



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

www.TraderView.com [Subscribe to TedBits](#) [Tell a Friend About TedBits](#) [View TedBits Archive](#)

Hello, My name is Ty Andros and I would like to show you how to capture the opportunities discussed in my commentary. Click here and I will prepare a complimentary, no obligation custom-tailored set of portfolio recommendations designed to specifically meet your investment needs. [Click Here.](#)

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.

Fingers of Instability, Part XV

In This Issue – 3 Fingers

FIRE SALES!

Nights of the Long Knives!

Flights to Perceived Safety!

Introduction

Dear readers, I want to thank you all for a gratifying 2007, the support for Tedbits has been nothing short of phenomenal. We are now on many radar screens thanks to your interest in my work. The last month has been tumultuous and I had the mother of all colds/flu in late December and spent several weeks traveling around the globe until just before Christmas. So I rested my body and my brain and I now enter the New Year much rested and ready to rumble. I will be doing a short Tedbits this week and then do the **2008 forecast** over a 2 to 4-week timeframe. There's a lot to cover in the forecast as the headlines are quite hysterical. The choir out of Wall Street is predictable BULL****! The big picture is very clear as I will illustrate to you in the 2008 forecast.

I hope you are all making money in your investments as opportunities have been abundant in the markets. Grains, interest rates, stock indexes, energy, currencies, metals are all moving and causing other markets to provide opportunities as well. Those of you who believe you can invest LONG ONLY using just securities are going to be sorely tested as gold and natural resource stocks GO DOWN with the stock markets even though the underlying fundamentals and prices of what they sell are GOING up. Bonds and cash are bombs unless you can learn to "short circuit" the printing press. Macro charts are also signaling significant opportunities for as far as the eye can see. "Fingers of instability" are unfolding throughout the world creating volatility in many sectors and markets, don't be frightened as "Volatility is Opportunity" for the prepared investor. Have you prepared yourself and your portfolio to thrive?

This will be the final edition of the "Fingers of Instability" series, but Tedbits will return to it in short installments in the coming months as part of the regular weekly missive, just as we do the "Crack up Boom" series. BOTH are intricately entwined, and the G7 "something for nothing" broad social trend and character flaw is front and center for 2008. Driving more and more nails into the demise of the G7 economies, wealth

creation and their future prospects. These three elements will drive the 2008 outlook in the coming weeks. The bottom line of this is: "THEY WILL PRINT THE MONEY", the mother of all reflations has begun. I love and cherish all my readers and hope for you all smooth sailing in your lives and investments in 2008 Set your sails properly and thrive, fail to do so and suffer. The opportunities are as big as I have ever seen, as are the pitfalls to who that have not prepared themselves properly!

FIRE SALES!

As we enter the 4th quarter earning season one thing is clear! The G7 financial and banking industry around the world is TOAST. Burnt toast! Their balance sheets and reserves are in tatters. As Money center and investment banks have slowly but surely become hedge funds in disguise, we are seeing managerial incompetence on plain display. I generally dislike laws that were passed decades or generations ago which have never been revised or repealed, but the tumbling of the Glass Steagal laws (separating banking, insurance and investment companies) that were repealed when Citigroup merged with Travelers Insurance in the late 90's have really shown the wisdom in those lessons from the great depression. The financial industry today threatens the banking industry as it did then.

Merrill Lynch, Citibank and their brethren around the world are going hat in hand around the globe looking for cash infusions to avoid insolvency and bolster their tissue paper reserves. You name it, UBS, Credit Swiss, Citigroup, Merrill Lynch, Bear Stearns (just to name a few) are selling large stakes in themselves at Junk Bond terms to Sovereign Wealth Funds and government investment vehicles in the emerging economies. *Those terms are a reflection of their true financial conditions.* Frantic searches by Citigroup and Merrill are going on prior to their 4th quarter results next week. Analysts are predicting 18 billion dollars worth of additional write-down's at Citi and 10 billion at Merrill. This activity is going on at the monocline insurers such as Ambac, Mbia and others as well; they are all virtually bankrupt, but it has not been announced yet. When they do, you can expect an avalanche of downgrades to TRILLIONS of dollars worth of state and municipal bonds.

It is clear that as the banks have transitioned into the speculative world, their management experience was not up to the task of managing a speculative activity – only the traditional lending role they have historically provided. Merrill lynch is an investment bank with "Two trillion dollars in assets" and plainly not up to the task of managing them. As they became pipelines for toxic, over-the-counter derivatives they were caught when the tide of confidence rolled out last July and have been STRANDED with the "worst of the worst" excesses of their own investment products and LBO commitments (leveraged buy outs and private equity deals and loan commitments of still over 200 billion dollars) which are still sitting in their hands, and are falling in value as they sit on their balance sheets, like eggs going rotten!

