



TEDBITS
THE ECONOMIC & FINANCIAL NO SPIN ZONE!
BY TY ANDROS OF TRADERVIEW.COM
MANAGED FUTURES & ALTERNATIVE INVESTMENT SPECIALISTS

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Foreword

For greater insight into our publication, have a look at the [Overview of Tedbits](#). It helps current and potential subscribers understand our mission in serving you. It also gives a broad description of what's unfolding globally and what you can expect from Tedbits as a regular reader.

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Introduction

The unfolding economic scenery can only be described as one thing: TUMULTUOUS leading to HUGE OPPORTUNITIES. Inflation in anything which is solid and deflation in everything that is paper, so monetary policy can only address one or the other and fiscal reform (reduction of regulatory, or tax, print and spend policies) is never considered. Volatility is set to expand from today's levels and "Volatility is Opportunity". As outlined in the *2008 Outlook* (See Tedbits archives at www.TraderView.com), the Wolf is afoot in the G7 and the consequences to every investable sector will be PROFOUND!

At no time in the history of this newsletter (established in July 2004) have I witnessed what I believe to be the level of unfolding market turmoil and opportunities that are directly in our path. Hurricane-force winds and investment opportunities are pushing markets in conflicting directions. Fight inflation in everything but paper or fight deflation in bank balance sheets and the financial system; you can't do both at the same time. The financial and banking systems face an "inflate or die" imperative so this is what can be expected. So...

Set your investing sails properly and the opportunities are limitless; failing to do so will result in extreme PAIN. Do your homework and hopefully you will be rewarded for it. The bills that are about to be delivered to the public from years of POOR policy decisions by public servants and central bankers are arriving on a daily basis. These bills are overdue. For thirty years public servants have created, as well as legislated, the belief that you can have "something for nothing". In nature you cannot consume more than you produce as to do so will result in your ultimate demise.

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The “something for nothing” belief is now fully inculcated throughout the G7 and is a core belief of those in charge and those that elect them.

Well, as any Econ 101 student used to be able to tell you TANNSTAAFL -- there ain't no such thing as a free lunch -- and now the bills are due. Those lessons are no longer taught in the politically-correct economic or general classrooms of today. Unfortunately for the US and throughout the G7, the public has been taught that they can believe in the tooth fairy, something for nothing, the ability of government to solve problems by writing a law and changing the laws of nature. In battles between nature and man you can only count on one thing: **Prepare for a massive dose of REALITY as Mother Nature is set to BITE!**

Wolf Wave and the Future

Income is collapsing, as is the sentiment of business and consumers throughout the G7. *Inflation is in the PIPELINE and the policies necessary to address it are not being considered so it is set to skyrocket*, signaling a coming wave of panicked policy responses by poorly prepared public servants who are being counseled by economically-illiterate IGNORAMUSES. What passes for wisdom and economic experience is actually politically correct GARBAGE and recipes for disaster. *The solutions to these problems take YEARS to implement and become effective*. I shudder every time I hear a leading WALL STREET or GOVERNMENT economist or public servant appear on CNBS.

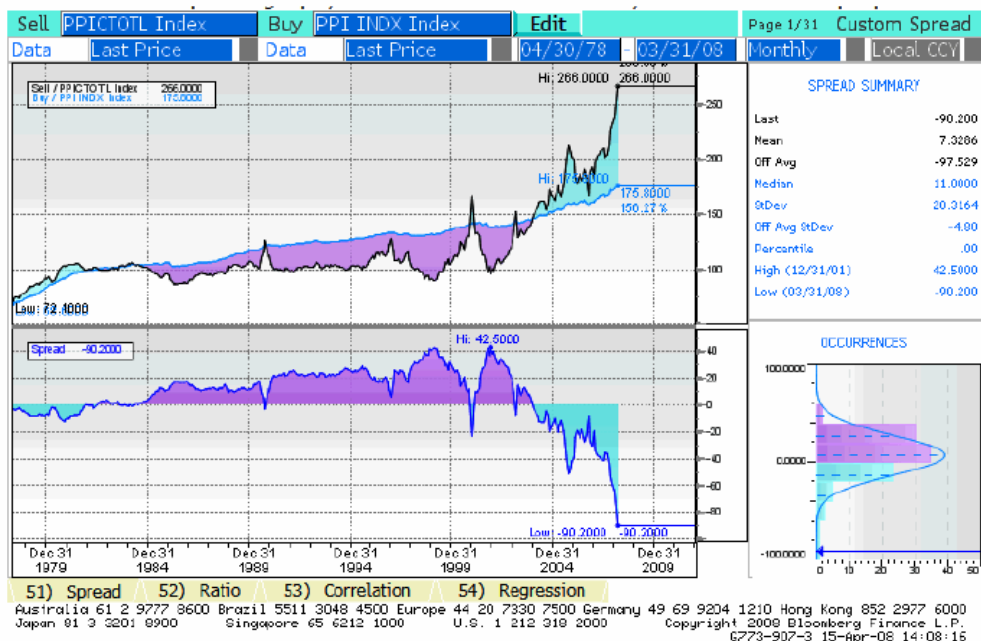
For over 35 years now the printing press, aka fiat currency and credit creation, have substituted for fiscal policies of growth. *Nothing is going to change now*. The policies of capitalism and wealth creation passed away with Ronald Reagan and the retirement of Margaret Thatcher. Why is this so important? It is because TRUE capitalism is the definition of disinflation. Capitalism works to reduce inflation, and its underlying result is wealth creation and “more goods and services for less money. This creates SAVINGS and new, hardier competitors/providers replace inefficient established businesses. It is survival of the fittest as defined by Charles Darwin in describing NATURE and EVOLUTION.

