



TEDBITS
THE ECONOMIC & FINANCIAL NO SPIN ZONE!
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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 X

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Introduction

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 has provided 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).

Helicopter Ben is confronting you with a conundrum: Leave your money safe in the bank and let him and the G7 Central Banks, Public Servants and treasuries nibble at it with their printing presses at night, or get invested? When he lowers interest rates he transfers the money you should be getting in your savings accounts and fixed income investments to the Money Center and Investment Banks to rescue them from their horrendous losses. They borrow it from depositors at increasingly low rates as the Fed rescues the economy (what a crock) through interest rate reductions and lend it to you through their credit card operations at 20% to 30% interest rates. The Federal Reserve has been completely compromised by the Congress, US treasury and Hank Paulson. Independent Central bank? NOT. Obscene? Yes! Immoral? Yes!

The "roach motels" derivative markets are underpinned only by the opaque accounting fictions the regulators and central banks are intent on preserving. Merrill Lynch and UBS began to come clean on "balance sheet" bombshells that remain hidden within the financial systems of the G7. The majority of the losses still remain undisclosed. Losses which are masked by "Tier three" accounting fictions in hopes that the markets will recover their confidence in the "over-the-ounter" products and allow them to be moved onto "someone else's" balance sheets.

A gigantic game of hot potatoes has begun. The dollar itself is becoming a hot potato. The destruction of its place as the RESERVE currency of the world has been accelerated to a breakneck pace by the US treasury and Federal Reserve. The poster child for the: "Problems are Contained" are the major stock indexes around the world. A headline illusion to create a sense of "well being" for the uninformed masses. But the internals of those same markets are breaking down badly. The money that's being printed is moving many markets and those moves are just in their infancy. The dollar has suffered a major breakdown, many are looking for a countertrend rally, but any rallies are quickly capped by dollar holders trying to jump out. Are you benefiting from these opportunities?

We are going to do a few quick "fingers of instability" on a variety of issues which will continue to impact your portfolios. They are only opportunities for the prepared portfolios and pitfalls for those portfolios which are not. Which side of this divide is your portfolio positioned on?

Meltdowns

The CDO markets continued to deteriorate in crash-like manner as every rung of the ratings ladder from AAA on down continued to be marked down by the Credit Ratings Agencies: Moody's, S&P and Fitch. Whereas the big banks and investment houses can hide behind tier three and pray for a market recovery, the investing community cannot. Pension funds, institutions and money market funds, have fiduciary investment covenants which direct them to sell securities which are below certain ratings levels. Once an investment falls into the lower rungs on the investment scales they are bound by their own investing rules to divest the assets.

10's of billions of dollars of securities have been downgraded since the beginning of October and this will require that they be sold in a timely manner. Once those securities hit the markets we will know their true value, and it won't be pretty. The super SIV will quickly become an exercise in wishful thinking as their "high quality" paper becomes junk in the maelstrom of liquidation which increases every time a security is downgraded. The super SIV's whole reason for being was to prevent fire sales and price discovery. Some of the Triple AAA CDO's fell to 57 cents - aka Junk territory. More and more is slated to become so. Every sub index of elements (AAA, AA, A etc.) of the structured products has crashed since October 1. The carnage of losses is staggering!

Bond insurers Radian, Ambac and MBIA shares' are in freefall, not only from the projected losses from their insurance of CDO's and structured products, but state and municipal finances in the US are in freefall as well. Many Muni bond holders face BIG problems in the coming year. What will you do if a state or municipality goes bust and the insurance company guaranteeing their bonds does also? The real estate boom inflated their tax incomes and now is deflating them. I live in Chicago and they are angling to raise taxes 1 billion dollars, and it is no different in any other city or state in America. Soon you can add Europe to the list as the real estate BUBBLE is in a precarious position around the globe.

Foreign inflows into US corporate bonds have ground to a halt, and that is over 50 billion dollars a month of foreign investment that has stopped. Mortgage bond indexes have suffered 30% falls since the end of the quarter in September. It is clear that the US Federal Reserve plans on doing a Greenspan and push short-term rates to very low levels to allow the banks to borrow from their depositors at very low rates and lend it out long to fix their balance sheets. As usual, the little guy is sacrificed on the altar of saving Wall Street and the Money Center banks from their poor investment decisions. Instead of saving the main street economy with their actions, they are hurting it as inflation is running away....

