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Foreword

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Introduction

As we look out over the next six months what we see will be extraordinary. The opportunities for prepared investors have never been brighter as the unfolding volatility will be incredible. "Volatility is Opportunity" for the prepared investor and it will arrive in spades. After a short period of corrective activity I believe explosive moves in almost ALL SECTORS (interest rates, stocks, commodities, natural resources, currencies, and more) lay on the near horizon.











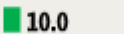




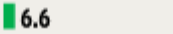
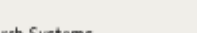


The horrible economics of the US presidential contenders and the gang of 535 will become priced into the markets in an increasing manner. Their economic illiteracy and inability to understand what and who create wealth pose inconceivable threats. *The socialization of the risks to the banking system will continue to unfold;* as it must unless a deflationary depression is allowed to unfold as the G7 money and investment banking system are increasingly insolvent. Ben Bernanke and Hank Paulson spoke to congress this past week and their message was clear: ***Inflation be damned, job one is to rescue the financial system! Of course they will, keep in mind that the Federal Reserve is OWNED by the very banks which they are RESCUING! They will have their hands full in doing so.***

During that same congressional testimony the corruption and rot within the regulatory agencies was on full display as one top regulator placed a BAN on activity which has been ILLEGAL since the great depression. A tacit admission that the firms it regulates are and HAVE BEEN above the law. No sooner did the announced ban on NAKED short selling in 17 financial and banking firms was given to CONGRESS, it was then IMMEDIATELY delayed until Monday, July 21st in order to provide an exit for the CULPRITS of this nefarious, illegal and predatory practice.

The BIGGEST rally in financial and banking stocks in decades was nothing more than the perpetrators and criminals FLEEING the scene of their latest CRIMES. Take a look at this chart of Short Interest from a recent Wall Street Journal:

Shorts On Fire

Shares of 19 financial institutions covered under the SEC's emergency order bounced back since it was announced Tuesday; however, some companies are still under pressure from short-sellers.

Company	Country	STOCK PERFORMANCE		SHORTED SHARES	
		Friday	Change since Tuesday	Number	As % of shares outstanding
Bank of America	U.S.	\$27.49	 48.4%	101,494,912	2.29%
Barclays	U.K.	25.53	 23.0	8,858	—*
Citigroup	U.S.	19.35	 32.9	152,024,744	2.99
Credit Suisse	Switzerland	44.43	 13.6	1,349,607	0.13
Deutsche Bank	Germany	89.17	 12.1	2,618,824	0.54
Allianz Holding	Germany	17.69	 8.7	2,522,660	0.06
Goldman Sachs	U.S.	182.84	 15.9	14,461,008	3.38
Royal Bank of Scotland	U.K.	4.06	 18.0	5,279,829	0.06
HSBC Holdings	U.K.	78.95	 9.8	5,970,510	0.26
J.P. Morgan Chase	U.S.	40.02	 29.0	55,601,209	1.62
Lehman Brothers	U.S.	19.11	 44.6	70,312,683	12.57
Merrill Lynch	U.S.	30.91	 25.2	57,897	0.01
Mizuho Financial	Japan	10.57	 10.0	1,854,746	0.03
Morgan Stanley	U.S.	38.57	 24.4	36,342,631	3.50
UBS	Switzerland	21.48	 19.6	14,385,074	0.70
Freddie Mac	U.S.	9.18	 74.5	82,804,408	12.81
Fannie Mae	U.S.	13.40	 89.5	138,687,675	14.22
BNP Paribas Securities	France	49.76	 16.4	N.A.	N.A.
Daiwa Securities	Japan	88.20	 6.6	N.A.	N.A.

*Less than 1% Note: All listings are for shares traded in the U.S.

Sources: Thomson Reuters; WSJ Market Data Group; FactSet Research Systems

As you can see the BIGGEST rallies occurred where the greatest amounts of shorts resided. The average gain was plus 27.5%, shades of penny stocks but ridiculous 1 week gains in huge sectors such as banks and financials (P.S. when this is finally over in a year or two these will be multi-generation buys, like buying Citigroup at \$5 dollars in the early nineties). Banks are normally money printing machines and will become so once again in the future...but NOT now.

