

by DeepCaster LLC, [deepcaster.com](http://deepcaster.com) | December 30, 2009

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To see 2010's Potential we must first consider the Main Perils.

### **“Hyperinflation Nears...**

The intensifying economic and solvency crises, and the responses to both by the U.S. government and the Federal Reserve in the last two years, have exacerbated the government's solvency issues and moved forward my timing estimation for the hyperinflation to the next five years, from the 2010 to 2018 timing range estimated in the prior report. The U.S. government and Federal Reserve already have committed the system to this course through the easy politics of a bottomless pocketbook, the servicing of big-moneyed special interests, gross mismanagement, and a deliberate and ongoing effort to debase the U.S. currency. Accordingly, risks are particularly high of the hyperinflation crisis breaking within the next year...

Numerous foreign governments have offered unusually blunt criticism of U.S. fiscal and Federal Reserve policies in the last year. Both private and official demand for U.S. Treasuries increasingly is unenthusiastic. Looming with uncertain timing is a panicked dollar dumping and dumping of dollar-denominated paper assets. Such is the most likely event to trigger the onset of hyperinflation in the year ahead...

The U.S. has no way of avoiding a financial Armageddon...With the creation of massive amounts of new fiat dollars (not backed by gold or silver) will come the eventual destruction of the value of the U.S. dollar and related dollar-denominated paper assets..."

### **“HYPERINFLATION SPECIAL REPORT (UPDATE 2010)”**

**John Williams, Shadow Government Statistics, December 2, 2009**

These Expectations of Hyperinflation (and a contracting Economy) are unfortunately supported by the Realities of Total U.S. Federal Obligations (National Debt plus downstream Unfunded Liabilities).

2009 Total Federal Obligations (TFO per GAAP) are \$74.6 Trillion (according to Shadowstats.com), up from \$65.5 Trillion in 2008.

The 2009 National Debt Component (of TFO) is \$11.9 billion, up from \$10 billion in 2008.

Over the long term, these obligations cannot possibly be repaid without a substantial further devaluing of the U.S. Dollar. Unfortunately, when the devaluing picks up steam the denouement could look quite like the Weimar Republic, or Zimbabwe.

In the short and medium term one refuge, and, indeed, a potential Profit Opportunity, is in Inflation Assets, and especially Agriculture.

With the Earth's Population growing at 80 million/year and the U.S.A.'s exploding at 5 million/year, increasing demand for food is a certainty.

Of course, Timing and Selection of Specific Commodities are essential to Profit.

Supplies of Portable Energy (Crude Oil, Gasoline) are another Inflation Asset.

But profiting from these Strategic Commodities is a tricky business, and not only because their price is susceptible to levels of economic activity.

The price of Crude Oil and Other Strategic Commodities, and the Precious Metals is also subject to Overt and Covert Price Manipulation of Fed-led key Central Bankers and their Allies including certain Primary Dealers.

\*We encourage those who doubt the scope and power of Overt and Covert Interventions by a Fed-

led Cartel of Key Central Bankers and Favored Financial Institutions to read Deepcaster's December, 2008 Letter containing a summary overview of Intervention entitled "A Strategy for Profiting from the Cartel's Dark Interventions & Evolving Techniques" and Deepcaster's July, 2009 Letter entitled "A Strategy For Profiting From The Cartel's Dark Interventions & Evolving Techniques - II" in the "Latest Letter" Cache at [www.deepcaster.com](http://www.deepcaster.com). Also consider the substantial evidence collected by the Gold AntiTrust Action Committee at [www.gata.org](http://www.gata.org) for information on precious metals price manipulation. Virtually all of the evidence for Intervention has been gleaned from publicly available records. Deepcaster's profitable recommendations displayed at [www.deepcaster.com](http://www.deepcaster.com) have been facilitated by attention to these "Interventionals."

That is why it is essential to Monitor The Interventionals, as Deepcaster does, as well as the Fundamentals and Technicals.

