

5 MIN. FORECAST

November 20, 2014

- The Fed tells you it's not worried: Don't believe it...
- Four grave financial warnings delivered to global elites... and now you'll see them too
- Looking through the fog of today's economic numbers
- Calling BS on the \$50 Thanksgiving dinner
- Revisiting the Saudi oil "bluff"... The most useless government agency (maybe)... In defense of house flipping and those silly Sprint "family" commercials... and more!



Don't worry; be happy: That's the takeaway from minutes of the Fed's October meeting, released yesterday afternoon.

The Wall Street Journal summarizes it thus: "Federal Reserve officials were preoccupied at an October policy meeting with tumult in financial markets, weak economic conditions abroad and risks that low inflation could drift lower, but they forged ahead with a decision to end their bond-buying program because the U.S. economy and labor market appeared to be on course for further improvement."

As the minutes themselves said, "In their discussion of the asset purchase programme, members generally agreed... there was sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment."

At the risk of repeating ourselves, Fed minutes are not "minutes" like the kind that are kept at your local school board meeting -- an objective record of who said what. Fed minutes are a political document, painstakingly crafted for public consumption.

Meanwhile, behind the scenes, Fed governors and other global elites are sharing a very different message among themselves.

00:25 "The globe's most connected financial insiders recently signaled that the markets are on the brink of catastrophe," writes Jim Rickards in the latest issue of *Rickards' Strategic Intelligence*, released on Monday.

"There's an old saying in the stock market that when prices are about to collapse, 'nobody rings a bell.'

"Yet sometimes, the global power elites do ring a bell. But they ring it for the wealthiest and most powerful individuals only. Everyday investors like you are not intended to hear it."

Jim has heard four of these warnings during a 100-day span this summer and fall...

00:45 **June 29: The Bank for International Settlements** -- think of it as the central bank for central banks -- issues its annual report, using the word "euphoric" to describe markets.

"Time and again," it said, "seemingly strong balance sheets have turned out to mask unsuspected vulnerabilities."

00:55 **Sept. 20: Finance ministers from G-20 countries meet in Australia.** "Since the crisis of 2008," says Jim, "the G-20 has been the most important forum for directing global economic policy.

"The final report of their September meeting said, 'We are mindful of the potential for a buildup of excessive risk in financial markets, particularly in an environment of low interest rates and low asset price volatility.'

01:05 **Sept. 29: A Swiss think tank called the International Center for Monetary and Banking Studies issues its 16th annual "Geneva Report."**

"Contrary to widely held beliefs," said the report, "six years on from the beginning of the financial crisis... the global economy is not yet on a deleveraging path. Indeed, the ratio of global total debt... over GDP... has kept increasing... and breaking new highs."

01:55 **Oct. 11: The International Monetary Fund (IMF) issues its own**

warning, invoking the possibility of "financial Ebolas" that are "bound to happen."

"Downside risks arise from," the report continues, "increased risk-taking amidst low volatility in financial markets and heightened geopolitical tensions."

01:25 "All of the reports and press releases noted above are written in highly technical language and were read by only a relatively small number of expert analysts," says Jim.

"Some of these reports may have been picked up and mentioned briefly in the press, but they didn't make the front pages.

"For you, such pronouncements are just more financial noise in a flood of information that washes over you every day on TV, radio, the Web, in newspapers and in other publications. The power elite were not signaling you -- they were signaling each other.

The 2014 Geneva Report: The elites signaling each other about an impending crisis.

"Have you noticed that government officials, billionaires and major CEOs rarely seem to suffer when the financial system collapses, as it does from time to time? They see the catastrophe coming and warn each other to get out of the way in advance."

01:50 **As you might already know, Jim recommends having 10% of your portfolio in physical gold. But what else can you do with so many alarm bells ringing at once?**

Next Monday, Nov. 24, is when Jim holds his next online Q&A exclusively for Agora Financial subscribers like you. This is where you have a unique opportunity to take a deep dive into issues Jim doesn't explore when he's interviewed on Bloomberg TV... or even at his speaking engagements, where he's known to charge \$15,000 a pop.

