Global Reset & Petrodollar Dynamics

Posted February 27th, 2016

By www.chuckcoppes.com

"*There is no means of avoiding the final collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as the result of voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved.*"

- **Ludwig von Mises, Austrian School of Economics**

"It would be some consolation for the feebleness of ourselves and our works if all things should perish as slowly as they come into being; but as it is, increases are of sluggish growth, but the way to ruin is rapid."

- **Lucius Anneaus Seneca, Letters to Lucilius (4BC – 65AD)**

"The situation is worse than it was in 2007. Our macroeconomic ammunition to fight downturns is essentially all used up,"

- **William White, former BIS Chief Economist**

"There are only two options: a financial reset planned well in advance, or a hastily implemented one on the back of a dollar crisis."

- **Willem Middlekoop, The Big Reset**

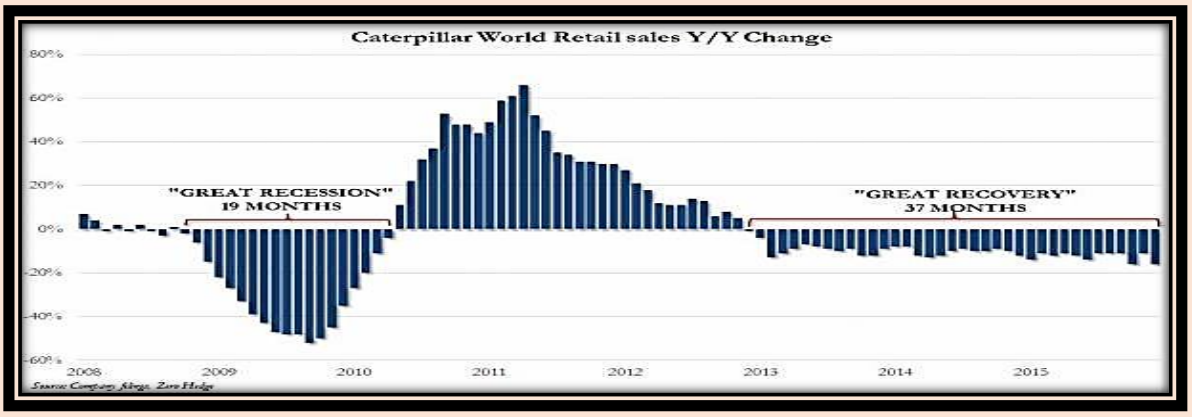
Greetings to All,

As most of you are aware, the **New Year of 2016** is getting off to a *very* rough start from a financial and macroeconomic point of view. Hang on to your seats as we explore the massive downturn in capital markets and major indexes along with sovereign debt defaults, central bank's war on cash and negative interest rate policy (*NIRP*) leading to a **global monetary reset**. Gold (and silver) will play a prominent role in this new order as both metals have advanced almost **15%** in *two months*. China, Russia and Iran are triangulating against the **US petrodollar exchange system** established in 1974, and the *artificially* low price in crude oil is hastening the day. The *artificially* low prices in metals has also caused consternation and frustration among the faithful, but a **day of reckoning** is coming that will reward those who are patient and understanding. Much more on this in my conclusion. Let us now consider the **following charts** to further understand the complete economic-financial-fiscal debacle that is unfolding before our very eyes, and what the implications will be for investors and concerned Americans. We start with the collapse of **Caterpillar global retail sales** as seen below.

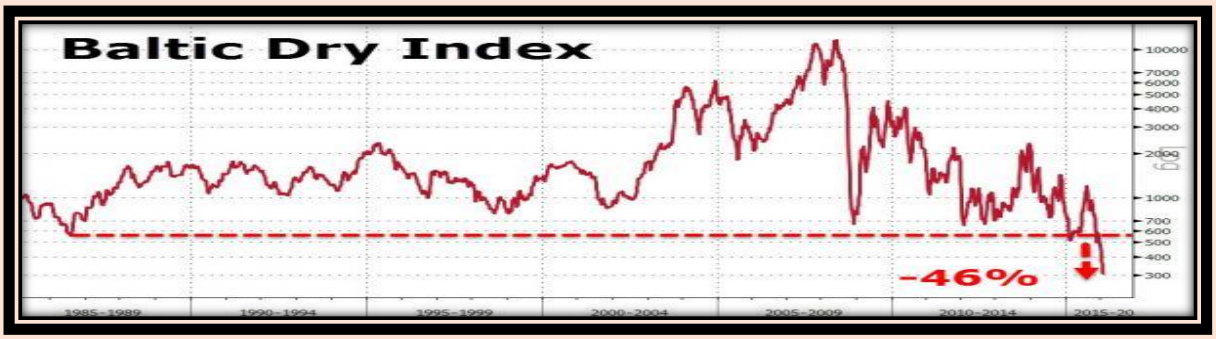
Manufacturing Depression Enters Uncharted Territory: *Caterpillar Retail Sales Have Never Been Worse!*

