Identifying Sure Signs Of The Final Economic Plunge

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Many researchers, including those here at Neithercorp, have projected that the third and final stage of the economic collapse will begin sometime in 2010. Barring some kind of financial miracle, or the complete dissolution of the Federal Reserve, a snowballing implosion should become visible by the end of this year. Data indicates that the dollar and the Dow are running on nothing but false promises and fiat bailouts, and that this game is slowly winding down. The Fed cannot sustain its current rate of liquidity injections without raising the ire of foreign nations heavily invested in U.S. debt, especially when banks have refused to loosen their lending practices as promised, thereby hoarding all bailout funds made available to them and stifling any chance of a credit market recovery.

Understandably, an important question has arisen among those people who are trying to prepare for the event; When EXACTLY will the collapse occur?

Of course, we aren't psychic, and narrowing down the final trigger to the exact day, or even the exact month, would be extremely difficult. However, what we can do is explain what signs to look for, how to look for them, and what dangers they foretell. Economics gives the appearance of a complex and confusing science, but most economic indicators taught in business schools are really hollow background noise, designed to do nothing more than make television investment analysts seem more intelligent than they really are. All we need to know are the fundamentals, the unchangeable concrete factors that all economies operate on, and how to tell when they are beginning to falter. The following list is composed of signs anyone with a little work and a little vigilance can keep track of, giving them an even greater edge in knowing when the house of cards is really about to topple…

Gold And Dollar Decoupling

Although U.S. Treasury markets and the dollar are currently being manipulated by the Federal Reserve's fiat purchasing of T-bonds, watching the Dollar index in comparison with gold can give a good indication of when the final drop will occur. Over the past decade, the dollar has lost around 40% of its value, while gold has increased 400% in value. Gold's increase is due in very large part to the devaluation of the Greenback, but it also indicates a surging international interest in precious metals, especially in Asia. Traditionally, when the dollar decreases in value, gold moves up, and when the dollar increases in value, gold falls. However, over the past four months, there have been sporadic incidences in which gold's price has increased even though the dollar gained in value. These incidences have lasted only a day or two at a time, but they show that gold is starting to move on its own accord, slowly decoupling from the dollar and even being used as a competing form of currency in some places.

The Vietnamese Government, for instance, recently threatened to shut down all gold bullion trade in the country by the end of March, because Vietnamese merchants and consumers are abandoning their own inflated currency and using gold instead. The Vietnamese have also stopped using American dollars, once considered a safe store of value:

http://www.google.com/hostednews/afp/article/ALeqM5i2CFXWwN6o8w7nn9GqYjOZ2dHNwA

Banking elites in Western nations have been short selling gold for decades in order to keep the price down, and obstruct gold from becoming a competing alternative to the Dollar. Now, we are beginning to see gold move despite banker manipulation. Just before the onset of a dollar implosion, one should watch for gold to begin jumping steeply higher regardless of the behavior of currency markets. Any reports that blocs of foreign nations are increasing the exchange of U.S. Treasuries (beyond what they have done already) and buying large stores of gold would also signal a dollar collapse. In the event that average Americans begin considering the use of gold and silver in place of the dollar, as in Vietnam, you know the final downturn has begun.

Price Inflation Of Oil

For a long time, oil has been traded on the world markets exclusively in U.S. Dollars. Oil and the dollar are therefore intimately connected. Oil will be the first commodity to reveal any inflation (or hyperinflation) in the dollar during a breakdown. Currently, oil is steadily gaining, now hovering around $80 a barrel, or nearly $3 a gallon. Some in the MSM claim this is due to harsh winter conditions around the world, while others say it is due to the weakness and distrust in the Greenback. Not too long ago, oil prices were manipulated upwards by speculators to the tune of $150 a barrel:

http://money.cnn.com/2008/07/24/markets/cftc/index.htm

I suspect that this manipulation was not just an act of greed, but part of a larger strategy by the financial elite to acclimate Americans to the idea of gas price inflation, so that when it occurs again Americans will not be as quick to react, once again blaming speculators, instead of the real cause; a dollar implosion.

Another oil price increase anywhere near the $150 mark is an implicit warning that the economy is about to falter, especially if that increase continues on through summer months.

Dollar Loses World Reserve Currency Status

An announcement by any foreign nation, especially those that hold large stores of U.S. debt, that they will be dropping the dollar and trading in a different currency is a tremendous warning. The dollar is a very weak currency. It's only saving grace, the thread it hangs by, is the fact that it still has world reserve status, meaning, it is a trade currency accepted by all nations. If BRIC nations, or OPEC oil producers, were to announce that they will no longer trade goods using dollars, expect an immediate tanking of our currency, along with treasury markets. Those that catch this news as it starts will probably have a month or maybe two to get all their preparations in order and distance themselves from any potential danger areas. Hyperinflation has the distinct ability to bring out the worst in a society. People can handle a Dow collapse, or even deflation, but when a currency is destroyed, all possible means of self support are lost unless one was prepared. Those who are not will lose the whole of their life savings in one fell swoop.

