holdings.

Spanish banks are facing problems of their own. Data released last week showed that customers withdrew EUR74bn of deposits in July alone - equivalent to 4.7% of total deposits and the biggest monthly outflow since records began. Since June last year, clients have withdrawn EUR233bn, or 13% of the total then.

"... Data released last week showed that customers withdrew EUR74bn of deposits in July alone - equivalent to 4.7% of total deposits and the biggest monthly outflow since records began"

A need to raise cash to meet those withdrawals may have prompted the recent bond sales, as other assets owned by banks - mainly loans and mortgages - are far less liquid. Spanish bank bond holdings are dominated by Spanish government debt, but also include those of other countries.

REUTERS (VIA ZEROHEDGE) / **LINK**

The Dutch Socialist party (SP) is an organisation once known for its Maoist sympathies and habit of throwing tomatoes at political opponents. It now finds itself within touching distance of becoming the biggest parliamentary force, eclipsing its more moderate rivals in the Labour party and on course to gain at least 30 parliamentary seats. Just as the unexpected success of the leftwing Syriza party in beleaguered Greece set alarm bells ringing in Brussels, the SP has become another surprise package of European politics at a time when more centrist politicians seem to lack ideas.

While [Geert] Wilders' [right-wing Freedom] party made its name through divisive ideas such as a tax on Muslim headscarves, a favourite SP slogan reads: "There's enough to go round for everyone." But that inclusive message is intended to carry menacing implications for bankers, business and the EU powerbrokers of Brussels. Anti-austerity and exasperated by endless eurozone bailouts, the SP's leader, Emile Roemer, 50, has pledged to abandon the government's plan to bring the budget deficit below 3% by 2013, largely through healthcare cuts and wage freezes, and face down German chancellor Angela Merkel and the European commission if they object.

Conservative plans to extend the retirement age from 65 to 67 would also be torn up. And in an echo of French president François Hollande's intention to raise more money from the very rich, income tax would be raised from 52% to 65% on those earning above £119,000 a year. A public investment programme, partly financed by the proceeds, would be aimed at turning around the ailing Dutch economy.

For an avuncular former teacher, known for a toothy smile and sometimes nicknamed "Fozzie Bear", it adds up to an uncompromising platform designed to cause palpitations in both the Amsterdam stock exchange and European commission corridors.

On Europe, Roemer has still more to say. A eurozone banking union has been ruled out, as has the so-called European stability mechanism (ESM), which would allow fines to be imposed on countries refusing to maintain balanced budgets. There would be no more Dutch agreement to bailouts of Greece, or any other country.

For a once-marginal party that used to stay out of parliamentary politics, this twin strategy – targeting cuts at home and bailouts abroad – has struck a deafening chord. The Netherlands no longer feels like a safe haven in the eurozone storm. In May, the European commission predicted that the economy would contract by nearly 1% this year. House prices are falling at an alarming rate and in July the rating agency Moody's publically contemplated a downgrade of the country's cherished triple A rating on government debt.

"... the talk among the shoppers was of medical charges, money worries and the malign influence of Brussels bureaucrats and profligate Greeks."

Many voters have had enough. In one poll, some 70% expressed a preference for greater economic stimulus and fewer cuts in 2013. Another survey found that only 58% of Dutch people were now in favour of EU membership, compared with 76% in 2010, a drop that represents a major wobble in one of the founder members of the EU.

Over a few months, the mild-mannered Roemer has transformed the political debate. Prime minister Mark Rutte has taken to warning that an SP-led government would imperil the country. "The SP has the economic themes," said Aalberts. "And the foreigners Dutch people are concerned with at the moment are Polish and Greek, not Muslim."

There was ample evidence of that at the Wesselerbrink market in Enschede, where the SP was doing a thriving trade in symbolic foam "protest" tomatoes, handed out to passersby in one of the city's poorer areas. In this eastern city, which boasts a proud industrial heritage but has a highly uncertain future, the talk among the shoppers was of medical charges, money worries and the malign influence of Brussels bureaucrats and profligate Greeks.

