The Coming Consequences of Banking Fraud

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The Double Dip Recession, or the "W" shaped recovery that a minority of economists, such as Joseph Stiglitz, is now stating as a strong possible outcome of this current rally, should not be discussed in the realm of economics but rather in the more apropos realm of financial fraud. The fact that the upleg of the "W" shaped recovery that is occurring now will inevitably crumble in spectacular fashion will not be a result of any free market principle, but rather the direct consequence of a fraudulent scheme executed by an elite global financial oligarchy, otherwise known as Central Banks. If the mission of this current manufactured leg-up in Western stock markets was to fool the world into believing that global economies are recovering, then clearly, up until this point, the mission has been a resounding success. For those unfamiliar with the term "blowback", it's a CIA term that was first used in March 1954 to describe the unintended consequences of US government international activities kept secret from the American people.

Though this term has primarily been used to describe the consequences of covert military operations, "blowback" is an appropriate term to use to describe the coming consequences of banking fraud because the US government, US Federal Reserve, Wall Street, the US Treasury, and the Exchange Stabilization Fund have all engaged in domestic and international financial and monetary transactions that have been kept secret from the world, and that will have severe and negative consequences in the not so distant future. In fact, I predict that the blowback of these activities will not only exceed, but far exceed, the fallout the world experienced in 2008 at the prior apex of this current crisis. Most people today can not even fathom how bad the situation will become primarily because of all the secrecy that the banksters have engaged in – in US Treasury markets, the gold markets, the US dollar markets, agriculture commodities, stock markets, and financial markets – in hiding reality from the people.

In an article I wrote three months ago, on June 10, 2009, titled, "Can Rising Stock Markets Serve as a Confirmation of a Crashing Economy?", I stated, "Whether I am right or wrong about US markets tanking by summer's end/fall's beginning, if [we] position [our] investment assets based upon an understanding of the fraudulent monetary system, [we] can still continue to create wealth." While true, I was a bit early in raising the proposition of a stock market correction the month before; I amended my prediction in June upon realizing the breadth of the manipulation schemes occurring in Western stock markets. In today's markets, only a complete investment novice would try to predict market behavior without accounting for the massive government intervention schemes and forays into stock markets as well as the computerized manipulation of daily trading volume. One of the main reasons, but not the only one, that I amended my target for the end of this rally this past June to the fall season is the fact that fall normally marks the return of much higher daily trading volume from the traditional summer lulls. Thus, it is a much more difficult proposition for Central Banks and computerized trading programs to manipulate a continued rise in stock markets in the face of higher daily trading volumes.

However, should daily trading volume remain surprisingly low or muted this fall, as is also a possibility, I have no doubt that this market rise can persist for an extended period longer before these false gains are eventually flushed away (but, of course, not before all US financial executives have had ample time to exit their positions quietly). In fact, the development of this false rally was the main topic of my article. The other scenario, one that includes a significant rise in daily trading volumes that trigger the start of a second massive decline in Western stock markets, would not surprise me either. It's just a matter of observing the signs that forecast the waning efficacy of the fraudulent stimulus of Western markets (or for this matter, the fraudulent stimulus of Chinese stock markets too).

Remember that it is only the timing of this decline that I am uncertain of, but I am very certain that a significant decline of a shocking nature is coming. The last time I issued an adamant warning of a similar nature was on April 23, 2008, when again, the only issue about a market crash was timing, though the US S&P 500 index peaked just 18 business days after I wrote that article and proceeded to fall by more than 50%.

To truly gain more clarity regarding this recent Western stock market rally, consider a hypothetical scenario in which a person was kept ignorant of any action in the US stock markets for the entire previous six months. Instead, imagine that he or she was given the task of predicting US market behavior over the past six month period solely based upon cold, hard US financial and economic data stripped bare of any of the media-slanted headlines that perpetually spin bad economic data as positive or "less bad" than it truly is. Based upon the economic data produced from the last six months, what do you think this person would conclude? That stock markets have soared during this time or that they had crashed?

Of course, factor in the plethora of evidence about numerous PPT interventions to "save" markets during this time, and the strong US stock market rally no longer seems so illogical. But strip away any evidence of free-market manipulation and interference and in the face of true, undistorted economic data, our current market rally would be enormously puzzling. And this point alone should be sufficient to tell you how this rally will end. The inevitable conclusion of this rally isn't just about the unsustainability of the massive bailout programs implemented by global Central Banks that have engineered this current market rally out of thin air, but its manifestation should trigger an investigation into the outright fraud committed by Wall Street, banking institutions, and Central Banks that has been aided and abetted by financial journalists.

For example, consider the following stories:

Demographers recently reported that Florida, the state known as the “mecca” for wealthy retirees in America, suffered its first population decline last year in more than 60 years, an event that delineates the collapse in wealth of American retirees and an event that is likely to repeat this year.