The more we learn about the CDO's, CMO's, CLO's, MBS's, (collateralized debt, mortgage, and loan obligations and mortgage backed securities) the uglier it gets! In a recent missive by John Mauldin, he speaks about a recent WSJ article on a CDO from early 2007 called Norma, a triple AAA-rated CDO from early 2007 that is now rated as JUNK. I too read that article and was shocked by the same revelation: That many CDO's were constructed with CREDIT DEFAULT SWAPS rather than hold real mortgages or secured obligations. Well that's a problem because a home or private equity deal may fall into foreclosure or default and the underlying asset may lose 40% of its value from falling home prices or slowing business, but that still leaves 60% of the investment principle INTACT and recoverable. A credit default swap is a daisy chain of unknown counterparties and the ability of those counterparties to pay.

With a credit default swap, a bank, individual investor, or firm GARANTEES the underlying bond from default. It's over-the-counter nature, by definition, signals that no central clearing house tracks the ability of the counterparty to PAY if a default on the insured security or bond occurs. As these credit default swaps fluctuate in value, as perceptions of the value of the underlying bond change, they are traded over the counter creating another link in the DAISY chain, and the chain of guarantees is only as good as the weakest link. There are a lot of weak links and the records of the trades are poorly kept.

Many money center and investment banks have been buying and selling them like candy for years to collect the premium but when they resell them they FALL OFF THE BALANCE SHEETS and reserve requirements. Many times they (banks and investment banks) are not the counterparty but have served to bring counterparties together, which brings us to another question: Do they have liability if one of the counterparties are not qualified to meet the obligation the credit default swap implies? I believe so. Do you think the Chicago Mercantile Exchange's Clearing House is liable if someone on the other side of the trade is not fully funded as counterparty to the trade? YES. Why would one group shoulder the responsibility and not the other? The correct answer is that they both do.

The G7 financial and banking communities sit on billions of dollars of unfunded liabilities, and they only have a record of SOME OF THEM! Only about one third of the losses have surfaced, so we are still in the early innings of the dirty laundry yet to be aired. LOL. The fed deciding to lower rates to transfer the spread of low deposit rates versus loan rates is only partially working, as depositors are demanding higher rates to reflect the unknowns on the balance sheets. The securitization of obligations is over until they figure out how to make them transparent, tradable and liquid. So, that revenue stream is gone until those changes are made, and they have a great incentive to do so as it represents NEW revenue and profits.

Last but not least, as the piggy bank of home equity withdrawal comes to a halt, consumers are now plowing their spending habits onto the last line of credit they have: credit cards. Use of credit cards is skyrocketing. They are piling their spending onto their revolving credit cards which used to be known as loan sharking before the big banks bought the public servants and legalized the practice creating one new line of poor lending decisions after another which the banks will have to eventually deal with. The new bankruptcy laws are poison as they create indentured serfs of borrowers and will require banks to hold bad debt forever.

Because of years of rubber-stamping corporate governance by stockholder and corporate boardrooms for good profits, no questions were ever asked. Now the questions they should have asked long ago will be answered and they won't like the them. Enormous paydays allowed poor practices and malfeasance to grow with everyone looking the other way as they occurred. All the while the perpetrators of the malfeasance are paid off with big bonuses and golden parachutes and then leave the banks while the investors are left holding empty bags. The ownership of these institutions will increasingly change hands as strong investors (sovereign wealth funds and paper currencies holders worldwide) push aside those that did not oversee their holdings properly relinquish them.

Nights of the Long Knives!

Wall Street has enjoyed years of record profits and now they are going to pay the piper for their "fiduciary" bankruptcy. As Washington DC gears up to deal with these messes caused by runaway greed on Wall Street it pits numerous BIG SPECIAL INTERESTS against one another. *It's a snake fight!* LOL. On one side we have the Money center and investment banks who packaged and sold these monstrosities known as CDO's, CMO's, MBS's and CLO's, and on the other we have the trial bar representing those that purchased them. The more you know about these products the more they stink.

It was common knowledge in the divisions of the Money Center and investment banks that manufactured them that the elements of these Derivatives were "missing", as in the case of the credit default swaps mentioned above, or of poor or no quality as in the case of Ninja (no income, no job) and Liar loans. The housing market really TOPPED in late 2005, but in 2006 and 2007 was kept alive and blown to unbelievable proportions by insatiable demand for sausage to put into the derivatives and investment products that were generating such fees and bonuses.

Demand was high for high-paying investment products and they filled it. And as they did, they called for more elements to place in them, lending standards went LOWER and LOWER. But it didn't stop there; credit cards, car loans, vacations, spending sprees all were financed and sold to investors. Recent Citigroup ads for their credit card division proclaims loudly: "LIVE RICHLY", signaling to borrowers they could live high on the hog,

and PAY LATER! Talk about reckless lending! These bankers and their stupid dupe customers deserve their fates. Obviously they missed class in college Econ 101 when the first lesson you learn is “there ain’t no such thing as a free lunch.”