In their place, asset-based economies have been increasingly substituted for the industrialization which had created the bedrock of wealth creation in the G7. To call the G7 “industrialized economies” is just one more example of headlines substituting for reality. The G7 has de-industrialized for almost 50 years, industry has now moved to better climates in the emerging world. Societies which have no savings and do not invest in their futures are like farmers who do not save seeds to plant from previous harvests and now have no harvest. The G7 has planted virtually no seeds for over 35 years and squashed new growth under the heels of public servants and their entrenched elite and corporate constituents.

Corporate incomes are collapsing and *cost push inflation threatens margins in the near future. Year over year inflation in the Producer Price Index is over 6.9% and RISING*.

Take a look at this chart of inflation in costs versus finished goods from Bill King of [The King Report](#) :

Over the past few years we have noted that 'crude goods' prices are escalating much faster than 'finished goods'. This is evidence of [future] inflation in the pipeline.



The inflation spread between 'crude goods' and 'finished goods' is at a record. The inflation pressure from 'crude goods' inflation is far greater than what existed in 1979-1980.

Thank you Bill, I urge you all to subscribe to his excellent report.

Wow, that is a choking picture of today and the future. Corporations must either pass these higher costs through to consumers or their profits will crumble, so you can expect more of it. Of course when they do so, it will be an act of ECONOMIC survival, but those popular public servants will point to the greedy, evil corporations and the rich for this dastardly turn of events caused by their own fiscal and monetary POLICY decisions.

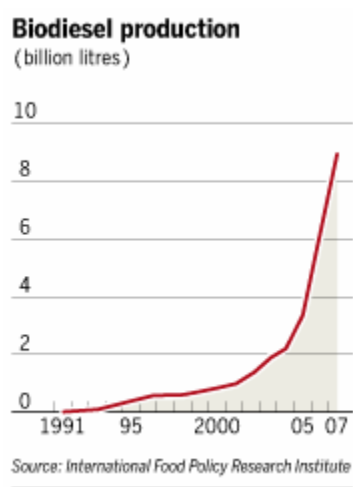
The G7 financial and banking systems are basically insolvent and in the process of passing form weak hands to stronger ones. Super regional banks Wachovia and Washington Mutual shareholders suffered the blows of allowing poor management lead these institutions. Basically, Washington Mutual has NEW owners going forward and Wachovia shareholders have a bigger group of NEW partners; all following on the heels of Bear Stearns. Who's next? The garbage that is the balance sheets of the G7's financial institutions continues to vaporize and is unsellable. Why else would Washington Mutual and Citigroup pay junk bond rates of 12 to 14% return to new investors if they were INVESTMENT grade? That money did not disappear and the fiat currency creation necessary to replace it in the financial and banking system is rapidly increasing. Inflation run riot!

Now we know why PIMCO's Bill Gross has supported the government buying of mortgage securities as it is being reported that his holdings of mortgage securities has DOUBLED since last year and now is equal to over 50% of some of the bond portfolios he manages. Doing a TRY TO CATCH A FALLING KNIFE trade will put the fear of god into you. Being the biggest bond manager in the world can sometimes trick you into believing you are GOD. What a blow up that could turn

out to be, believe me he has the ear of the Government Plunge Protection Team and this can never be allowed to happen as it would turn Bear Stearns into a footnote.