At the end of this past July, one of the largest ports in America, Long Beach, reported that the 20% year-over-year cargo business decline is among the sharpest since the Great Depression. This is not a trend specific to Long Beach. “It’s phenomenal how much things fell away even since December,” said Paul Bingham, managing director of global trade and transportation for IHS Global Insight, the business research firm that monitors North America’s biggest ports for the National Retail Federation.

As of September 4, 2009, shadowstats.com reported that unemployment in the US is now near 21% and is showing no signs of improving any time soon (when factoring in discouraged workers, part-time workers that can’t find full-time work, unemployed workers that have fallen off the unemployment roll, etc.). In fact, yesterday, Manpower’s Employment Outlook Survey reported that US employers’ hiring plans for the upcoming fourth quarter dropped to the lowest level in the history of its survey which dates back to 1962.

On August 15th, when BB&T (BBT) purchased failed US bank Colonial Bank, it wrote down Colonial Bank’s loans and real estate collateral by 37% and Colonial Bank’s construction loans by 67%. Yes, 67%! The severe markdowns of Colonial Bank’s assets should have set off warnings akin to a five-alarm fire among the financial media, but it did not, for the media increasingly caters to the interests of the elite bankers of this world at the cost of truth and freedom. If there are several things we can deduce from Colonial Bank’s failure, it is the following.

Though the Federal Deposit Insurance Corporation (FDIC) refuses to disclose the names of the banks on its “watch list”, it can be safe to assume that a bank just does not go bankrupt overnight and that the process of going bankrupt can be predicted many months in advance by personnel with access to a bank's financial statements and knowledge of its true financial condition. In fact, various newspaper articles reported that Colonial Bank was in negotiations with the FDIC as early as March, 2009, yet not one time, did the FDIC force Colonial Bank to come clean regarding its true financial health before it finally shuttered the bank five months later.

The fact that the FDIC is spotting massive trouble in the American banking system and covering it up should be massively worrisome to Americans. Because revelations regarding the truth about a US bank’s health only seem to occur after it fails, the favored handling of American banks with kid gloves by the FDIC should immediately beg the question, “How many more US banks are legitimately bankrupt today and just operating on fumes?”

Personally, I would not be surprised if sometime within the next six months, a considerably larger US bank failure causes a massive ripple effect of much greater consequence. Banks that are currently struggling with unreported and covered-up deepening problems of loan delinquencies such as Wells Fargo (WFC), may be among the large banks that are candidates for future bankruptcy despite the public categorization of such institutions in the “too-big-to-fail” category. Unfortunately, Wells Fargo, from a political standpoint, does not have the “most favored bank” status of a Citigroup (C) or JP Morgan (JPM), two institutions deserving of bankruptcy but clearly favored by the US Federal Reserve and the US government.

When one considers the fact that all government or state produced economic statistics have been massively distorted towards the side of optimism and away from reality throughout this global financial crisis, one should be even more worried when the occasional sparse negative statistic is reported, for it is likely that these statistics too are misrepresenting the truth. Thus, in the face of all negative news that points to zero foundation and zero economic structural improvements, how has a multi-month stock market rally been able to spread across Asia, Europe and the US? Again, the answer is fraud, and thus should be analyzed through the prism of fraud and not the false prism of “economics”. There is no “economics” behind this latest global stock market rally, only fraud.

For many weeks in August, just four stocks accounted for as much as 40% of composite volume on the NYSE: Citigroup, Bank of America (BAC), Freddie Mac (FRE) and Fannie Mae (FNM). In early 2007, Citigroup, Fannie Mae and Freddie Mac accounted for roughly 1% -3% of NYSE volume, a far cry from its recent 35%+ collective weight of the composite NYSE volume. Remember that this huge volume anomaly persisted not just for one day but for weeks on end during August. If Citigroup, Bank of America, Fannie Mae and Freddie Mac were a pharmaceutical collective that just discovered a cure for cancer and AIDS, then such volume anomalies would make sense. However, such massive trading volumes, as a percent of composite volume for the entire NYSE index, makes zero sense for companies, that for all intents and purposes, are on government bailout lifelines. It makes no sense, that is, unless massive free-market intervention is occurring in an attempt to save these firms.

Again, when viewed through the “fraud prism”, such activity makes complete sense. It is obvious that the “Rise of the Machines” has created markets that are now dominated by computerized high frequency trading programs that can execute trades as quickly as 0.5 milliseconds and have as their sole purpose the creation of short-term market distortions driven by statistical arbitrage that can be used to game the system and cheat their clients. Though this link describes how this scheme works in commodity marketsfor those that have been following the New York Stock Exchange, the use of high frequency trading programs to game the system at the expense of the retail investor has been glaringly obvious especially in the trading behavior exhibited this past summer.