UK GUARDIAN / **LINK**

The OECD has waded into the dispute over emergency measures to prop up Spain and Italy, backing plans for the European Central Bank to buy up debt of struggling eurozone nations.

Europe must exploit the "window of opportunity" offered by the relative calm in the markets to tackle the eurozone debt crisis, the Organisation for Economic Co-operation and Development (OECD) warned.

Wading into the dispute over controversial action to address the problems, the Paris-based think tank backed plans for large-scale buying of government bonds, or debt, by the European Central Bank.

"I think it is now time that the European authorities push strongly toward a solution," Pier Carlo Padoan, the watchdog's chief economist, said. "It is time to exploit what seems to be a credit-opening from markets on the European situation."

Pressure is mounting on the ECB to water down the emergency measures to prop up Spain and Italy, following reports that Jens Weidmann, the chief of Germany's Bundesbank, threatened to quit in protest at the plan.

Mr Padoan made clear his support for central bank action, arguing that the high yields, or interest rates, faced by weaker southern

European nations did not reflect their economic fundamentals, but rather the fear that the euro-zone could fragment.

"So intervening in bond markets, it is a very important temporary backstop to a wider strategy," he told Reuters. "If the ECB comes up with proposals that provide concrete content to the ideas about support of bond markets, that would be extremely important."

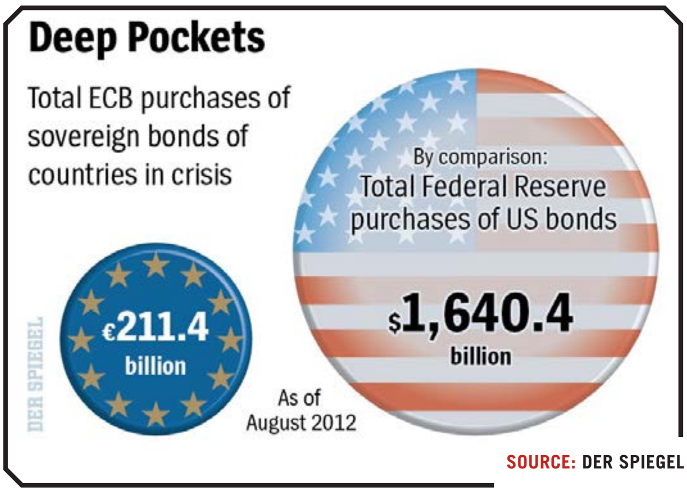
ECB president Mario Draghi was expected next week to unveil a new bond-buying programme to help the two struggling eurozone states go on without a formal bail-out. He appeared to have secured the authority to press ahead after winning the support of the German chancellor, Angela Merkel.

However analysts now expect the measures to fall short of Mr Draghi's vow to do "whatever it takes" after the German government had to persuade the influential Mr Weidmann to stay in his post. Stepping up the pressure, fellow German ECB policymaker Jörg Asmussen said the ECB should only buy bonds if the International Monetary Fund was involved in setting an economic reform programme in return.

Analysts expect Mr Weidmann to be outvoted on the ECB next week, but his threat to quit would put Ms Merkel, the region's power-broker, in an awkward political position as the Bundesbank is revered in Germany.

"By being so outspoken beforehand, he hopes to limit the extent of the operation," a senior ECB source told Reuters. "That would constantly put a question mark over how far we could go."

★ ★ ★ *UK DAILY TELEGRAPH* / **LINK**



SOURCE: DER SPIEGEL

CLICK TO ENLARGE

Jens Weidmann, the 44-year-old head of Germany's central bank, has made a name for himself by championing price stability and opposing bond purchases by the European Central Bank. In a SPIEGEL interview, he criticizes the ECB's latest plans and insists he only wants to secure the euro's long-term future.

SPIEGEL: Mr. Weidmann, US President Barack Obama reportedly asked German Chancellor Angela Merkel for your phone number. Has he already called you?

Weidmann: I haven't received a call from President Obama. I occasionally talk on the phone with US Treasury Secretary Timothy Geithner, though. It's an important part of my job to promote the positions of the Bundesbank during conversations with monetary and financial policy makers from around the world.