In this week's Barons, Alan Abelson outlines that over \$4 trillion dollars of OPTION Arms (adjustable rate mortgages) are sitting on the balance sheets of small and regional banks. Option ARM's are also known as EXPLODING arms and they are going to go off like firecrackers in the hands and BALANCE SHEETS of LENDERS and BORROWERS, further requiring lots of new FIAT CURRENCY and CREDIT CREATION to rescue them and their depositors. Reconstructed M3, the broadest measure of money and credit creation, is clocking in at over 17% growth; using the rule of 72, the United States is doubling the money in circulation every 4.23 YEARS just as a banana republic would do, and it is set to INCREASE. Does anybody suspect this may be inflationary?

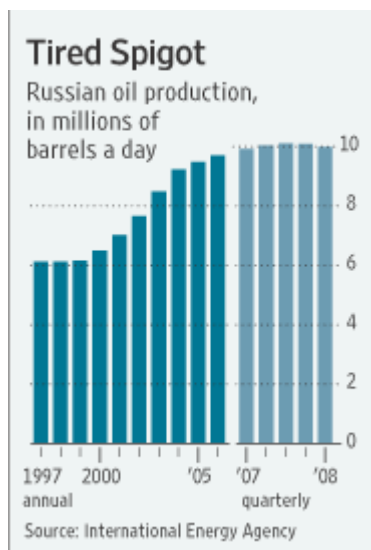
Biofuels are causing FOOD shortages and riots throughout the world and consequently RUNAWAY food inflation. G7 Public Servants have no intention of rescinding the subsidies and mandates for these abominations of the public servant's energy solutions and their environmental terrorist supporters. Shortages of wheat are easing slightly but corn, rice and soybeans are another story.



Notice any similarity's in these two charts? Farmers input prices from seed costs to fertilizer are robbing them of the incentive to expand acreage, and acreage set-aside programs are preventing enough of any crop to be grown. Water tables are being destroyed across the globe as processing of biofuels consumes unbelievable amounts of water. All sorts of other grain and foodstuff shortages loom in the future along with meats as well.

Human food and water are sacrificed for political benefits which create misery for us all. How about cotton or feed stocks? Rotating shortages loom for all! Like a game of musical chairs, when the music stops after planting season, one crop or another doesn't have the acres needed to meet the world's needs. Do you think Public servants in the United States and Brussels might reconsider this SOLUTION to oil dependence and GLOBAL warming? Absolutely NOT, mainly because their campaign supporters and the new, permanent constituencies in these industries will not consider it. Mandates for expanded production and use of biofuels are set in law and can be expected to grow considerably. To think that these policies were created to PROTECT and SERVE YOU! ***The public is UNABLE to connect the dots as to cause and effect and support MORE OF ALL OF IT!***

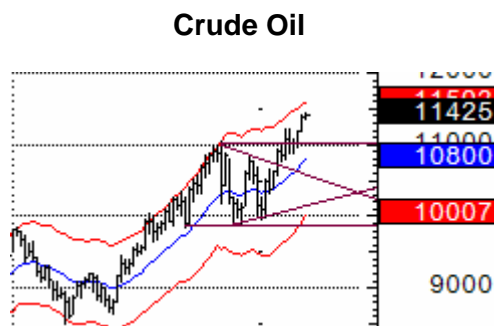
To illustrate the nonsense G7 public servants are indulging in, please understand that China started down the corn-based ethanol and biodiesel route, saw the error of their ways and BANNED IT! Rising incomes throughout the world are creating teacup-size incremental demand for grains, meats, raw materials and energy in millions of households across the globe.