Gold and Silver are the Ultimate Inflation Protection Assets, but they are subject to intense price manipulation by The Cartel. Deepcaster has developed a Strategy for Coping with Cartel Intervention which is laid out in "Defeating The Cartel...with Profit" (Part 1 - 03/28/2008 and Part 2 - 06/19/2009) in the 'Articles by Deepcaster' at [www.deepcaster.com](http://www.deepcaster.com).

As if Market Manipulation by the private for-profit Fed and its allies and puppets were not enough of a challenge, Mega-Bankers influence on, and in key instances, Control, of the Political Systems of Key Nations certainly is.

Case in point is the Obama's Administration Sellout to the Mega-Bankers, as described in a recent article by Matt Taibbi:

"Barack Obama ran for president as a man of the people, standing up to Wall Street as the global economy melted down in that fateful fall of 2008. He pushed a tax plan to soak the rich, ripped NAFTA for hurting the middle class and tore into John McCain for supporting a bankruptcy bill that sided with wealthy bankers "at the expense of hardworking Americans."...What inspired supporters who pushed him to his historic win was the sense that a genuine outsider was finally breaking into an exclusive club, that walls were being torn down, that things were, for lack of a better or more specific term, changing.

Then he got elected.

What's taken place in the year since Obama won the presidency has turned out to be one of the most dramatic political about-faces in our history. Elected in the midst of a crushing economic crisis brought on by a decade of orgiastic deregulation and unchecked greed, Obama had a clear mandate to rein in Wall Street and remake the entire structure of the American economy. What he did instead was ship even his most marginally progressive campaign advisers off to various bureaucratic Siberias, while packing the key economic positions in his White House with the very people who caused the crisis in the first place. This new team of bubble-fattened ex-bankers and laissez-faire intellectuals then proceeded to sell us all out, instituting a massive, trickle-up bailout and systematically gutting regulatory reform from the inside.

How could Obama let this happen?...

Whatever the president's real motives are, the extensive series of loophole-rich financial "reforms" that the Democrats are currently pushing may ultimately do more harm than good. In fact, some parts of the new reforms border on insanity, threatening to vastly amplify Wall Street's political power by institutionalizing the taxpayer's role as a welfare provider for the financial-services industry. At one point in the debate, Obama's top economic advisers demanded the power to award future bailouts without even going to Congress for approval — and without providing taxpayers a single dime in equity on the deals."

"Obama's Big Sellout: The president has packed his economic team with Wall Street insiders intent on turning the bailout into an all-out giveaway"  
Matt Taibbi, Rollingstone.com, 12/9/09

But in spite of worldwide Mega-Bankers' domination, the likely course of Events will provide opportunity for change.

Worldwide Public and Investor Outrage at the Mega-Bankers is growing.

For Example, NY Times Writers Morgenson and Story lay out allegations that "Banks Bundled Bad Debt, Bet Against It and Won" in an Article by the same name. Regarding the allegations against Goldman Sachs, the authors noted:

"In late October 2007, as the financial markets were starting to come unglued, a Goldman Sachs trader...

... creat(ed) mortgage-related securities, named Abacus, that were at first intended to protect Goldman from investment losses if the housing market collapsed. As the market soured, Goldman created even more of these securities, enabling it to pocket huge profits...

Pension funds and insurance companies lost billions of dollars on securities that they believed were solid investments, according to former Goldman employees with direct knowledge of the deals who asked not to be identified because they have confidentiality agreements with the firm...

One focus of the inquiry is whether the firms creating the securities purposely helped to select especially risky mortgage-linked assets that would be most likely to crater, setting their clients up to lose billions of dollars if the housing market imploded...

Some securities packaged by Goldman and Tricadia ended up being so vulnerable that they soured within months of being created...

But Goldman and other firms eventually used the C.D.O.'s to place unusually large negative bets that were not mainly for hedging purposes, and investors and industry experts say that put the firms at odds with their own clients' interests.