Submitted by Tyler Durden on 01/27/2016 10:14 -0500

Caterpillar reported its latest monthly retail sales statistics and the numbers have never been worse. Not only is the fourth, feeble and final dead CAT bounce in US sales officially over, with December US retail sales tumbling -10% Y/Y, after "only" a -5% decline in November and hugging the flatline for the past few months, **but sales elsewhere around the globe were a complete debacle**: Asia/Pacific (mostly China) was down -21%, EAME dropping -12%, and Latin America (i.e. Brazil) continuing its free fall dropping by -36%, but global retail sales just posted a massive -16% drop in the past month, tied for the worst annual decline since the financial crisis.

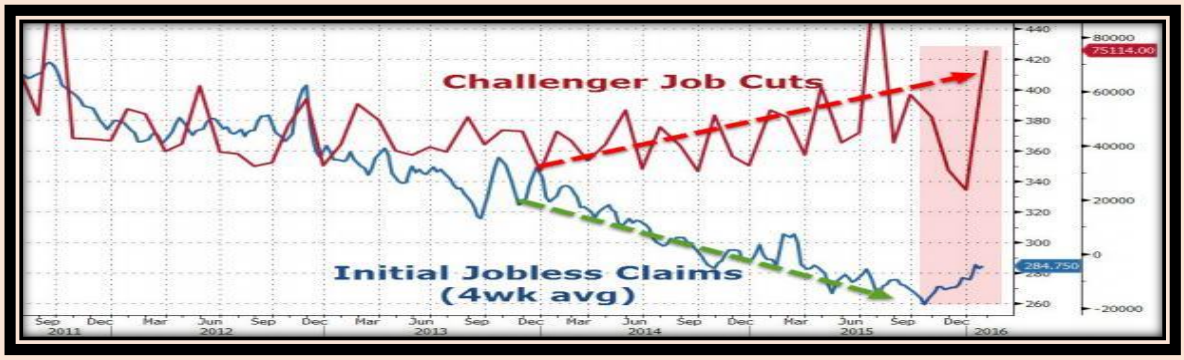


Why do analysts look at **CAT** for perspective on the global economy? Precisely because **CAT** is a multinational firm closely related to industrial activity in the world – and **this chart** is all you need to know to grasp the gravity of the macroeconomic situation. Does this look like a "robust" economic recovery the Fed and Obama shills are bragging about? Things have gotten so bad at Caterpillar that they are selling their $250,000 bulldozers for only $5,500 as seen in THIS LINK. Another metric that reveals the historic slowdown in economic activity is the arcane **Baltic Dry Index:**

