



MONETARY & ECONOMIC REVIEW

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Recommended Strategies at a Glance

By FAMC Staff Economists

1. Cash, Foreign and Domestic Currency:

As we previously mentioned, America's enemies are relishing in the S&P credit downgrade and pushing for a new global currency. Remember, people, not governments or central banks ultimately determine what money is or is not. Gold has established itself as the premier international currency and the U.S. dollar remains the world's reserve paper currency, S&P and our enemies notwithstanding. All paper currencies continue to sink as massive money and credit creation abounds to stave off a worldwide collapse. Move excess dollars to gold.

2. Commodity Futures, Options:

As we stated last issue and will continue to state: Resist the temptation to make some quick money in futures contracts and options. This is nothing but speculation with high risk unless you are a user or producer of the commodities and you are using these instruments for price discovery or risk transfer.

3. CDs and Money Market Funds:

The economy is awash with liquidity and some New York banks are literally charging large companies to "park" their funds. For smaller CDs and money market funds, the yields of .75 – 1.0 percent are hardly worth the trouble to place with banks. You need to know the condition of your bank. *MER* readers may call 1-800-325-0919, Ext. 7470, to request a complimentary bank and insurance company analysis. At least 50 percent of your CDs and money market funds should be hedged dollar-for-dollar with gold to protect from currency depreciation. *MER* readers may call an FAMC staff economist for specific recommendations: 1-800-325-0919, Ext. 7470.

4. Bonds:

Conventional wisdom would say the S&P downgrade of U.S. credit would depress the U.S. bond market. In the week's run-up to the downgrade, there was a mass inflow of funds into U.S. Treasury securities due to financial chaos *All bonds are guaranteed "certificates of confiscation."* in Europe. Use this potential uptick in bond prices to unload Treasury bonds and municipal bonds. Most cities, counties, and states are laden with debt related to pensions for public employees and cannot afford these unfunded liabilities. We expect many to take the Chapter 9 bankruptcy route. In the current economic climate, all bonds are guaranteed "certificates of confiscation." If the credit default doesn't get you, dollar depreciation will.

5. Stocks and Mutual Funds:

The sell-off of stocks and mutual funds forecast in the previous issue of *Monetary & Economic Review* has already begun. If you are still invested in these markets, expect more declines in all stocks where there are not significant earnings.

6. Precious Metals:

Gold and silver are the only monetary assets that aren't someone else's liability. Platinum is an industrial metal and has reached the \$1,700 level. We suggest selling platinum and rolling profits into gold.

Silver is not only a monetary metal, but is also an industrial metal. Silver's large rise in price has attracted a lot of speculation ranging from the little guys who buy a few coins here and there to money center banks such as JP Morgan Chase, which is a huge player in this market.

We strongly recommend our readers to take profits in silver and move those funds to gold, as gold has established itself as the premier international currency of choice. In the wake of the debt ceiling crisis, we saw gold drop seven-tenths of one percent; and on the same day, we saw silver drop more than seven percent. The silver market is volatile and we expect the short positions of the deep pockets to prevail in a rundown to much lower prices.

While we ultimately expect silver to go to the \$50-\$60 range, and we expect that gold will reach the \$2,500-\$5,000 per ounce range. One should have a minimum of 35 percent of total assets in gold and a maximum of 50-55 percent of total assets in gold. *MER* readers may call an FAMC economist to discuss the strategy of silver into gold: 1-800-325-0919, ext. 7470