SPIEGEL: That doesn't appear to have been particularly fruitful. In all Western capital cities, from Washington to London, and from Paris to Rome, you are regarded as the man who wants to destroy the euro. Is this allegation justified?

Weidmann: No, not at all. I want to help ensure that the euro remains a stable currency. The framework for this is laid out primarily by the Maastricht Treaty, with its rules and conditions for European financial and monetary policy. I take that as my yardstick.

SPIEGEL: But the framework doesn't work anymore.

Weidmann: The framework has been stretched and, in some cases, disregarded.

...in post WII Hungary the equivalent daily inflation rate of 207%, the highest ever recorded, led to a price doubling every 15 hours, certainly one upping such well-known instance of CTRL-P abandon as Zimbabwe (24.7 hours) and Weimar Germany (a tortoise-like 3.70 days)... What we will point is that at no time in recorded history did a monetary regime end in "hyperdeflation." In fact there is not one hyperdeflationary episode of note...

ZEROHEDGE / **LINK**

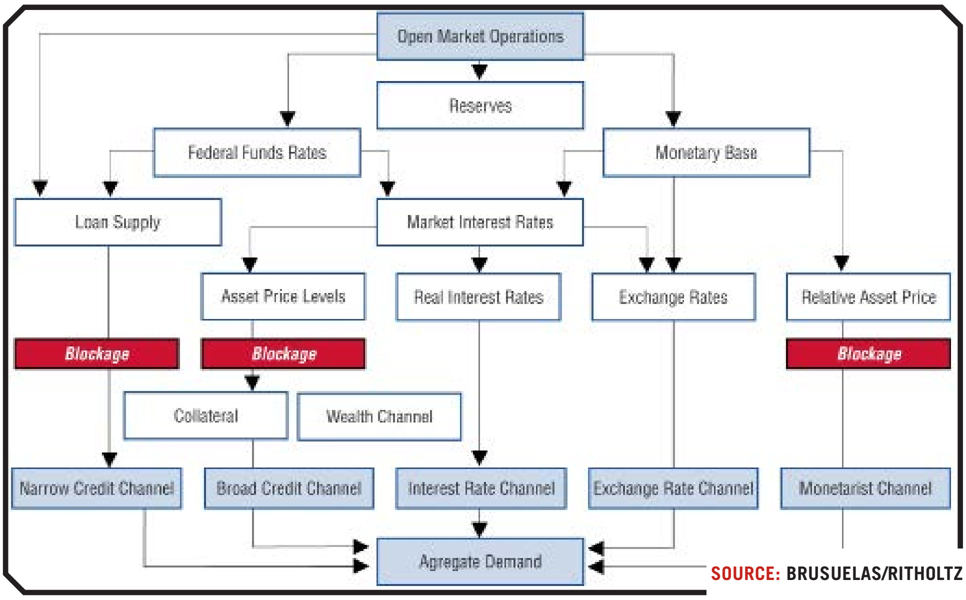
THE HYPERINFLATION TABLE

Location	Start Date	End Date	Month With Highest Inflation Rate	Highest Monthly Inflation Rate	Equivalent Daily Inflation Rate	Time Required for Prices to Double	Currency	Type of Price Index
Hungary[1]	Aug. 1945	Jul. 1946	Jul. 1946	$4.19 \times 10^{16}\%$	207%	15.0 hours	Pengő	Consumer
Zimbabwe[2]	Mar. 2007	Mid-Nov. 2008	Mid-Nov. 2008	$7.96 \times 10^{10}\%$	98.0%	24.7 hours	Dollar	Implied Exchange Rate*
Yugoslavia[3]	Apr. 1992	Jan. 1994	Jan. 1994	313,000,000%	64.6%	1.41 days	Dinar	Consumer
Republika Srpska†[4]	Apr. 1992	Jan. 1994	Jan. 1994	297,000,000%	64.3%	1.41 days	Dinar	Consumer
Germany[5]	Aug. 1922	Dec. 1923	Oct. 1923	29,500%	20.9%	3.70 days	Papiermark	Wholesale
Greece[6]	May. 1941	Dec. 1945	Oct. 1944	13,800%	17.9%	4.27 days	Drachma	Exchange Rate‡
China§[7]	Oct. 1947	Mid-May 1949	Apr. 1949	5,070%	14.1%	5.34 days	Yuan	Wholesale for Shanghai
Free City of Danzig[8]	Aug. 1922	Mid-Oct. 1923	Sep. 1923	2,440%	11.4%	6.52 days	German Papiermark	Exchange Rate**