The Taxman Cometh, Middle Class Attacks

The mother of all tax hikes is front and center in the United States. Lawmakers on both sides of the isle can't be content with what they steal from their citizens on a nightly basis with their printing presses. Pointing at hedge fund managers in New York and calling them "THE RICH" they turn around and sock it to every small business man in the US, taxes are set to skyrocket on people earning \$150,000 or more, while the largest

Corporations in the US are going to get a tax cut. Why the Big corporations? Why of course it's because they are big campaign donors. Most people don't understand that Big business doesn't pay taxes, their customers do. It's passed right through to the customers and reduced wages for the employees.

People earning over \$150,000 a year face the expiration of the Bush tax cuts so their tax bill will increase from 34% to 39% and then Congress wants to add an additional 4 to 5% surtax to cover the AMT (Alternative Minimum Tax) repeal. 44% tax rates on small business men and THE RICH, who earn over 150,000 dollars a year. Before they are finished, the definition of the rich will be as it is in FRANCE where anyone earning more than \$48,000 euros is RICH. MISERY spread widely is the definition of FAIR by the public servants. Of course that is true as all the productive people and entrepreneurs left the country YEARS AGO!

This is supposedly to FIX the Alternative Minimum tax, a tax monstrosity created in the late 1960's to catch several hundred people who paid no taxes by cleverly (but legally) using the tax code, has now descended onto tens of millions of people. THIS IS THE CONTINUAL REDEFINITION OF THE RICH, as your public servants eat more and more of your income for the "something for nothing" constituents. These people have been moved into the definition of the rich as the value of their paychecks has risen nominally. In purchasing power terms, the dollars they make have imploded and have been inflated by the G7 printing presses. Nobody creates more jobs than small business in America, unfortunately they don't have armies of lobbyists to grease the halls of congress with MONEY for their REELECTION campaigns. So they are easy pickings for congressional tax and spending vultures and don't have the money to BUY protection from CONGRESS.

Every State and municipal government is frantically searching for income to plug gaping holes in their funding, further driving stakes into the hearts of consumers and small business. These fraudsters expanded their budgets by gargantuan proportions during the feeding frenzy of the now dead real estate boom/bubble. Those income streams have now virtually stopped in their tracks and they are like whales on a beach after the water has receded. Of course, none of them even considers CUTTING SPENDING.

Once these tax hikes take effect expect every one of the businesses in America to FIRE an employee and transfer the income to the government: Federal, State, and Municipal. Is this a recipe for growth and wealth creation? NO.

Stocks

Stocks are near their highs, but more than 50% of the gains in the NASDAQ are from 3 STOCKS: Apple, Google and Research in Motion, in the S&P 500 more than 50% of the stocks are below their 200-day moving averages.....

More and more investors are fleeing to the perceived safety of Technology and multinational big caps, the Russell 2000 is a laggard. The absurd CNBS er CNBC position that stocks can't go down or it is a disaster is absurd. It is only a disaster for WALL STREET and Washington as they won't be able to fleece you as much through inflation and taxes. It is painful to watch the spin of 3rd quarter earnings which are down about 1 % year over year. But stocks are up 20-30%! What's wrong with this picture?

Looking at 3rd quarter earnings, Goldman Sachs held 72 billion dollars of tier 3 assets (mark to myth) but somehow had no losses from them. John Mauldin reports of one series of CDO's from Goldman that is worthless (Hank Paulson must have guided them through this minefield). Transportation companies such as Federal Express, UPS, railroads and industrial giants such Caterpillar and Cummins are talking about substantial slowing of business and inventories. At the same time the stock analysts are predicting 10% growth in 4th quarter profits. Most Corporate and GDP profit growth is an illusion as inflation is far higher than acknowledged by the government and investment banks and brokers.

Profits are beating expectations, which were revised down right up to the last day of the 3rd quarter, creating an illusion for investors of health and expanding business. CNBS er CNBC NEVER gives you the real number,

pro forma went the way of the dodo bird in 2000-2202, it's now resurrected in the new term: now it's always EX-ITEMS, aka "the bad stuff", which does impact earnings - but they present the fiction of them which is not reflective of the true earnings. CNBC America is a wholly-owned subsidiary of their advertisers, aka WALL STREET! It is SHAMELESS and OBSCENE.

Inflation and GDP

Does anyone believe inflation is not a problem? In today's 3rd quarter the CORE personal consumption inflation rate was 1.9%. Signaling to the cognoscenti that the fed can ease with no danger of inflation. GDP clocked in at 3.9% above most estimates, capital investment was up 7.9% and consumer consumption was up over 3 % (can you say higher food and energy costs? Its not real growth). Richard Russell (www.dowtheoryletters.com) reports:

As I said, the nation's faith in the Fed is amazing. It's even more amazing in view of the fact that our President (I'm referring to George Bush) is receiving the lowest approval rating of any president in history. The only thing lower is the current approval rating of today's pathetic Congress.