"The simultaneous selling of securities to customers and shorting them because they believed they were going to default is the most cynical use of credit information that I have ever seen," said Sylvain R. Raynes, an expert in structured finance at R & R Consulting in New York. "When you buy protection against an event that you have a hand in causing, you are buying fire insurance on someone else's house and then committing arson."

Investment banks were not alone in reaping rich rewards by placing trades against synthetic C.D.O.'s. Some hedge funds also benefited, including Paulson & Company, according to former Goldman workers and people at other banks familiar with that firm's trading." (emphasis added)

"Banks Bundled Bad Debt, Bet Against It and Won"

Gretchen Morgenson and Louise Story, The New York Times, 12/23/09

But, an Opportunity to loosen the Mega Bankers Vise-Grip on the Financial and Political Systems is likely to arise in 2010 as a result of yet another catastrophic Markets Moving event – The Second Wave of Mortgage Defaults.

T2 Partners point out that 80% of Option ARM's are negatively Amortizing, yet many will be resetting in 2010 and 2011. Moreover many Option Arms are resetting already because they have, or are about to, hit their automatic reset cap (typically 125%).

These mortgage rate resets will drive many more borrowers over the edge and into foreclosure. And that will most certainly be bad for the Real Estate and related industries as well. Tax revenues will take a bigger hit, as will those Equities Sectors.

Virtually all of these borrowers are "members" of that Consumer/Taxpayer Sector which generates 70% of U.S. GDP. This is not a good omen for corporate earnings, or tax revenues, or the Markets, or the Economy, in 2010.

The foregoing is but one reason we expect many Sectors in the Equities Markets to fall in 2010. But



taxes, a minimum of \$50,000 per household, gets rebated to each household, with the caveat that half of that money must be used to payoff debt. This will increase dramatically the number of 'credit worthy' potential borrowers. It will dramatically improve household balance sheets, reduce bank non-performing loans, increase bank risk based capital ratios, and provide the cash stimulus across the entire spectrum of the economy, boosting every sector and business, not just the few targeted corporations and programs that Central Planners choose to realize their political agenda."

McHugh's Daily Market Briefing, December 14, 2009

"The Fed has now purchased \$825 billion of bad mortgages from Fannie Mae (FNMA), and Freddie Mac (FHLMC). It intends to continue these purchases in a potentially unlimited amount. Our comment here is, wouldn't a better plan had been a massive income tax rebate to every American Household so folks could have brought delinquent mortgages current, held onto their homes, and rendered unnecessary the Fed's purchase of \$1.25 trillion of bad loans?"

Time Magazine has announced that Fed Chair Ben Bernanke is its Person of the Year for 2009. What a joke. Technical Indicators suggest it is highly unlikely he will be praised in 2010. Why he was praised in 2009 is a mystery, with unemployment skyrocketing under his tenure, with consumer foreclosures increasing, and consumer credit ratings plummeting. Time is out of touch with reality..."

McHugh's Wednesday Market Update, December 16, 2009

Bob Chapman describes well the Consequences of the Bailouts and Stimuli.

"We see \$12.7 trillion donated (without their consent) by the lender-taxpayers to the top world economies, or about 20% of world GDP. These funds, a good part of which will never be retrieved, have been stuffed into the pockets of bankers, Wall Street, insurance companies and GM and AIG. 80% of the problems we have had to face were caused by these very same entities, which along with the Fed, propose to solve the problem they created. It is as if they are the only ones in the world who know best what is good for our system and for us. They as well continue to play in the giant casino as if nothing ever happened. While this transpires there are still trillions of dollars in bad debt and impaired assets on the books that have to be written off..."

At first the G-20 nations wanted to remove monetary stimulus and now they say it is too early to do so. What they do not tell you is if they remove trillions from their economies they would collapse. Europe, the UK and US have losses of \$1.7 trillion they haven't written off of yet. In addition, they have hundreds of billions in losses for foreclosed loans that are still flowing in, to further befoul their balance sheets. We have to laugh when central bankers talk about draining trillions from the system. If they pull liquidity the system collapses. Other than feeding money and credit into the system the bankers have no solution. Keeping them in charge is like giving a pyromaniac matches." (emphasis added)

Bob Chapman, International Forecaster, December 16, 2009

But, notwithstanding the foregoing (indeed, in part because of the foregoing) we focus on one last opportunity to protect wealth and profit in 2010. Consider

### **Gold and Silver**

As we earlier Forecast, The Cartel Takedown of Gold and Silver prices has now begun.