You can take part in this event free as a subscriber to Rickards' Strategic Intelligence. The timing couldn't be more urgent: As we've mentioned the last seven weeks, Jim believes the Swiss gold referendum could prove to be the "snowflake" that finally triggers a financial avalanche. That vote is

now only 10 days away.

[Prepare now. Start here.](#)

When dreams come true...

Eight years ago, NASA placed a little rectangular container on the International Space Station. Its sole function: to keep the astronauts aboard alive.

It has since exceeded its design parameters. **It's taken on a life of its own.**

And now it could give the gift of life to millions of dying Americans... and make you a half million dollars richer! To discover why... [click here now!](#)

02:05 **Major U.S. stock indexes reacted little to the Fed minutes yesterday...** and traders are also bored by a flurry of economic numbers this morning. At last check, the S&P 500 was up fractionally, to 2,051.

Let's see if we can deduce anything from the numbers -- the ones we find mildly interesting, at least...

- Leading economic indicators: Up 0.9%, according to the Conference Board, a reading Bloomberg calls "very strong." Alas, the biggest contributing factor is low interest rates. Uhh... Isn't that something we've had for nearly six years now?
- Mid-Atlantic manufacturing: The "Philly Fed" survey for November clocks in at a silly-high 40.8, one of the highest readings in the index's five-decade history. Too bad that doesn't square with...
- "Flash PMI": This early reading on nationwide manufacturing for November decelerated to 54.7. That's still well above the 50 dividing line between growth and contraction... but it's the slowest level of growth since January. Meanwhile, the eurozone number has slowed to a 16-month low and China's sits at a six-month low
- Consumer price index: Flat in October. The year-over-year increase is 1.7%.

As we're wont to say, any resemblance to your own cost of living is purely coincidental.

In the real world, annual inflation as measured by John Williams at ShadowStats.com -- using the same methodology the government used up until about 1980 -- is 9.4%.

02:45 **Here's another cost-of-living number we find suspect:** Each year, the American Farm Bureau Federation issues a report detailing the cost of a Thanksgiving dinner for 10. This year's estimate -- \$49.41, up 37 cents from last year.

The most costly item is the turkey, and the Farm Bureau says its price fell ever so slightly, to \$21.65.

Huh?! Only three days ago, Bloomberg News was reporting a turkey shortage. Farmers have been culling their flocks ever since drought triggered a shortage of feed grain two years ago. Turkey production is down 3.3% from last year. Wholesale prices are at their highest ever.

03:00 **Digging deeper, we find farmers themselves say turkey is in plentiful supply** -- but their costs are going up, and for the moment, they're willing to eat those costs.

"A lot of our inputs went up this year -- grain, plastic for packaging and labor costs," Aimee Ashley Myers of New Jersey-based Ashley Farms tells the Newark Star-Ledger. "This year, our price went up 20 cents per pound. We haven't raised our price in three years."

Hmmm... Savor it while you can: If the Farm Bureau figures are accurate (and we have grave doubts based on personal experience), this will be the last year of a sub-\$50 turkey dinner.

Really, \$50 to feed 10 people? Yeah, the Farm Bureau breaks it down in painstaking fashion ([it's here](#), if you really want to see), but does that square with your household? [Drop us a line...](#)

03:25 **Gold's choppy price action all week has stretched into today.** At last check, the bid was up \$8, to \$1,192.

03:30 **Crude is trying to make a run toward \$75 again.** As we write, a barrel of West Texas Intermediate fetches \$74.90. Brent crude -- the

benchmark price in the rest of the world -- sits at \$78.64.

We checked again this morning with Matt Insley of our energy desk: Is he sticking to his outlook, shared in this space 10 days ago, that Saudi Arabia is bluffing with its implied threat of an oil price war?

Yes. A "calculated bluff" is how he describes it. Which means a potential surprise for anyone expecting OPEC ministers to cut production when they meet in Vienna on Thanksgiving Day. "From that standpoint, the OPEC meeting will deliver a turkey to those looking for cheaper oil.