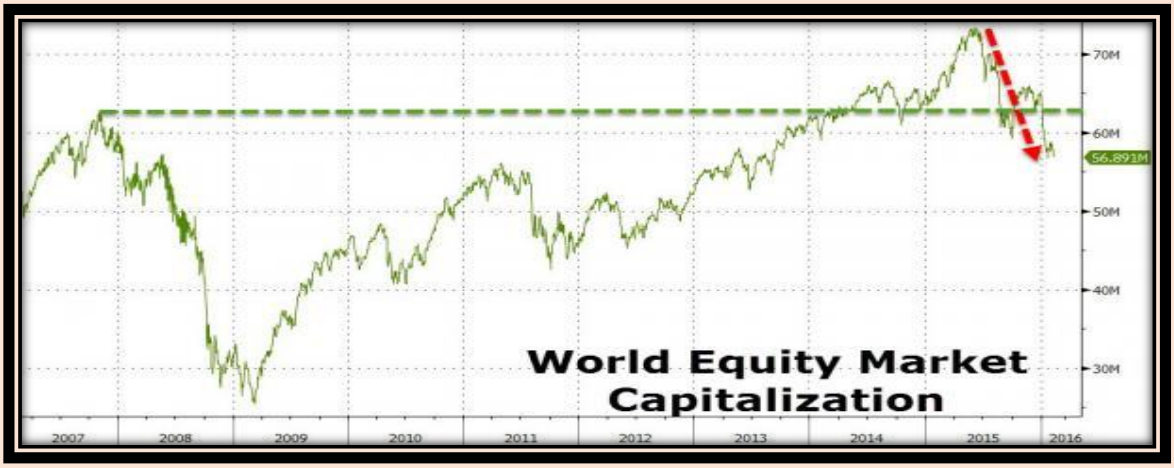


This chart is dated from **1985** to the present, and the index has reached a *30-year low!* Transportation Indexes and factory orders in the US have now dropped for 14 months in a row.

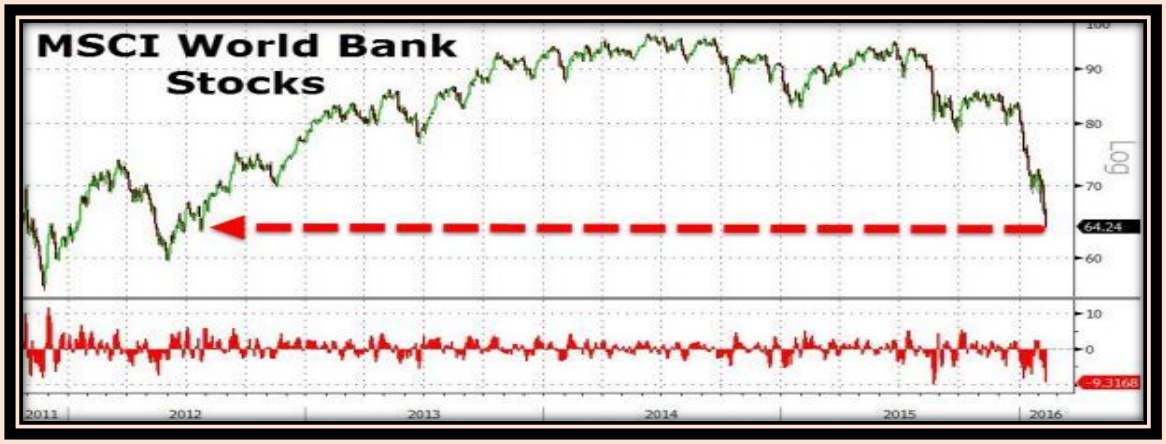
CAT has laid off thousands along with thousands in the energy sector, manufacturing and retail. The number of jobs cut in the US has increased by 218% in the month of January, and according to the Restaurant Performance Index we have returned to the lowest level since **2008. This chart** is from Challenger, Gray and Christmas research firm and reflects this dismal data:



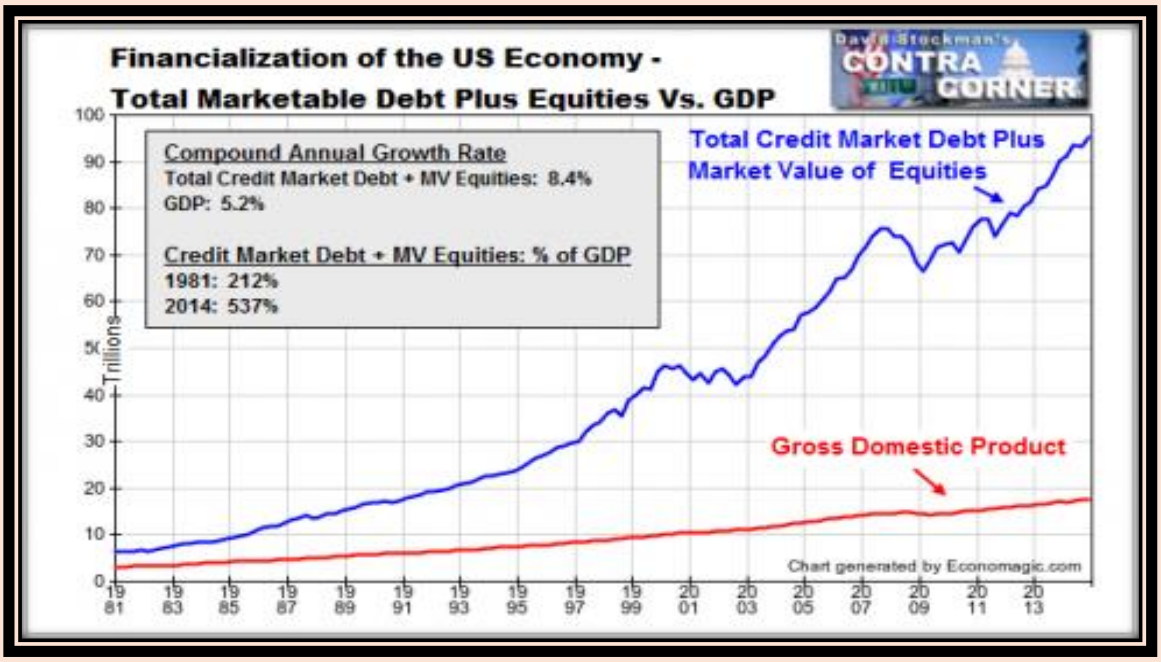
In addition to this "jobless recovery" global equity funds have recently lost a stunning **$17 trillion** in market cap (the phony wealth effect), as indicated here and more charts at THIS LINK:



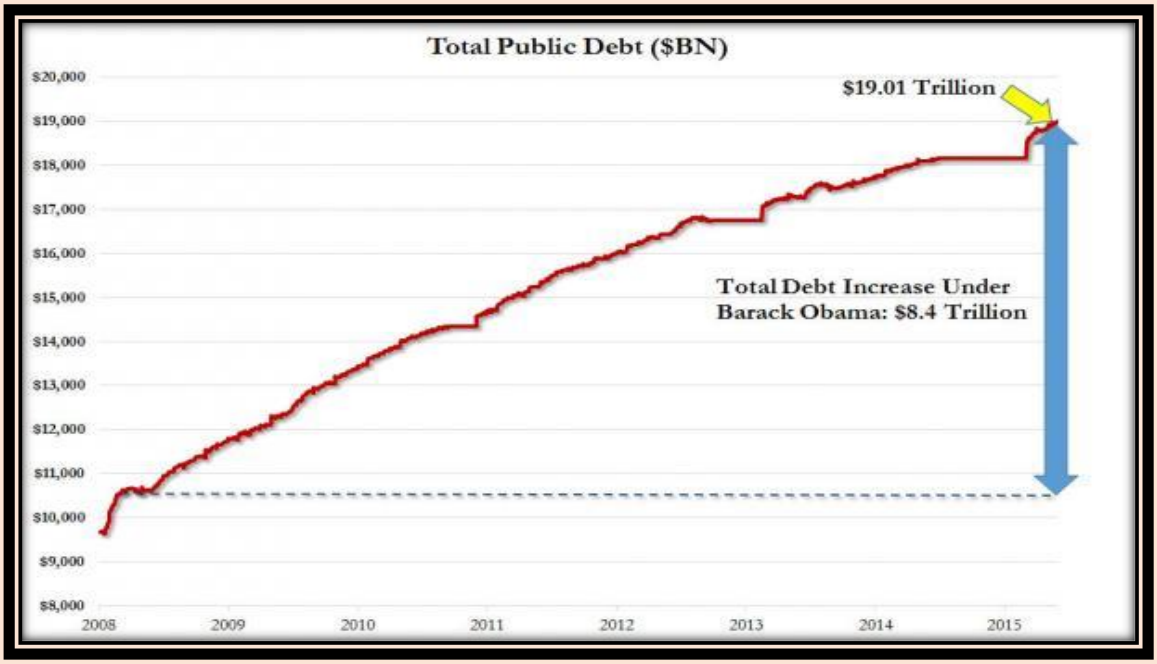
Perhaps it is not surprising that global bank stocks are plummeting as **confidence** is eroded and over leveraged institutions are feeling the pressure of toxic balance sheets and illiquidity.



