

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

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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 XII

In This Issue- 4 Fingers

Broad Fires in Financials and the Prescriptions You Can Count On Next Shoe to Drop, "CDS" and Municipal BOMB Market!

Generals Retreat!

Sheer Insanity

Introduction

Last week was a veritable avalanche of illusions presented to the public as FACTS. Anyone who invests predicated on these HEADLINES is DOOMED. The markets gave clear fingerprints of the true stories as did the internals of the reports provided with the headline numbers. Volatility was and is front and center providing huge opportunities for prepared investors. These moves are in their infancy, as are the financial authorities who are just beginning to understand the enormity of the task in front of them in repairing the credit markets as the dominoes just keep falling. This volatility was extremely destructive to poorly prepared portfolios. Which side of this divide are you on?

Helicopter Ben Bernanke made a trip up to Congress and it was a joke as he tried to do a GREENSPAN and talk in unintelligible circles to the Mandarins of Washington DC. He failed, it was clearly EVASIVE. He looked furtive and uncomfortable. Ron Paul stood front and center and grilled him on debasement of the currency and inflation. He DIDN'T answer the questions in any meaningful way except to make it clear that they were throwing DOLLAR holders outside the US "under the bus" and they could expect to suffer accordingly. Here's a look at his fingerprints:

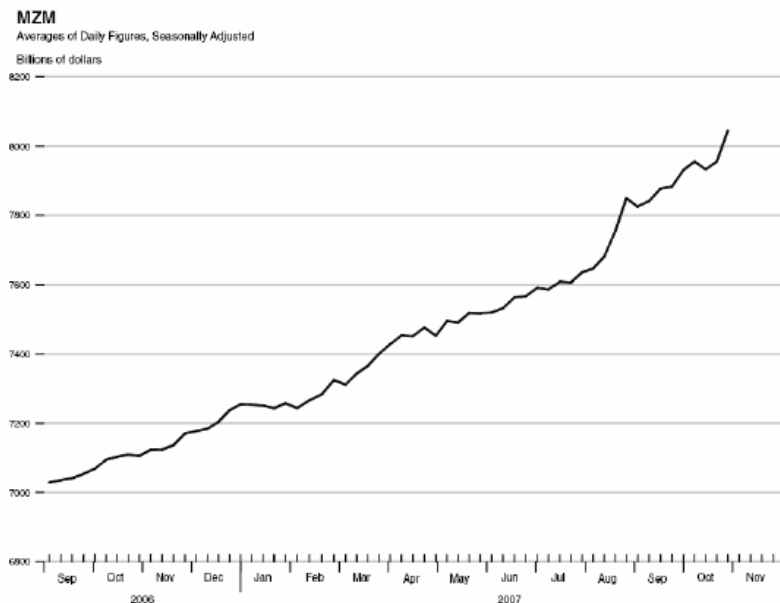
Forex Race

The euro and the yen against the dollar, and the dollar versus the currencies of the major trading partners of the U.S. (J.P. Morgan trade-weighted index)



	\$ per	52-wk change	Per \$
Euro	\$1.4554	Up 13.96%	€0.6871
Yen	\$0.008718	Up 2.61%	¥114.7052
Dollar index	81.1	Down 8.36%	

Source: Reuters via WSJ Market Data Group



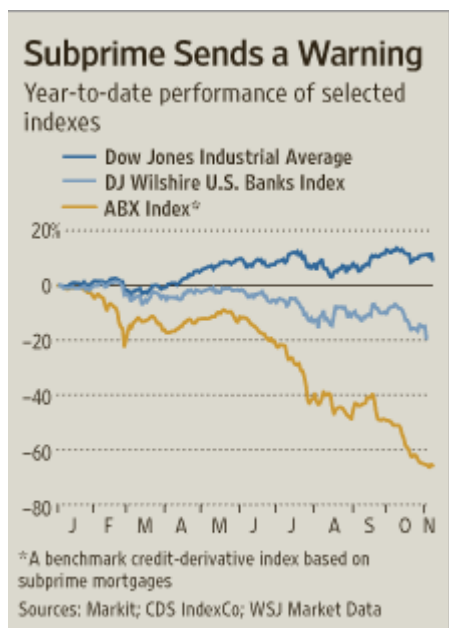
The stock market promptly sold off, treasuries soared, gold went to the highs and the dollar tanked. This chart of money supply with zero maturity is an illustration of money printing, pure and simple. Notice the virtual vertical ascent beginning in August to the beginning of September, and the resumption of the vertical ascent in the last several weeks.