But what about all the NAKED shorts in the rest of the market? This is nothing more than ORGANIZED crime and you are its victims! Send the regulators a little email and tell them how you feel about their inability to enforce the laws which they say are to protect you, which don't! The chief regulator then went on the cameras and said they may quit enforcing the rule once

again in LATE JULY. I was outraged when this occurred and the congressmen yawned and blinked but did not question this BLATANT support of illegal activities by regulators within the equities markets by the banks, investment houses and their biggest customers. The cameras then panned the committee room and most had LEFT FOR LUNCH rather than hear the testimony on Fannie and Freddie and Bernanke's testimony. This shows you where their priorities lay -- not with YOU! I hope you are NOT surprised?

Don't the gang of 535 KNOW the laws they are SWORN to enforce? Of course not. Ask the regulators about the hundreds of other stocks and the investors that continue to be the VICTIMS of the moral and fiduciary BANKRUPTCY by PUBLIC SERPENTS, er servants and their regulators. I was sick after watching this circus of prostitutes. Please understand the perpetrators of this are some of the biggest campaign contributors in the world; just ask John and Barack. These contributors own the regulators, control them and torture their less well-connected competitors with them....

No sooner did the SHORT COVERING rally in the finance and banking sector occur, then the main stream financial press was crowing about the BIGGEST rally in decades and FAILING to mention to its uninformed viewers the genesis of it. Criminal rats jumping ship after having EATEN the cheese. The mainstream media walks hand in hand with those who FLEECE you. Providing the Wall Street elites and public servants with the headline illusions under which they operate.

Once this was complete we moved on to the issue of Fannie Mae and Freddie Mac and Hank Paulson, where the rescue of the mortgage giants was discussed. This of course WILL happen, Fannie and Freddie have been operating at political grace for decades as they are the source of some of the biggest lobbying and campaign finance activities in Washington DC. Agency bonds of these BEHEMOTHS sit in every central bank and institution in the world as the small premium to treasuries amounts to HUGE additional returns for those that hold their wealth in PAPER! It amounts to over 5 trillion Dollars and it sat at the precipice of the abyss, the abyss of the developed world's banking system demise....

This unfolding DEBACLE in the G7 financial and banking sectors is why the Crack-up Boom series has returned. It has moved its DUE date forward by years. This week's CPI and PPI data confirms the growing inflationary pressures; they were at multi-decade highs as the purchasing power of your money and incomes are crushed under its advance. The **Wolfe Wave** (see 2008 outlook in Tedbits archives www.TraderView.com) is continuing to unfold and as it does the **collapse in income advances**. This is going to create the biggest REFLATION exercise in the history of modern G7 banking and finance.

There is NO shortage of cash sitting in the world, there are trillions and trillions of Dollars, Euros, British Pounds, and more FIAT currencies are ROLLING off the presses and keyboards (money is now digital to save on paper) on a daily basis; money is abundant and worldwide interest rates are NEGATIVE. But the amount of money creation required to save the BANKS' balance sheets from their unregulated SPAWN known as CDO's, CLO's, MBS's, (Collateralized Debt, Loan, Obligations and Mortgage Backed Securities, etc.) and CREDIT DEFAULT swaps is almost uncountable and still undefined as we speak. One thing you can count on: THEY WILL PRINT THE MONEY OUT OF THIN AIR one way or another and steal it out of the purchasing power of

the G7 currencies and bonds as you hold them. Then they will rescue their masters in the G7 banking and financial systems with that same money! A stealth theft of purchasing power from where you hold it in your bank and brokerage accounts.

Wind Shear

What is Wind Shear? **WIND SHEAR**- A change in wind speed and/or wind direction in a short distance resulting in a tearing or shearing effect. It can exist in a horizontal or vertical direction and **occasionally in both**. It happens when very high winds are blowing in opposite directions. When an airplane is caught in wind shear it can be RIPPED apart.

It can happen to economies and financial systems and it can RIP them apart too and deflation and inflation are trying to do so.