U.S. Treasury Dump

This is a little more difficult to track, simply because most foreign creditors do not want to announce openly that they are dumping their U.S. Treasuries. Such incidences can cause war, among other things. What can be tracked easily is the amount of treasuries being sold to other countries. Currently, other nations have nearly frozen their investment in our debt:

http://market-ticker.denninger.net/archives/1730-TIC-Data-Confirms-Foreign-Appetite-Gone.html

The U.S. deficit for the fiscal year 2009 came in at a record $1.42 trillion, more than triple the record set in 2008. The total national debt (according to the government) is now at a whopping $12 trillion and climbing! This debt cannot be sustained without a constant flow of money from other countries. If these countries stop purchasing our debt, then our Treasury will become insolvent. The country will be bankrupt. The Federal Reserve is currently trying to stave off this event by purchasing U.S. debt; basically legalized currency manipulation, much like paying off one credit card bill with yet another credit card. According to reports, the Fed now accounts for 91% of all U.S. debt purchases. This is a very bad sign:

http://www.zerohedge.com/article/ultimate-shell-game-federal-reserve-funds-us-deficit

Eventually, we will hear reports that foreign holders of treasury debt have not only stopped buying new treasuries, but are also dumping the treasuries they already have because of the Fed's extreme devaluation policies. If this happens on a large scale, a collapse is about to take place.

Simultaneous Dow / Dollar Drop

Normally, when the Dow loses value and investors pull their savings out of stocks, they tend to put those savings into dollar backed securities or treasuries as a "safe haven". This causes the value of the dollar to increase whenever the Dow falls, but the balancing act is beginning to change. One clear indication of a collapse would be the simultaneous fall of the Dow and the Dollar over a moderate period. This would denote a loss of safe haven status in the dollar as well as uncertainty among investors in stocks. A double whammy like this could prove to be an alert of impending disintegration.

A good time to watch for this signal would be around June or July, when it is rumored the Fed will begin raising interest rates from near zero.

Jobs And Housing

As we predicted recently, job loss which was hidden by the Labor Department in November is now beginning to show in December. We expect that job loss numbers will begin to grow more aggressive from this point on, as companies that hired temporary workers for the Christmas season proceed with layoffs in February and March.

Real unemployment, counting the U-6 measurement, is around 20%. When this measurement reaches between 25% and 30% (Great Depression levels), the country may be on the edge of final collapse.

Also, watching the small and medium sized business sector will help in discovering when job markets will completely tank. Small and medium businesses support around two thirds of all U.S. jobs, but these companies are now in dire straights:

http://www.cnbc.com/id/34825943

http://finance.yahoo.com/news/Job-openings-drop-as-hiring-apf-2800514981.html?x=0&sec=topStories&pos=8&asset=&ccode=

Most of these firms say they will be cutting even more jobs in 2010, not hiring.

Another important factor is the housing market and what are called “Option ARM Mortgages.” ARM mortgages are basically what created the housing bubble in the first place, by offering loans at artificially low interest rates which then increase after a set time period. Millions of people have home payments based on ARM mortgages, and many of these contracts are about to expire, meaning their payments will mushroom, and they will go bankrupt. California alone has hundreds of thousands of homes with ARM mortgages ready to expire in the next year:

http://www.cnbc.com/id/34729005

Watch closely for announcements of mass ARM mortgage resets, which could herald even greater losses in housing, as well as an increase in the homeless population.

Grocery Store Peculiarities

Wholesale prices of goods have recently been increasing far beyond what mainstream economists had predicted, hinting at the first steps towards inflation:

http://finance.yahoo.com/news/Spike-in-wholesale-inflation-apf-2682030532.html?x=0

Grocery store chains tend to “absorb” the extra cost of their stock in the hope that wholesale prices will soon drop again, and in order to keep from losing customers due to high prices, but this has the added effect of hiding true inflation from the public. Eventually, stores and manufacturers can no longer absorb the inflation, and either raise their prices, or diminish their volume. Keep careful note of your local grocery stores. Are items being “repackaged” by manufacturers to hold less for the same price? Is your $4, twenty ounce box of cereal now $4.50 and only fifteen ounces? Are items beginning to disappear entirely from the stores stock, especially foreign made goods? Are base goods such as rice or bread increasing in price weekly or bi-weekly? This may be due to an explosion in wholesale inflation, as well as financial weakness in the general economy.

Bank Holiday

A bank holiday is essentially the government closure of all banks and financial instruments dealing with banks for a set period of time. This means you will not be able to pull money from your account, you will not be able to make deposits, and you will not be able to use checks or debit cards, or even use an ATM. If you have no cash (or other valuables) on hand, you are in big trouble. A bank holiday is often announced in response to out of control bank closures, and is supposed to give banks time to shore up funds, as well as keep you from pulling all your money out at once. A bank holiday could also occur in the event that the FDIC is about to crumble, which is very likely. The FDIC is already broke, and is drawing on fiat currency from the Fed and the Treasury in order to continue covering the accounts of shut down banks. Over 140 banks closed last year. If this rate continues, or expands this year, then the FDIC will no longer be able to operate. If a bank holiday is announced, an announcement of Treasury insolvency is also likely.

Terror Attack / New War

The world is on the brink as it is. If a terrorist attack (false flag attack), or a new war arises, it is time to collect your gear, your family, your friends, and make for the hills (if that’s where you plan to go). Any new and extended threat of conflict in 2010 will be used as an excuse to institute martial law and subjugation of civil liberties, not to mention trigger a financial meltdown. Is the morning news reporting an attack on Iran, or the bombing of a New York subway? It’s time.

These events and triggers represent a “litmus test” for the economy that anyone can apply without spending every day in front of a computer screen tracking stock yields, hedge funds, or Federal Reserve press releases. Many people have already made extensive preparations, knowing that a breakdown is imminent, but with a little extra knowledge and effort, their edge on the collapse can be made ever sharper. No amount of preparation will stave off the psychological shock of sudden economic implosion if one does not keep alert to the prerequisite signs. Watching the simple indicators listed above can help in affording you every opportunity, giving you the ability to see the wreck before it even happens.

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