I am sure that the emails and records within the banks are full of comments and snide remarks about what was being churned out through the investment sausage factories churning out these products to investors. Well there is a little process known as discovery and what they discover is going to be quite troublesome. They will show that they (the manufacturers of the products) knew they were selling trash BEFORE they sold it and did so anyway.

There’s quite a bit of liability from this as it is called PREMEDITATED fraud. At the same time, the world is imploring the Federal Reserve to come to the rescue to get the credit machines humming again. How will the money center and investment banks avoid years of class actions and indemnification of investors? These situations don’t bode well for new lending to begin again. It’s the King Kong of Wall Street and the Banks versus the Godzilla called the “trail bar” and it’s shaping up to be quite a fight. Washington will be forced to arbitrate this or risk depression as new lending will halt.

Flights to Perceived Safety!

Deposits into Money Market Funds and Government Treasuries are exploding higher as everyone rushes to get into safe harbor. Unfortunately for these poor suckers, it’s like jumping from the frying pan into the fire as they believe their money is safe in the bank or bonds, but they are eaten alive by “FIAT MONEY AND CREDIT” creation. Broad reconstructed M3 is running between 15 to 17% growth and the purchasing power of your cash, when measured in gold or a basket of commodities (Brookshire raw materials index, up 27 % approximately), lost 27 to 30% in 2007. Ouch, a bond or cash in a money market will yield (let’s be generous) 5% and you lost 23 to 25% holding the cash. Doesn’t seem so safe anymore does it? If you do nothing more in 2008 than learn how to “short circuit the printing press” you will put yourself into position to make money rather than lose it while it sits in the bank or your paper investments.

In conclusion, 2008 is starting off with a BANG in many markets and volatility is set to go only one way! UP. “Volatility is Opportunity” and we feel like kids in a candy store as it fills our investment portfolios with opportunities galore. If measured in purchasing power terms, many investments in 2007 lost a lot of money. Did yours? The 4th quarter injections into the banking systems of the G7 puts new meaning to the term: “They will print the money” as over 1 trillion dollars of G7 currencies (dollars, yen, euros, pounds, etc) were printed and injected into the G7 financial and banking systems. When you saw gold rally 10% in the last 30 days that was the “purchasing power” value of your paper currency sitting in the bank and in bonds declining by the same amount: Money and bonds as a safe store of value? I don’t think so!

Look for interest rates to continue to plummet as we predicted in July, it’s so much easier for the public servants to encourage reckless lending, consumption and money printing rather than cut taxes and spending and implement the policies of wealth creation. They would rather resort to the easy route of wealth confiscation through money printing and deficit spending. It is set to increase ad infinitum as “nothing” has been solved or resolved in the financial and banking world. There is no shortage of cash, only a shortage of confidence to lend, and rightly so. Deflation and inflation are running away in different parts of the investment world, are you capitalizing on them?

The forthcoming “2008 Outlook” will be a “tour de force” for yours truly and Tedbits. It will be written over a 2 to 4-week timeframe so don’t miss it. To regular readers I apologize for the hiatus but I needed to recharge my batteries after months of vigorous, non-stop writing. In 2008 we will also be adding guest essays which will be sent to our regular subscribers so go to the website and subscribe, strict website readers will not get them as it confuses my readers when I do so. Also, I am co-authoring a book with Clyde Harrison entitled “Myths, Madness and Markets” and you will love it. Thank you! Ty...

Ty Andros & Tedbits LIVE on web TV. Don't miss Ty interviewed live by Michael Yorba from Commodity Classics every week discussing this week's commentary and unfolding news. Catch the show **every Wednesday** at www.YORBA.tv or www.CommodityClassics.com at **4:15pm Central Standard Time**. Archived video casts are available there as well.

If you enjoyed this edition of Tedbits then [subscribe – it's free](#), and we ask you to [send it to a friend](#) and [visit our archives](#) for additional insights from previous editions, lively thoughts, and our guest commentaries. Tedbits is a weekly publication.

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.

Tedbits may include information obtained from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made to ensure its accuracy or completeness. Opinions expressed are subject to change without notice. This report is not a request to engage in any transaction involving the purchase or sale of futures contracts or options on futures. There is a substantial risk of loss associated with trading futures, foreign exchange, and options on futures. This letter is not intended as investment advice, and its use in any respect is entirely the responsibility of the user. Past performance is never a guarantee of future results.



[Ty Andros](#) - [TraderView](#)

Managed Futures & Alternative Investment Specialist
233 West Jackson Blvd. Ste. 725
Chicago, IL 60606
Phone: 312-338-7800

Hi, my name is Ty Andros and I would like the chance to show you how to capture the opportunities discussed in this commentary. [Click here and I will prepare a complimentary, no-obligation, custom-tailored set of portfolio recommendations designed to specifically meet your investment needs.](#) Thank you.

Subscribe to Tedbits – [Click Here](#)

Tell a Friend About TedBits – [Click Here](#)