This is how I would define today's G7 economies: The high upward winds represent inflation in things which we all consume on a daily basis. The downward wind is DEFLATION in incomes, spending and household wealth in the G7. Let's take a look at a recent tally of the things you use REGULARLY:

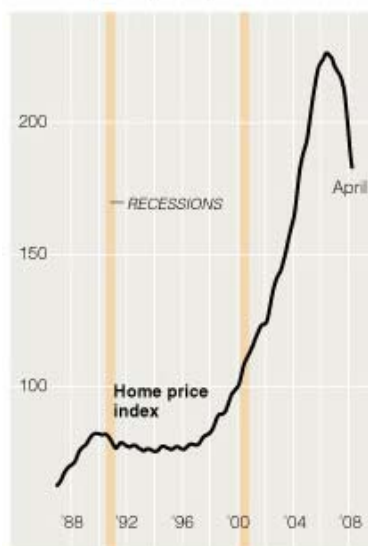
Scoreboard so far in 2008 for commodities...

(all items below are plus except for pork bellies and wheat)

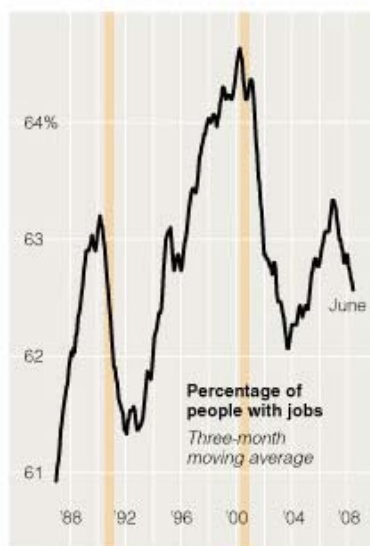
Aluminum (lb.)	36.7%	Lumber (1,000 bd. ft.)	3.1%
Cattle (lb.)	8.12%	Natural gas (Btu)	78.9%
Coffee (lb.)	12.7%	Oil, heating (gal.)	4.0%
Copper (lb.)	34.5%	Oil, lt. sweet crude (barrel)	49.6%
Corn (bushel)	64.4%	Platinum (troy oz.)	35.7%
CRB index	32.0%	Pork bellies (lb.)	-19.7%
Ethanol (gal.)	20.8%	Silver (troy oz.)	23.9%
Gasoline, unleaded (gal.)	43.4%	Soybeans (bushel)	37.3%
Gold (troy oz.)	13.2%	Wheat (bushel)	-2.2%

CPI was reported up 5.6%, PPI was up 9.2% and www.shadowstats.com is reporting year over year CPI at 12.2% (most accurate measure). This is the definition of inflation, and corrective activity may occur. Now let's take a look at a recent set of charts from the New York Times signaling the unfolding deflation in consumer home values, employment and spending:

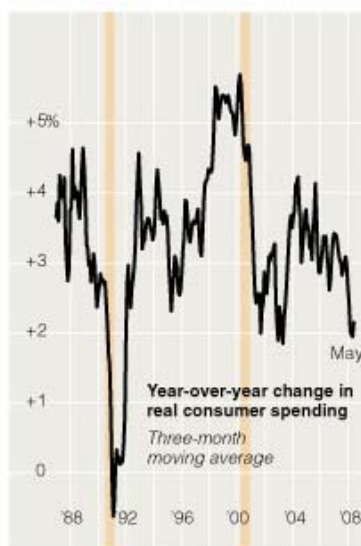
After more than 10 years of steep increases, home prices plummet ...



... sending the economy into a slump that costs many jobs ...



... and causing consumers to tighten their budgets and reduce spending.



Source: Standard & Poor's/Case-Shiller; Bureau of Labor Statistics; Bureau of Economic Analysis

THE NEW YORK TIMES

These multi-decade MEGA charts are the definition of unfolding DEFLATION as household wealth, jobs and consumer spending are all headed lower.

These charts also highlight how the economic numbers are now misrepresented. Look closely at the employment chart -- every time a decline of this magnitude surfaces a recession occurs (*except this time, thank you Pinocchio Bush and company*). Let's comment on these charts individually...