Armenia[9]	Oct. 1993	Dec. 1994	Nov. 1993	438%	5.77%	12.5 days	Dram & Russian Ruble	Consumer
Turkmenistan††[10]	Jan. 1992	Nov. 1993	Nov. 1993	429%	5.71%	12.7 days	Manat	Consumer
Taiwan[11]	Aug. 1945	Sep. 1945	Aug. 1945	399%	5.50%	13.1 days	Yen	Wholesale for Taipei
Peru[12]	Jul. 1990	Aug. 1990	Aug. 1990	397%	5.49%	13.1 days	Inti	Consumer
Bosnia and Herzegovina[13]	Apr. 1992	Jun. 1993	Jun. 1992	322%	4.92%	14.6 days	Dinar	Consumer
France[14]	May 1795	Nov. 1796	Mid-Aug. 1796	304%	4.77%	15.1 days	Mandat	Exchange Rate
China[15]	Jul. 1943	Aug. 1945	Jun. 1945	302%	4.75%	15.2 days	Yuan	Wholesale for Shanghai
Ukraine[16]	Jan. 1992	Nov. 1994	Jan. 1992	285%	4.60%	15.6 days	Russian Ruble	Consumer
Poland[17]	Jan. 1923	Jan. 1924	Oct. 1923	275%	4.50%	16.0 days	Marka	Wholesale
Nicaragua[18]	Jun. 1986	Mar. 1991	Mar. 1991	261%	4.37%	16.4 days	Córdoba	Consumer
Congo (Zaire)[19]	Nov. 1993	Sep. 1994	Nov. 1993	250%	4.26%	16.8 days	Zaïre	Consumer
Russia††[20]	Jan. 1992	Jan. 1992	Jan. 1992	245%	4.22%	17.0 days	Ruble	Consumer
Bulgaria[21]	Feb. 1997	Feb. 1997	Feb. 1997	242%	4.19%	17.1 days	Lev	Consumer
Moldova[22]	Jan. 1992	Dec. 1993	Jan. 1992	240%	4.16%	17.2 days	Russian Ruble	Consumer
Russia / USSR[23]	Jan. 1922	Feb. 1924	Feb. 1924	212%	3.86%	18.5 days	Ruble	Consumer
Georgia[24]	Sep. 1993	Sep. 1994	Sep. 1994	211%	3.86%	18.6 days	Coupon	Consumer
Tajikistan††[25]	Jan. 1992	Oct. 1993	Jan. 1992	201%	3.74%	19.1 days	Russian Ruble	Consumer
Georgia[26]	Mar. 1992	Apr. 1992	Mar. 1992	198%	3.70%	19.3 days	Russian Ruble	Consumer
Argentina[27]	May 1989	Mar. 1990	Jul. 1989	197%	3.69%	19.4 days	Austral	Consumer
Bolivia[28]	Apr. 1984	Sep. 1985	Feb. 1985	183%	3.53%	20.3 days	Boliviano	Consumer
Belarus††[29]	Jan. 1992	Feb. 1992	Jan. 1992	159%	3.22%	22.2 days	Russian Ruble	Consumer
Kyrgyzstan††[30]	Jan. 1992	Jan. 1992	Jan. 1992	157%	3.20%	22.3 days	Russian Ruble	Consumer
Kazakhstan††[31]	Jan. 1992	Jan. 1992	Jan. 1992	141%	2.97%	24.0 days	Russian Ruble	Consumer
Austria[32]	Oct. 1921	Sep. 1922	Aug. 1922	129%	2.80%	25.5 days	Crown	Consumer