Then Congresswoman Sanchez of Orange County told the assembled committee and Bernanke about her inability to get a mortgage for herself that was not 1% above the published mortgage rate. She outlined how her credit score was above 800 (pristine) and she had lots of assets and income. Essentially she demonstrated that the

mortgage markets are moribund and lifeless. Bernanke said they should recover in 6 months. To that I say "BULL****", and the carnage of no bidders is set to lay further waste to the housing markets.

Don't forget that Congress is winding up to criminalize past behavior and apply the trial lawyers retroactively to the housing and mortgage industry. Yesterday the attorney general of New York opened investigations into Fannie Mae, Freddie Mac and Washington Mutual in an imitation of New York's former Attorney General "Elliot Spitzer". They all promptly declined 10% and are getting ready to be BARBEQUED, and the winter in the mortgage lending industry got a lot colder.

The GDP number was released at 3.9% annual growth and inflation was recorded at a miniscule .8 tenths of 1 percent. How can this be with crude oil soaring, and food prices going through the roof! Lies to fool the man on the street. Hank Paulson is demanding China revalue the Yuan again, but you better be careful what you wish for as the biggest import we could get is INFLATION!



This weeks Tedbits will look at some short insights into the unfolding "Fingers of Instability" as we did last week!

Broad Fires in Financials, and The Prescriptions You Can Count On

As the financials sink into the sunset the Balance sheet bombs continue to rain down upon them, Morgan Stanley did a mea culpa this morning and added \$3.7 billion to the score board. The CEO's of Merrill Lynch and Citigroup are out on as well. The ABX index of 2006 triple AAA CDO is trading 75 cents as I write this - indicating huge new losses on the near horizon.

Take a look at this chart of the ABX Index (asset backed security), the Dow Wilshire U.S Banks Index and the Dow industrials:

WOW, the ABX index down over 80% year-to-date and 25% since the end in September. Either one is going to rise and another's going down, which one will it be? Each billion dollars of losses by

a bank means 12 billion dollars less in lending. As near as I can tell only 35-45 billion dollars of losses have been announced, the total amount of losses is at least 5 times that number. Jim Willie believes it's over a Trillion dollars. That's a lot of money to print! The Wall Street Journal reports:

NEW YORK -- The U.S. commercial-paper market reversed course and shrank by \$15.6 billion in the week ended Wednesday, with the asset-backed portion of the market fueling the contraction, according to data released Thursday by the Federal Reserve. This was the first decline in six weeks.

Asset-backed commercial paper outstanding, which has been contracting since investors first balked at buying short-term securities tainted by sub prime mortgages, declined by \$29.5 billion -- its largest drop since late August.

"This is the worst scenario in the market since August," said Deborah Cunningham, chief investment officer at Federated Investors in Pittsburgh. "There has been all this wrangling in the market over write-downs at Merrill and Citigroup and Morgan Stanley. There's just more consternation in the market."

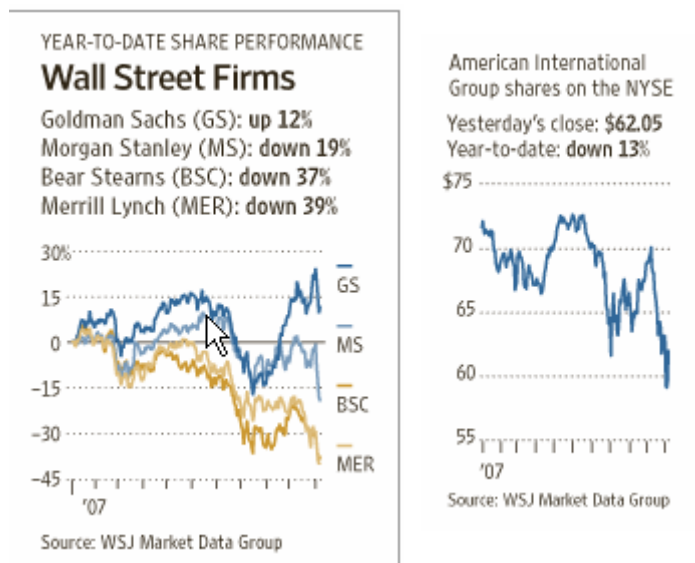


As outlined in a previous edition of "Fingers of Instability" the Asset backed commercial paper" has not been allowed to roll by investors and now heads are. Ask Chuck Prince and Stan O'Neal. Citigroup is saying they may have \$10 to 12 billion dollars worth of additional write-down's; however, the whisper number is now approaching \$25 billion. Merrill is in trouble as well, these powerful financial powerhouses and money printing machines can't make money as fast as they are losing it. Wachovia just tossed in a Billion dollar black eye, and announced you can expect more. Barclay's is rumored to be the next canary. Tier 1 capital at Citigroup is approaching danger territory at 6 % and it is getting dicey. Take a look at this chart of Citi's Tier 1 capital ratios, this is the capital required on their best assets:

An analyst downgraded Citigroup and said they may have to sell off business units to survive. She was promptly sent DEATH THREATS! Complicating the search for new CEOs at Merrill and Citi is the question of further write-down's as no chief executive would consider a post with either company without knowing the bad news would be

out before they begin. So can you say interim CEO's for the foreseeable future? The Money Center and Investment Banks are powerful franchises and really can churn out earnings, but you probably can look for one or more to go through a bankruptcy and reorganization SOON. Sarbanes Oxley looms dead ahead at the end of the year as any CEO that has to sign on the bottom line will be in line for PROSECUTION if they cook the yearly financial statements. Congress is hot on the trail and ready to throw juicy bones to their TRIAL lawyer masters, so lawsuits are also directly in the future of WALL STREET and the money center banks.

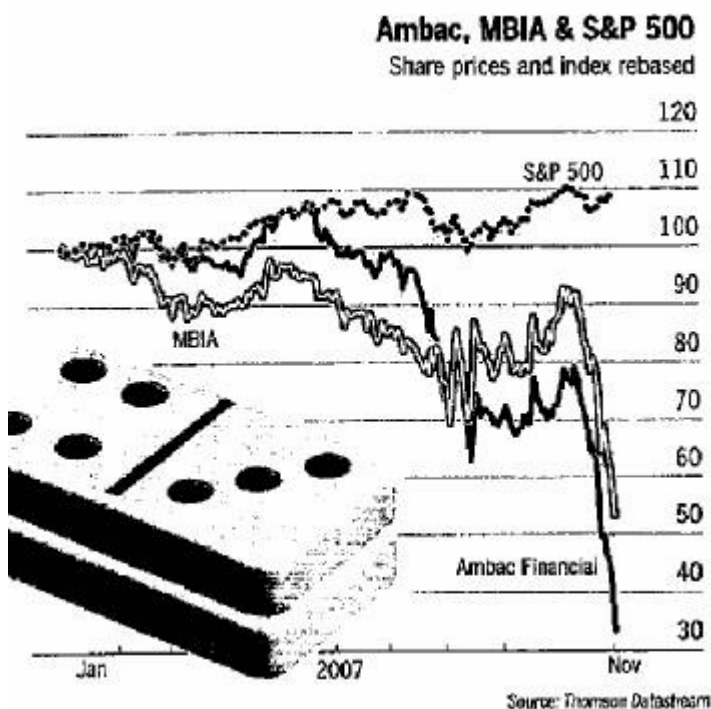
To see the spreading contagion to other corners of the financial industry lets look at a chart of AIG Insurance and the major brokers:



As their holdings disintegrate so do their stock prices. My good friend Clyde Harrison tells me: “they are all the big ones and are “SIV” positive, and they went from the moving business to the storage business getting stuck with their own bad paper.”, “all the result of Greenscams 1% fed funds rate”. And he is right. We know Helicopter Ben doesn’t understand the seriousness of the situation or he never would have taken the job. I don’t believe any big institutions will be allowed to fail outright, they will go through bankruptcy reorganization. That I believe you can rely on. As we watch this debacle unfold we can count on one thing and it was clear in Bernanke’s testimony that they will just “print the money”! Anyone got gold foreign currencies?

Next Shoe to Drop, “CDS” and Municipal BOMB Market!

As these problems unfold, new ones just keep popping up, the next shoe to drop is Municipal Bombs er Bonds, and the credit default swap “CDS” market. Dominoes so to speak. Muni Bond insurers are in freefall as the credit rating agencies downgrade their prospects, take a look at this chart of the Monoline bond insurance companies Ambac and MBIA:

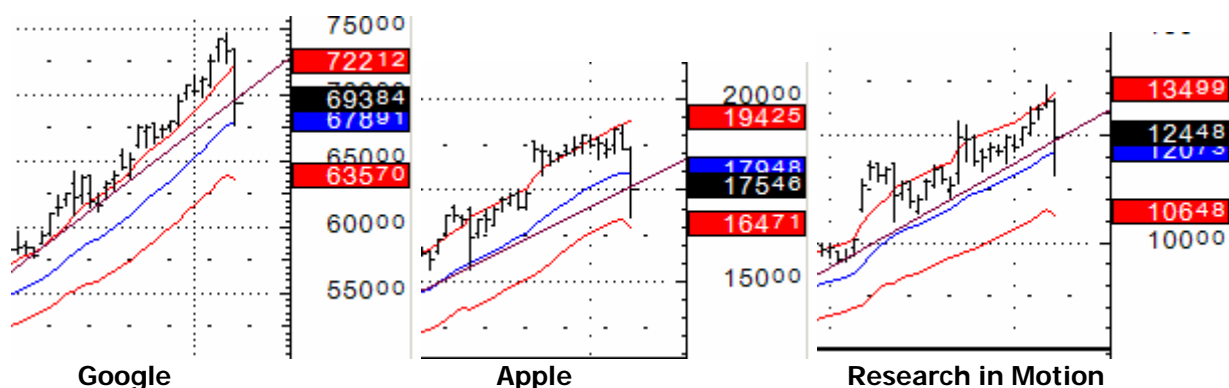


These firms are in freefall, as are all the other bond insurers. Anyone who is holding bonds insured by these dead men walking might want to consider calling your broker before the real stampede out of these SAFE and “insured” holdings begins. As credit ratings of the insurers are slashed, many holders of these bonds will be forced to sell. Muni bond funds, institutions and pension funds have covenants’ which force them to do so.

Not far behind this unfolding tragedy is the credit default swap markets as these “OVER THE COUNTER” derivatives soar in price, and the parties to them are injured in unfolding CDO (collateralized debt obligations) and housing market disruptions. Insurance is not good if the counterparty to them is insolvent and the growing liabilities from the sub prime debacle is impairing their future ability to meet obligations outside those commitments. When the credit default markets crumble there will be real trouble that dwarfs current problems!

Generals Retreat!

Finally the BIG three have fallen and broken their trend lines, and as they go, so does the NASDAQ! Apple, Google, and RIM were taken out and shot Thursday just as the NASDAQ led the charge to the upside, you can now expect it to lead to the downside.



Amazon has joined this chorus as well. *Flash: Google opens Friday 4% lower, RIM opens 5% lower and Apple 3% lower.* The NASDAQ 100 has suffered a breakdown as well; WEEKLY outside engulfing patterns are clearly seen on the weekly charts. So it appears it could be bombs away. All the weekly patterns we highlighted last week have now been CONFIRMED! Rumors on the floor Thursday afternoon that Goldman Sachs was the big buyer for you know who? My guess is the PPT, aka the plunge protection team. The boys on the floor generously accepted their bids. China finished the week down over 8% setting up an interesting Monday morning. At no time did the selling really get started Thursday as Trin never rose to levels indicating lots of selling, Trin indicated there was just a lack of buying. These are opportunities for prepared investors? Are you prepared?

Sheer Insanity

Congress is attaching an "anti arbitration" provisions to most new laws being passed to curtail dispute resolution through arbitration. Rendering previously agreed to arbitration agreements in contracts "null and void", can you imagine having to take EVERY dispute to COURT? It doesn't matter where you look at pending legislation in congress, they are eagerly delivering America into the jaws of the trial lawyers always and everywhere. Do you think these are policies of growth?

In conclusion

The government reports that inflation is contained are false ones. Paper is deflating, everything else is inflating. Bernanke's helicopters are making nightly drops into new financial bomb blast holes on a daily basis. He dropped \$41 billion into the markets last week. He probably has a fleet of black helicopters at this point, as there are too many new holes emerging on a daily basis. The printing has just begun. *The opportunities these actions are creating are enormous, are you benefiting from them? My clients are! If you are not benefiting figure out why and arrange your portfolio to prosper from them.*

If the market finishes on its lows Friday, you can look for Monday to be very ugly. Goldman Sachs repeatedly has indicated they have not had problems, there is smoke here. When they break watch out below, it will be like a dam breaking just as a dam has broken with the big three NASDAQ generals mentioned above.

The Yen carry trade continues to convulse, and the yen is trading as I write this above its closing highs in August, so additional de-leveraging can be expected. Markets are moving fast up, down and sideways. The "fingers of Instability" just continue to emerge across many, many markets. *Turn them into opportunities for yourself regardless of the way the markets go!*

The markets are rocking: precious metals, commodities, raw materials, energy, interest rates, foreign currencies, the dollar and more are providing opportunities, up and down to the prepared investor. The tsunami of money and credit creation required to underpin the asset backed economies of the G7 are providing opportunities as far as the eye can see. And the massive sterilization of this same money printing by the

emerging world is stoking runaway inflation to surface in every area of the globe and signaling the unfolding "Crack up Boom" (see Tedbits archives at www.TraderView.com).

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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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