And yet, we continue to take the government BS statistics on inflation seriously. The latest *Economist* magazine puts the year-over-year dollar index of "all items" up 16.7%. They put the price of food up 31.6% year-over-years. So our government tells us that "core inflation" is running below 1%. And people take these figures seriously.

The GDP report clocked in at 3.9%, but if you subtract real inflation as reported by Richard Russell is it really higher? MasterCard just reported blowout earnings; I guess if you can't earn the money you can just borrow it? Of course it is only at 20 to 25% interest. Can you say legally sanctioned indentured servitude? And of course with the new bankruptcy laws there is no escape for these borrowers from these loan sharks. These loan sharks, also known as the "Investment and Money center" BANKING industry, owns the US congress and the Federal Reserve: "lock, stock and barrel".

In conclusion. my good friend Clyde Harrison sums up the situation quite well: "The fed cut short rates ½ of a percent 6 weeks ago, the ten year bond is down 6/100's of 1 percent so no help for the mortgage market, the dollar is down 3 %, gold is up 7%, crude is up 12%, so Goldman Sachs, Bear Stearns, Citigroup and Merrill were helped, the public was hurt". "The dollar dropping by 3% means prices will soon be higher at Wall Mart, and gasoline will be higher the next time you fill up" additionally, he said "Its good to have friends in high places". Clyde is an Oracle of the obvious. They cut interest rates ¼ % percent today, gold will move, crude will move, the dollar will move, and many other markets will move. *These are opportunities, have you captured them? Have you devised a plan to capture them or will your portfolio be the victim of them? Do the homework necessary to thrive! Diversify properly, long-only strategies can be hazardous to your portfolio. You need diversification which can prosper regardless of market direction.*

Bonds are bombs as the printing press relentlessly assaults them. Guaranteed certificates of confiscation as they were in 1980. Who is propping up this illusion? Why would anyone buy a US treasury issue when they pay 3-5% and inflation is running over 6%, at least. Is this the price you have to pay for the SAFETY of a government bond? Safety is an oxymoron as the supposedly ultra-reliable borrower is also the serial money printer.

One of my customers who operates shopping malls in Florida and Wisconsin says the tenants are struggling (late on rents and worse, no pay); things are not well in the land of the consumer-based economy of the US. So the new Congress says: let's raise taxes, increase government spending and waste, and destroy job-creating small businesses and call it "fairness" for the little guy. This is the formula that the Congress is running on and has been implementing since last November's "throw the bums out" vote. Look no further than Michigan to see the results; it is absolutely failing in every respect to wealth creation and business. Unemployment is the highest in the country and jobs are scarce. That is the ghost of Christmas future for the

US of A. In Europe, entrepreneurs are public enemies except in the Celtic tiger of Ireland and the new EU 15. This is also the destination of the US where Corporatism is front and center as the corporations and banking industries finance the reelections of the public serpents, or servants. And in exchange for their support, the public servants bury the middle classes and emerging entrepreneurial competitors in the small business communities. *Look no further than the proposed Tax Reform to see this in action.*

The G7 central banks and political community are firmly in the grasp of big corporations, banks, politicians and their "something for nothing" constituents. To the detriment of the broad electorates who are dumbed down and led like sheep to the fleecing arenas. Housing is not going to be fixed by lowering rates, and the homeowners will not be saved either. This is only a rescue of WALL STREET and the BIG banks. I applauded when Hank Paulson was named Treasury Secretary, after the amiable dunces before him. Well, as H. L. Mencken said: I have gotten it good and hard as what I wished for is turning into a "monster" of government manipulation and corporatism run riot over the economy. Every time I see him on the TV screen I shake my head as I "think" I see the horns of the devil rising out of his forehead. LOL. The president's working group on markets, also known as the Plunge Protection Team, has recently had another Goldman alumni and hedge fund manager named as leader. They are picking the pockets of savers across America and transferring it to New York, New York. Markets are now very, very political playgrounds!

Why did the Fed lower rates so it won't DISSAPOINT the markets? The Markets are supposed to do whatever they do, not be supported by the Fed. I thought their mandate was full employment and controlling inflation. The absurdity of the Fed preemptively addressing problems BEFORE they are real shows what ACADEMIC economists can do; it's all theory and has no basis in reality! Paulson has sold Bernanke a story and he has bought it HOOK, LINE and SINKER. *Turn them into opportunities for yourself regardless of the way the markets go!*

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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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