Bulgaria[33]	Feb. 1991	Mar. 1991	Feb. 1991	123%	2.71%	26.3 days	Lev	Consumer
Uzbekistan††[34]	Jan. 1992	Feb. 1992	Jan. 1992	118%	2.64%	27.0 days	Russian Ruble	Consumer
Azerbaijan[35]	Jan. 1992	Dec. 1994	Jan. 1992	118%	2.63%	27.0 days	Russian Ruble	Consumer
Congo (Zaire)[36]	Oct. 1991	Sep. 1992	Nov. 1991	114%	2.57%	27.7 days	Zaïre	Consumer
Peru[37]	Sep. 1988	Sep. 1988	Sep. 1988	114%	2.57%	27.7 days	Inti	Consumer
Taiwan[38]	Oct. 1948	May 1949	Oct. 1948	108%	2.46%	28.9 days	Taipi	Wholesale for Taipei
Hungary[39]	Mar. 1923	Feb. 1924	Jul. 1923	97.9%	2.30%	30.9 days	Crown	Consumer
Chile[40]	Oct. 1973	Oct. 1973	Oct. 1973	87.6%	2.12%	33.5 days	Escudo	Consumer
Estonia††[41]	Jan. 1992	Feb. 1992	Jan. 1992	87.2%	2.11%	33.6 days	Russian Ruble	Consumer
Angola[42]	Dec. 1994	Jan. 1997	May 1996	84.1%	2.06%	34.5 days	Kwanza	Consumer
Brazil[43]	Dec. 1989	Mar. 1990	Mar. 1990	82.4%	2.02%	35.1 days	Cruzado & Cruzeiro	Consumer
Democratic Republic of Congo[44]	Aug. 1998	Aug. 1998	Aug. 1998	78.5%	1.95%	36.4 days	Franc	Consumer
Poland[45]	Oct. 1989	Jan. 1990	Jan. 1990	77.3%	1.93%	36.8 days	Zloty	Consumer
Armenia††[46]	Jan. 1992	Feb. 1992	Jan. 1992	73.1%	1.85%	38.4 days	Russian Ruble	Wholesale
Tajikistan[47]	Oct. 1995	Nov. 1995	Nov. 1995	65.2%	1.69%	42.0 days	Ruble	Wholesale
Latvia[48]	Jan. 1992	Jan. 1992	Jan. 1992	64.4%	1.67%	42.4 days	Russian Ruble	Consumer
Turkmenistan††[49]	Nov. 1995	Jan. 1996	Jan. 1996	62.5%	1.63%	43.4 days	Manat	Consumer
Philippines[50]	Jan. 1944	Dec. 1944	Jan. 1944	60.0%	1.58%	44.9 days	Japanese War Notes	Consumer
Yugoslavia[51]	Sep. 1989	Dec. 1989	Dec. 1989	59.7%	1.57%	45.1 days	Dinar	Consumer
Germany[52]	Jan. 1920	Jan. 1920	Jan. 1920	56.9%	1.51%	46.8 days	Papiermark	Wholesale
Kazakhstan[53]	Nov. 1993	Nov. 1993	Nov. 1993	55.5%	1.48%	47.8 days	Tenge & Russian Ruble	Consumer
Lithuania[54]	Jan. 1992	Jan. 1992	Jan. 1992	54.0%	1.45%	48.8 days	Russian Ruble	Consumer
Belarus[55]	Aug. 1994	Aug. 1994	Aug. 1994	53.4%	1.44%	49.3 days	Ruble	Consumer
Taiwan[56]	Feb. 1947	Feb. 1947	Feb. 1947	50.8%	1.38%	51.4 days	Taipi	Wholesale for Taipei