"Although the market has ample supply of oil, I don't see prices falling much below where they stand today. And if anything, this latest OPEC gathering will mark a relative bottom in prices -- next stop, \$80 a barrel.

"I'm forecasting a bottom in oil prices soon. And with the pullback we've seen in the shale sector, now's the time to start bargain-hunting for your favorite shale plays."

[Ed. note: And if you're feeling really adventurous, there's a "once-per-generation moneymaking opportunity" on Matt's radar. We alerted you to it on Wednesday. It presents you the chance to triple your money within the next two months.

Please note: We're keeping a strict cap on participation in this opportunity. You can see if it's still open [by clicking this link.](#)

04:05 Your government in action -- the new "SmartCheck" program.

No, it's not some dunderheaded initiative from the TSA. (That's "SecureCheck.") Rather it comes from the Commodity Futures Trading Commission (CFTC).

A CFTC press release describes it as "a new national campaign to help investors identify and protect themselves against financial fraud. The comprehensive campaign includes a new website, a national advertising campaign and interactive videos that will help investors spot investment offers that are potentially fraudulent."

Ummm, OK. Caveat emptor and all that. We get it. But isn't the function of the CFTC to put a *stop* to fraud? What the hell is the point of its \$180.4 million budget and 682 full-time employees?

Rant over. To the mailbag...

04:30 "Re: the tantrum tosser that decided to use the small version of his brain while lumping all house flippers into the category of devils incarnate because they choose to make a profit at what they do," reads our first entry.

[Ah, we figured that'd get a response...]

"When was the last time that this upstanding member of the community went to work and asked to pay for the opportunity to work, rather than getting paid? Of course a profit is nice. Yes, we house flippers are always looking to make a few bucks. No, we are not all hedge funds. Plenty of us are individuals or small LLCs looking to make a living and to support our families.

"We buy beat-up houses, many of which cannot be sold with traditional funding due to their state of disrepair, and turn them into houses that can give someone the pride of ownership and that can increase home values, family values and safety in the surrounding area. If that is capitalism at its worst, then call me a proud capitalist."

04:45 "Double oy and double superficially wretched, Dave!" chimes in one of our regulars, conflating two items from yesterday's mailbag.

"Call me dumber than a rock laying in my front yard, because now you tell me the exec who created the weird Sprint 'family' commercials has been s**tcanned.

"I only wanted one question answered, which I asked my family on several occasions upon airing of a family commercial. Why is the 'dad' a talking hamster rolling around in a plastic ball?

"Then you lay down that Andrew Dice Clay was the voice of the 'dad' hamster! The same Andrew Dice Clay that revamped the old 'Mary, Mary quite contrary' rhyme? I'll be muttering to myself all weekend now, envisioning that damn varmint rolling around muttering Andrew Dice Clay rhymes while puffing on a cig! Now there's a freaking commercial!

"As you can tell, I'm easily entertained! Maybe that's why I enjoy *The 5* so much."

The 5: Is it Dice puffing on a cig, or you? And what kind, exactly? Heh...

04:55 "Last month, *60 Minutes* went to China and looked at hundreds of empty apartment buildings," a reader writes after our China expose yesterday. "You seem to be a little late to the party?"

The 5: Au contraire. We find references to empty Chinese skyscrapers in our voluminous archives going back to [at least mid-2012](#).

All we're saying is that matters are reaching a critical mass... and the rot within China's "shadow banking" system will have effects all over the globe.

Best regards,

Dave Gonigam
The 5 Min. Forecast

P.S. In addition to the Swiss gold referendum, a credit crisis in China is high on the list of financial "snowflakes" that Jim Rickards believes could trigger an avalanche.

As we said yesterday, the stories of hiccups in China's credit markets are confined to the inside pages of the financial papers. By the time they reach the front pages, it'll be too late to act.

That's one more reason we've scheduled Jim's next briefing for Agora Financial readers next Monday, Nov. 24. *Rickards' Strategic Intelligences* subscribers will receive instructions for access later today. If you're not a subscriber, [you can become one here](#).

Thank you for reading *The 5 Min. Forecast*! We greatly value your questions and comments. Please send all feedback to 5minforecast@agorafinancial.com