Home Prices: Still a long way to fall, momentum is fierce and since mortgage giants Fannie Mae and Freddie Mac are on the ropes bidders are scarce and scared. The mortgage BAILOUT bill about to emerge from congress ups the size of conforming loans for Freddie and Fannie (from \$400,000 to almost \$700,000), and authorizes them to accept loans with 3 to 5% down. Anyone using this borrowing formula will instantly be in negative equity and the next bailout will be on the horizon. To be paid for by? YOU...the taxpayer. Another POLICY of INSOLVENCY courtesy of you know who. What are the PUBLIC servants thinking? The answer is? It's an election year so they aren't thinking only pandering to the something-for-nothing socialists. This chart of home values has MUCH further to fall. In the 2nd quarter US home prices are declining at an approximate 23% year-over-year rate. Remember: **Politically correct solutions are practically incorrect.**

Employment: WOW, isn't that the biggest HEAD and SHOULDERS top you have ever seen? With the peak in 2000, the left shoulder in 1990-1992, and the right shoulder in 2006-2007. This is another picture of the collapse in household incomes as the Wolfe Wave is to the S&P 500 is to the private business sector. As it is collapsing now so is income; when it dives below the 61.5 % level you will see it become an active pattern and it will signal almost a DOUBLING of unemployment from today's level. On another note, if you look at unemployment as calculated before CLINTON's politically correct messaging, unemployment is almost 10% and this pattern is NOW active. This unemployment number is still in the unemployment report but goes unreported by the mainstream media.

Consumer Spending: At its lowest level of growth since 1992, don't bet on it holding here. If it was properly reflecting inflation it would be BELOW the levels seen in 1992. It has nowhere to go except to follow the path of the previous two charts. DOWN.

So what do we conclude from these charts? *Look no further than Ben Bernanke's Congressional testimony. He is going to rescue the financial system and the consequences of inflation will be addressed after the unfolding financial and banking crisis.* Of course he has no other option as not to do so would cause the systemic COLLAPSE of the G7 banking systems and a deflationary depression. Freddie and Fannie will also be rescued at ANY COST.

Remember back in Crack-up Boom part two when I outlined the outstanding debt? As it collapses under the growing insolvency of the borrowers the Federal Reserve, the European Central bank and the Bank of England will INCREASINGLY be required to be the LENDER OF LAST RESORT to the banks and investment houses that lent the money. Helicopters of NEW money to fill the bomblasts to financial industry balance sheets.

This week I heard of commercial properties in the finest areas of Atlanta Georgia being offered for 25 cents on the dollar. This is not an anecdote, it is an unfolding reality as the US and European ASSET-backed economies revert to the mean and their REAL, not nominal, values. As they revert to the mean anyone who financed them -- borrower and lender -- are immediately under water even if they paid deposits of 20% or more.

Keep in mind that the money that was borrowed in that illustration has NOT DISAPPEARED. It still sits in the bank accounts of providers of whatever was purchased with the borrowing. For instance, the commercial property I just spoke about was acquired for \$8 million, they put \$2 million down, borrowed \$6 million and paid \$8 million to the seller. Now the property has declined to \$2 million in value and the bank has a \$6 million hole in its balance sheet, the borrower owes \$6 million more than it is now worth. But the original seller STILL has the \$8 million. As the Federal Reserve saves the bank they print the money to do so, increasing the money supply over the \$8 million received by the original seller.

Many analysts INSIST that many prices in the inflationary categories are headed LOWER as MIDDLE CLASS incomes are pinched in the G7. NO WAY.

An excellent report was released this week by Goldman Sachs outlining the growth of the middle class in the emerging world. Just as fast as the middle class meets it's demise in the G7, new ones are growing and emerging in the lands of Austrian economics and CAPITALISM known as the BRIC's (Brazil, Russia, India and China) and the emerging world. It details how 70 to 80 million people are entering the middle class PER YEAR in the emerging economic powerhouses. They easily replace those middle classes that are lost in the G7 and demanding the necessities and modern lifestyles being lost by those middle classes caught in the unfolding G7 socialism. **So demand is NOT set to decline only relocate to those areas where capitalism and wealth creation are in ascendance.**

You can trot out the old misery index as we speak, inflation is not set to recede and unemployment can be expected to climb dramatically over the next several years. It would

already be at historic levels if lying with numbers wasn't so rampant in the G7 governments. It is only set to go one way..... HIGHER!