Notes:
- When a country experiences periods of hyperinflation that are broken up by 12 or more consecutive months with a monthly inflation rate below 50%, the periods are defined as separate episodes of hyperinflation.
- The currency listed in the chart is the one that, in a particular location, is associated with the highest monthly rate of inflation. The cu
only one that was in circulation, in that location, during the episode.

SOURCE: CATO/ZEROHEDGE

CLICK TO ENLARGE



SOURCE: BRUSUELAS/RITHOLTZ

CLICK TO ENLARGE

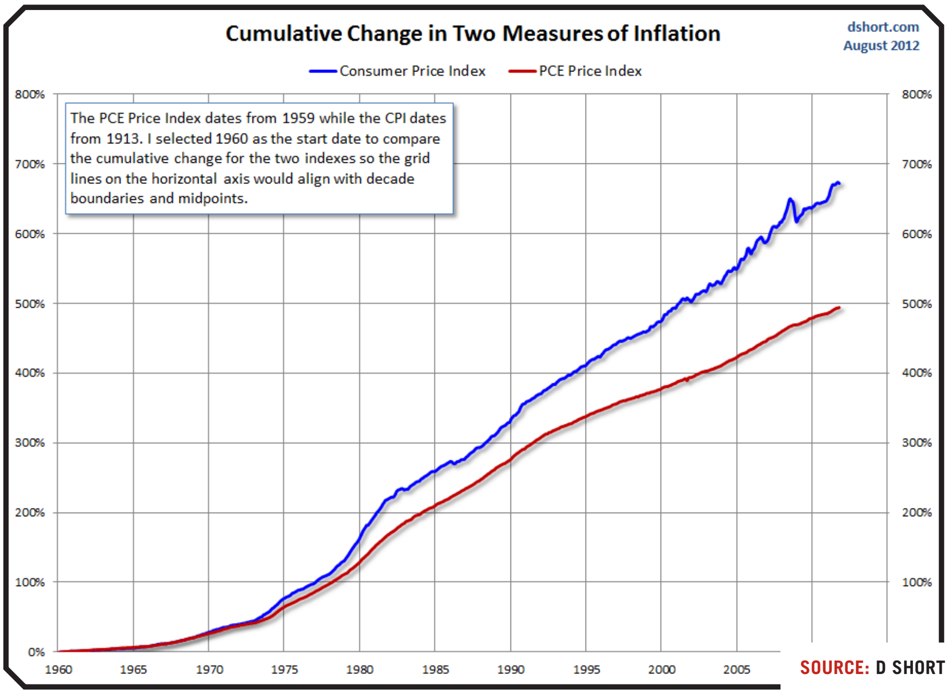
A great graphic

from Joe brusuelas of Bloomberg (via Barry Ritholtz) that shows where the blockages are in the monetary transmission system...

File this one under 'Gomer Pyle':

The BEA's Personal Consumption Expenditures (PCE) Chain-type Price Index for July, released yesterday, shows core inflation below the Federal Reserve's 2% target at 1.65%. In contrast, the Core Consumer Price Index, also data through July, is above the target at 2.10%. The Fed, of course, is on record as using PCE as its primary inflation gauge... Here is a chart that helps us compare the cumulative change in the two indexes since 1960. Over time, the PCE price index reflects significantly lower growth in inflation than does CPI.

D SHORT / **LINK**



SOURCE: D SHORT

CLICK TO ENLARGE

SOURCE: JESSE'S CAFE AMERICAIN

Two charts from Jesse's Café Americain:

Top: Silver weekly chart

Bottom: Gold daily chart

As the much-lamented Swingout Sister once said:

When explanations make no sense
When every answer's wrong
You're fighting with lost confidence
All expectations come

The time has come to make or break
Move on don't hesitate
Breakout

Don't stop to ask
Now you've found a break to make at last

SOURCE: JESSE'S CAFE AMERICAIN

CLICK TO ENLARGE

CLICK TO WATCH

Two guys in

bowties. No, not Charlie Sheen's latest sitcom, but Jim Grant talking to another man in a bowtie (Tom Keene) who, frankly, I wish would stop interrupting him.

Jim lays out the case for a gold standard and explains some (but certainly not all) of the Fed's shortcomings in his usual erudite and considered manner.

"What we need is a central bank that has the humility not to do what it cannot do. And the Fed cannot do what others have failed to do, namely to plan an economy from a central desk in the capital city."

Amen to that.