Sensible energy development has been OUTLAWED in the G7 sacrificed on the alter of environmentalism and concerns about GLOBAL WARMING. In the United States (the Saudi Arabia of coal) Clean coal plants are unable to be financed or built as looming global warming laws make the profitability of them UNKNOWABLE. Crude oil production around the globe is shrinking, for the first time in over a decade Russia's oil production has declined. Russia is the world's largest producer of crude oil; take a look at this chart:

This same story of decreasing production profiles can also be seen in Iraq, Iran, Saudi Arabia, Venezuela, Nigeria, Mexico and many other oil producing nations. One thing common to these countries is they are have NATIONALIZED OIL COMPANIES, run by public Serpents, er servants who want maximum money today and don't invest in tomorrow, so their fields are poorly maintained and managed, causing diminished future supplies. They can blame speculators, but upon close look PRODUCTION is declining in all

major oil producing nations in the world, just as the emerging world's households are beginning to use the proverbial teacup full of additional oil and electricity per week. Accordingly, crude has definitely broken out to new highs as indicated last week. Take a look at this chart I constructed:

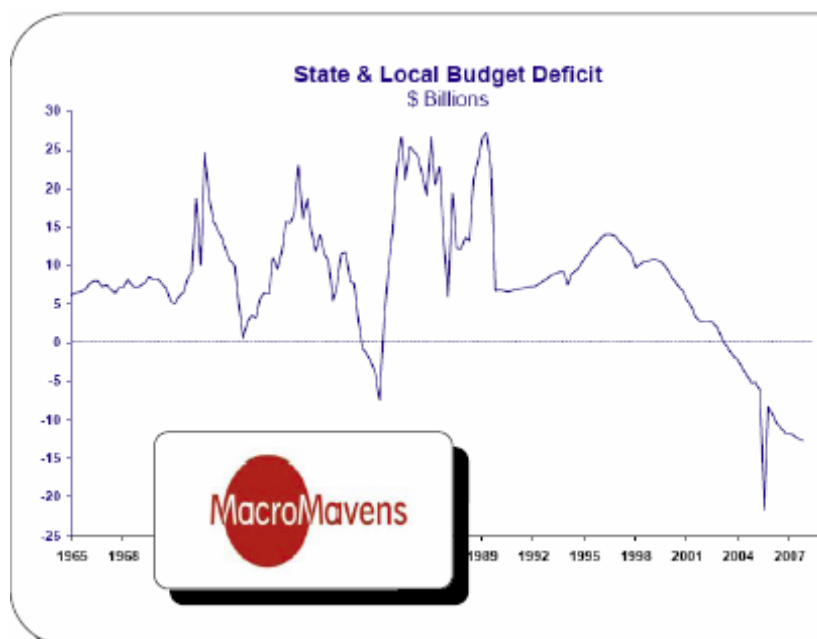


2008

This same pattern is repeating itself throughout the Metals and Energy markets over and over and over again IN ALL TIME FRAMES! It finished today's session at new ALL TIME highs of \$113.79 and its targets are \$122 to 125 dollars soon. Gold soon to follow!

Something is afoot in the Middle East as recent reports clearly indicate the Iranians are stepping up the fomenting of trouble across the region in Iraq, Gaza, Lebanon and Syria in anticipation of lame duck George's exit and ineffectiveness until the end of his term. War looms in the Middle East which will not bode well for future oil supplies or prices. I believe they are miscalculating big time, but if Obama or Hillary makes it to the White House they can look for an immediate CHALLENGE, which they may or may not be up to. What do you think this might do to energy prices? Or should I say already is doing!

As raw material and input costs rise income falls, as do tax revenues; take a look at this chart of municipal and state finances, also courtesy of Dennis Gartman of www.Thegartmanletter.com, and by extension Stephanie Pomboy of Macro Mavens:



The city of Birmingham Alabama is teetering on the edge of bankruptcy; municipal bankruptcies loom so federal government bailouts can be expected. You can expect the taxman to come knock, knock, knocking upon your door. Here in Chicago, sales taxes were just raised to 10.5%, highest municipal sales taxes in the nation; expect this to happen somewhere near to you soon. This on top of the repeal of the current tax rates which are slated to rise under any new administration to support CRITICAL government spending programs and FREE, FREE, FREE everything. What they can't take through taxation they will take through confiscation by printing press while it sits in your G7 currency or bank account, robbing you to pay themselves, their deficit spending and their something for nothing constituents. *Your public servants on all levels of government are about to get into a fight with you over whose money it really is YOURS OR THEIRS! Is it more important that you take care of your family and future or theirs? To them there is only one answer: Theirs*

In the UK, "sold the gold" Gordon Brown and Chancellor of the Exchequer Alistair Cook are doing a ditto to our British brethren as we speak. Taxes are eating the EU alive along with MISREPORTED inflation, courtesy of your local central bank and finance officials. The ills we have outlined here will be met with what else? **The printing press.**

The beginnings of ever-increasing inflation are at our doorsteps and the disintegration of the G7 financial systems, as outlined by Ludwig Von Mises in the "Crack up Boom," is front and center.