In conclusion, the rescue of the G7 financial system is set to go into a higher gear as it is increasingly insolvent. Capital raising is about through as all the patsies have been fleeced, now it comes to selling the family silverware as Citigroup and Merrill Lynch are now beginning to do, when that is done it will be the respective governments turn at the wheel. Trillions and trillions of Euros, Dollars and UK Pounds are set to roll off the presses and computer keyboards at the G7 central banks and treasuries (the Swiss are caught in this as well). Hundreds of banks are still left to fail, and trillions will be needed to clean up the messes and a new RTC (Resolution Trust Corporation) looms soon. It's inflate or die, and since central bank and financial officials are not suicidal, they will inflate...

The greatest transfer of wealth in history is beginning to unfold, as those who store their wealth in paper lose it to those who DON'T! It will take years to unfold.

This is the greatest OPPORTUNITY in history. Do not be afraid. Do your homework and thrive. Markets will zoom all over the place as investment assumptions that have held for years are now FALSE. We are not close to the end game here, cash is still spoken of as SAFE and risk free which is the most outrageous of LIES. Paper is poison and the sooner you invest with that in mind the sooner you will be on your way to the penthouse. People that hold their wealth in G7 paper are headed to the OUTHOUSE and they will be able to use their wealth as high priced toilet paper.

This week the discovery channel had an excellent series by Ted Koppel called: China, The People's Republic of Capitalism! (Hopefully you can access it on their website) It outlined the emerging consumer class and the hungry masses that will go any distance and do anything to improve the lives of themselves and their families. Wasting resources is not considered, everything is recycled: bricks, mortar, steel, etc. It outlined how the Chinese government is focused on only one thing: raising living standards and setting the table for WEALTH CREATION. It's called a benevolent dictatorship and it is EXACTLY what the doctor ordered. Democracy at this time would mean CHAOS, just like democracy in the G7 is leading to CHAOS!

The Chinese government is focused on creating wealth and lifting their citizens to a better standard of living and futures. While G7 governments are focused on ever increasing their power through taxes and regulation and increasing the wealth of their special interest CONTRIBUTORS.

It also outlined the people who were displaced by these RUGGED INDIVIDUALS and budding capitalists because they were totally UNPREPARED to compete in the global economy. It outlined how G7 public servants serve up welfare, belief in government, ignorance and socialism, while the emerging world serves up self-reliance, education and the conditions for wealth creation. China is set to be one of the richest countries in the world, but this can also be seen in many places in the emerging world.

The Chinese people don't care about anything but IMPROVING their lives. Of course this can be said of people in Brazil, India, Russia, Dubai, Viet Nam, Thailand, etc. While people in the G7 just wait for someone to come and TAKE CARE of them. The G7 governments think they can do

so with a printing press, and the emerging world is set to do it with capitalism, innovation, wealth creation, hard work and savings. It sets up as nature forces them to compete for abundance and prosperity; those that do shall thrive, those that don't will be headed towards their demise.

The only thing that could stop the demise of the G7 is stopping government growth in its tracks, introducing massive doses of capitalism, reducing taxes and regulation. DON'T hold your breath.

I predict they will LOWER interest rates BEFORE they raise them, the financial system will require it. If they don't lower them they are on hold at least for another year.

In the next Crack-up Boom series we will cover the "Indirect exchange" Von Mises spoke about. You must learn the techniques to short circuit the printing press and take advantage of markets as they price in these unfolding NEW REALITIES. It is an incredible OPPORTUNITY.

I apologize to regular readers for the bi-weekly rather than weekly Tedbits. I am working on a book with Clyde Harrison and need to focus intently. You will be able to plan your investments and careers around it. It will lay everything economically, financially and politically in front of you in simple and detailed terms! I love all my readers and am dedicated to YOU!

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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 the 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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[Ty Andros - TraderView](#)

Managed Futures & Alternative Investment Specialist

233 West Jackson Blvd. Ste. 725

Chicago, IL 60606

Phone: 312-338-7800

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