(courtesy of zerohedge)

Ordinarily, Daily Show

clips are reserved for the 'And Finally..." page, but this interview with former RNC Chairman, Michael Steele deserves a place here.

When the discussion turns to Ron Paul's treatment by the current RNC, Steele pulls no punches...

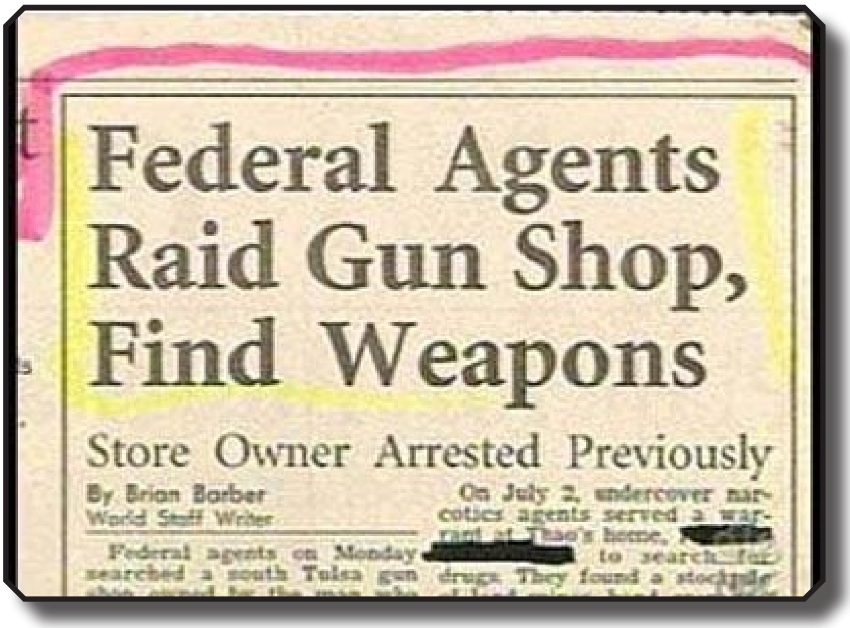
(courtesy of Robert Wenzel)

CLICK TO WATCH

CLICK TO LISTEN

More Mauldin for

you as John talks to Eric King about his recent travels through Europe, the upcoming German Constitutional Court ruling and the chances of a Grexit (boy, I HATE that term). John also shares his thoughts on China, gold and the US elections. Partisanship aside, this is an excellent interview.



Federal Agents Raid Gun Shop, Find Weapons

Store Owner Arrested Previously

By Brian Barber
World Staff Writer

Federal agents on Monday [redacted] searched a south Tulsa gun

On July 2, undercover narcotics agents served a warrant at Thao's home, [redacted] to search for drugs. They found a stockpile

Hmmm…

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UNSUBSCRIBE

COMMENTS

Grant Williams

Grant Williams is a portfolio and strategy advisor to Vulpes Investment Management in Singapore - a hedge fund running over $250million of largely partners' capital across multiple strategies.

The high level of capital committed by the Vulpes partners ensures the strongest possible alignment between us and our investors.

In Q4 2012 we will be launching the Vulpes Agricultural Land Investment Company (VALIC), a globally-diversified agricultural land vehicle which will provide truly diversified exposure to the agricultural sector through a global portfolio of physical farmland assets.

Grant has 26 years of experience in finance on the Asian, Australian, European and US markets and has held senior positions at several international investment houses.

Grant has been writing 'Things That Make You Go Hmmm.....' since 2009.

For more information on Vulpes please visit www.vulpesinvest.com

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Follow me on Twitter: @TTMYGH

YouTube Video Channel: http://www.youtube.com/user/GWTTMYGH

California Investment Conference 2012 Presentation: 'Simplicity': Part I : Part II

As a result of my role at Vulpes Investment Management, it falls upon me to disclose that, from time-to-time, the views I express and/or the commentary I write in the pages of *Things That Make You Go Hmmm.....* may reflect the positioning of one or all of the Vulpes funds - though I will not be making any specific recommendations in this publication.

Grant

www.vulpesinvest.com