Indeed, Gold and Silver prices are facing serious challenges in early and mid-2010.

First, to the extent that the U.S. Dollar continues to bounce (as we earlier forecast), both Real Assets (like these Precious Metals), and Financial Assets and Equities Markets, all tend to get Taken Down.

Thus it is not surprising that the Dollar Bounce coincided with the recent Gold Price Takedown of over \$100 in December alone.

Our unfortunate conclusion is that the Precious Metals are still subject to Cartel-generated Takedowns.

Unfortunately, the Recent Takedown clearly confirmed (what we earlier indicated) that The Cartel is still able to successfully intervene in the Precious Metal Markets.

Indeed, a mere Dollar Bounce such as we have experienced in recent days should not have been sufficient to take the Precious Metals down as far as they were, given their extraordinary bullish Fundamentals and Technicals.

But Taken down they were. This demonstrates that The Cartel is still potent.

So long as The Cartel has a motive (see above) for attacking Precious Metals they will continue to do so. The Malign Cartel seizes every opportunity and Pretext to take down the Precious Metals.

The key question is whether they will be able to continue to succeed, a question to which we respond in our January 2010 letter.

And after the U.S. Dollar bounce tops out – what then for the Precious Metals?

Deepcaster has developed a Strategy designed for profiting in spite of Cartel takedown attempts – “Defeating The Cartel...With Profit” (Part 1 - 3/28/08 and Part 2 - 6/19/2009), available in the ‘Articles by Deepcaster’ Cache at [www.deepcaster.com](http://www.deepcaster.com).

For Deepcaster’s forecasts for the entire year 2010, see Deepcaster’s January, 2010 Letter posted in the ‘Latest Letter’ cache at [www.deepcaster.com](http://www.deepcaster.com).

Deepcaster forecasts 2010 will rival 2008 with its volatility and Mega Market Moves. That is, it will be quite unlike 2009. Resubscribers and New Subscribers will obtain immediate Access to Deepcaster’s 2010 Forecasts, Opportunities and Buy Reco. in his January, 2010 Letter.

Deepcaster also notes his correct earlier Forecasts of a Gold and Crude Oil Takedown and a Dollar Bounce, but Updates these Forecasts in his January, 2010 letter.

Those who wish to Profit and Protect for the New Year should read this Letter very soon. The Letter contains:

- 2010 Forecasts for
  - Gold
  - Silver
  - Equities
  - U.S. Dollar
  - Crude Oil
- Select Profit Opportunities for 2010
- International Equities Markets Forecasts including:
  - Australia/New Zealand
  - Brazil
  - China
  - Eurozone
  - Great Britain
  - United States, and
- Junk Bonds Forecast

In sum, Equities Markets in general are up nearly two-thirds from their March 6, 2009 lows (up about a nice 61.8% Fibonacci retracement from those lows) and have moved essentially sideways for the past several weeks.

If another Cartel Equities Takedown attempt is successful in 2010, there will likely be another

Cartel attempt to take down Gold and Silver prices as well. Why? Because The Cartel cannot allow the Precious Metals to be the “go to” Assets when Equities are crashing.

Only Massive Cartel Intervention could prevent such an Equities Takedown, and even Cartel Intervention cannot forever dampen the negative effects of increasingly stressed small businesses and increasingly impoverished 70% of the U.S. Economy comprised by the U.S. Consumer/Taxpayer/and, often Mortgage Holder.

Thus in 2010, we see Profit opportunities mainly on the Short Side in the Equities Markets, in Gold and Silver (with a well-designed Strategy to cope with Cartel Intervention) and in Agricultural and Strategic Commodities.

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