[Mega Trend and Micro Stock Market Analysis by Peter Eliades](#)

In a recent letter I outlined an interesting trendline going back to 1974. It was from Garret Jones and Peter Eliades of Stock Market cycles. Many of you took me to task, and rightly so, as I did not properly detail it. So Peter has graciously allowed us to reprint his most recent newsletter which brings all the details of the chart to our attention, he then provides micro analysis of the recent action. It is most interesting and I am bringing it to you today, [click here to access it](#). It is fascinating analysis and, as an additional bonus, Peter is offering a 20% discount on subscriptions.

In conclusion: Inflation is set to accelerate viciously, the rescue of the financial and banking systems is pouring gasoline on raging inflationary pressures caused by years of money and credit growth far in excess of GDP growth. It now takes over \$5.50 cents of debt to create a dollar's worth of GDP. *It's time to pay the piper.* Other than overbuilt housing, and soon commercial real estate, deflation, which is represented as crappy paper on bank balance sheets, is NONEXISTENT.

Incomes are plummeting from purchasing power losses all along the income ladder -- individual, corporate, state, municipal and federal. Massive bailouts of states and municipalities loom over the coming year as well as higher taxes to pay for previous extravagant spending commitments. Also expect the bailouts of the banks, brokers and homeowners. It signals only one thing: More FIAT CURRENCY and CREDIT creation to rescue irresponsible people from their own behavior -- the moral hazard of bailouts in a widening circle. Everybody is the victim with NO ONE taking the required medicine of self responsibility. Responsibility is for those who live their lives without getting into these predicaments and who will ultimately pay for those that do. This is what entitlement mentalities and societies lead to. The policies of insolvency are endemic and epidemic to the "something for nothing" mentality.

The something for nothing personality thinks it can have low gas prices but never build a refinery, low electricity prices but not allow new power plants to be built (Nuclear energy, which is clean, without emissions and cost effective is out of the question because nuclear Jane Fonda said it is DANGEROUS. Windmills are not a solution and NEVER will be), low oil prices but never allow oil and gas exploration in the US, etc. They believe they are entitled to FREE medical care but never have to pay for it. Sorry it doesn't work that way in reality or nature. Now they are going to find out the price for these beliefs and necessities: it is HIGHER! Either you save, invest and nurture these things or you have less of them at higher prices. It's just that simple. *No seeds have been saved and planted for future needs and no crops can be expected to fill them.*

You are seeing the government bailing out one group of contributors after another, but do you see them doing anything to make businesses more competitive and successful in the global marketplace? No. Business in the G7 is only to be milked, never nurtured for growth, job and wealth creation in the future. You can't invest in the future or raise wages or collect more taxes if your business is not growing at the bottom line. Government is assaulting the bottom line of G7 businesses and transferring it to the most irresponsible among us. The government PARASITE has now outgrown the host private sector.

So, shortages of almost EVERYTHING loom; combine that with incremental demand growth WORLDWIDE, diminishing supply of everything and increasing gluts of paper fiat currencies searching for safety from the printing press. This is the recipe for the "Crack up Boom". *The opportunities are enormous as "volatility is opportunity" and EVERYBODY has put their portfolios together based on assumptions which are NOT TRUE.* Treasuries are the most over priced markets in the world. Wait until the big money in the bond markets realize they "GOT IT WRONG" on inflation. It will be a bang you can't believe.

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Tedbits is authored by Theodore "Ty" Andros, and is registered with TraderView, a registered CTA (Commodity Trading Advisor) and Global Asset Advisors (Introducing Broker). TraderView is a managed futures and alternative investment boutique. Mr. Andros began his commodity career in the early 1980's and became a managed futures specialist beginning in 1985. Mr. Andros' duties include marketing, sales, and portfolio selection and monitoring, customer relations and all aspects required in building a successful managed futures and alternative investment brokerage service. Mr. Andros attended the University of San Diego, and the University of Miami, majoring in Marketing, Economics and Business Administration. He began his career as a broker in 1983, and has worked his way to the creation of TraderView. Mr. Andros is active in Economic analysis and brings this information and analysis to his clients on a regular basis, creating investment portfolios designed to capture these unfolding opportunities as they emerge. Ty prides himself on his personal preparation for the markets as they unfold and his ability to take this information and build professionally managed portfolios and developing a loyal clientele.

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