The ironic part of this huge scam that has merely just re-inflated another massive stock market bubble is that the segment of the public that is so easily angered by government bailouts, billion dollar bonus plans for Wall Street executives and the chicanery of JP Morgan and Goldman Sachs (GS) (and justifiably so), are the very same people that so passively accept the mountain of lies that passes for financial reporting today (inexplicably so). It is ironic that this same collective of people, instead of rejecting this mountain of lies, continues to listen to their financial advisers at global commercial investment firms, even though these advisers are the same group of people that miserably failed to see the crash that started in the spring of 2008, when the factors behind the pullback back then was just as clear as the factors behind the future pullback that will occur in the near future. It is ironic that this same group of people continues to support, participate and fund a system that cares only about using their clients' money to lie, cheat and steal from them when a simple withdrawal of funds from the system is the antidote to ignorance-induced paralysis that will once again create massive crisis-induced losses in the future. Pulling one's money from one's current firm and switching to another firm that participates in this web of lies and deceit is not a solution either.

It is ironic that it is the same group of people that so readily accepts the Western media's correct analysis of China's stock market as a huge bubble through the lens of Austrian economic principles that simultaneously rejects any similar notion as applicable to US or UK stock markets, and instead, readily embraces heavily flawed and unsound Keynesian economic principles when evaluating Western stock markets. It is ironic that the same group of people that foolishly equates being "American" with blind support of the US stock market (i.e. "being bearish on the US market is un-American!") is also completely ignorant of both the massive fraud that is perpetrated in US stock markets as well as the tenets of the US Constitution that sound great objections and warnings to the ruinous and foolish monetary policies that are implemented by bankers as their "solution" to our current economic crisis. And finally, the greatest irony of all is that the anger that brews inside those that have been tragically hurt by this crisis can coexist with the failure to recognize that it matters not in America if the President has the last name Clinton, Bush or Obama – that monetary and fiscal agenda inside the US for the last 17 years has not wavered nor changed one iota during this period of time because it was not these men that have been in charge of the economy but the men that manufactured these men's rise to power and that control the US Federal Reserve and the world's Central Banks, and thus the global monetary policy.

If one can not see the connection between Presidents, Prime Ministers and the banking families that rule Central Banks, one merely needs to open up a newspaper and follow their lives after they leave government office. It is not just a coincidence that ex-British Prime Minister Tony Blair, after leaving office, took a part-time consulting job with JP Morgan's Jamie Dimon that reportedly pays him $5 million per year as well as another well-paid consulting position with Zurich Financial Services. In office, Mr. Blair was a consultant to the banking oligarchs in secret; out of office, he is free to be a consultant publicly. And one can be certain that current UK Prime Minister Gordon Brown and US President Barack Obama will be offered very considerable salaries and fees by the world's top financial oligarchs as thanks for their current and past service to them once they leave office as well (especially Gordon Brown, for selling out his countrymen and selling more than half of England's bank reserves to ensure that the financial oligarchs could maintain the US dollar as the de-facto international currency for 10 additional more years than it deserved to hold this status).

In the end, what is the most frustrating facet of these huge con games executed by the financial oligarchs is that the group of people that this article is most intended to help is often the group of people that will take most offense to this article and most steadfastly refuse to see the truth. Instead, they will only realize the truth when the economic future unfolds to the blueprint of those of us the media labels as "gloom and doomers" because we base our predictions on reality instead of fantasy and lies. Instead of labeling us as "gloom and doomers", if the media at large ever conducted an unbiased analysis of the predictions of the "gloom and doomers" for the past 3 years, they would discover that the "gloom and doomers" have been spectacularly accurate in the majority of their calls while the financial demagogues they continually fawn over (that only serve the interests of the bankers) have been spectacularly wrong in the vast majority of their predictions. Yet, those that serve the international banking cartel with glowing and rosy predictions of economic recovery never suffer the negative consequences of being wrong all the time as the mass media all too happily continues to provide the largest public platform and the loudest voices to these people. Perhaps, if it is accurate to label "gloom and doomers" as realists, then one should label the optimists that make their calls based upon perpetrated fraud as banking shills and cogs in the investing machine, for their societal contribution of greatest significance is an opiate cocktail for the masses that is a mixture of deceit and lies mixed with unbridled optimism.

As they often say that life imitates art, I close my article today with a speech from the film "V for Vendetta" that is frighteningly relevant if you listen to this speech with a critical ear and replace the references to the war on terror in this speech with the current war the bankster fraudsters are committing against the people. A sound money backed by precious metals, can be the people's liberation from this war. Anything that falls short of such a solution will be just another scam in an already long line of scams, of a solution sold to the masses, that in reality, is no solution at all.

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