What has led to this historic contraction and downturn? It is a classic boom/bust cycle created by the central planners. In economic terms it has been the **financialization** of the global economy. What is financialization? Put simply, it means that financial services have grown since **1980** and has created the largest credit cycle in history. In other words, 35 years of credit expansion (easy money) has led to this **chart below**. Our GDP has been rather constant, but borrowing by government, private corporations and individuals has exploded – and this closely parallels the peak spending of the baby-boomer generation. This collective debt in the US has gone from *$7 trillion to $93 trillion*.

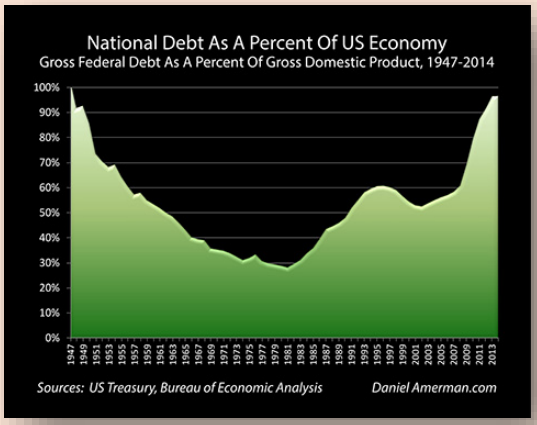


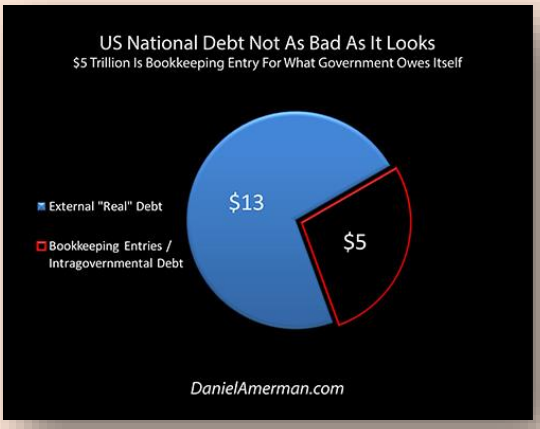
The first cohort of babyboomers started retiring in **2008**, and they are downsizing while the national debt has literally *doubled* since Obama and his radical Progressives took over in **2008**.



National Debt *Exceeds $19,000,000,000,000!*

http://www.mybudget360.com/total-us-debt-19-trillion-growth-of-us-public-debt/

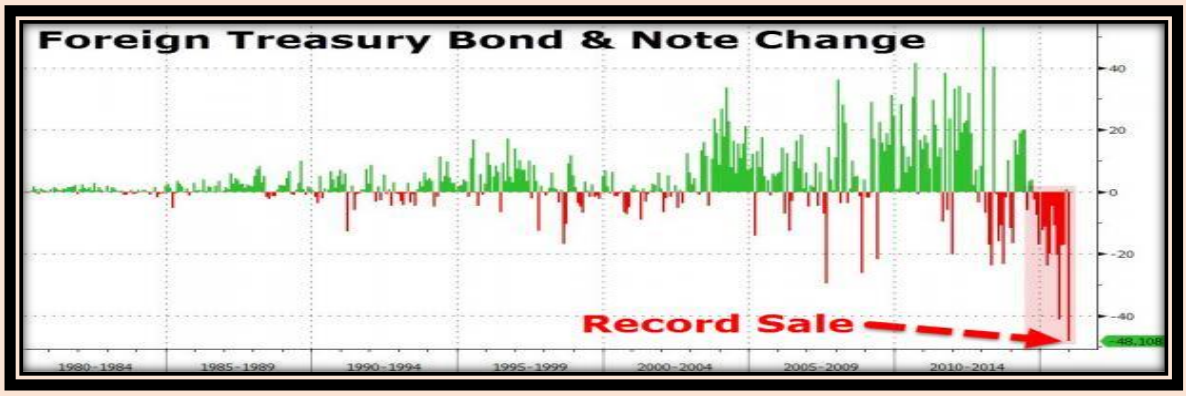


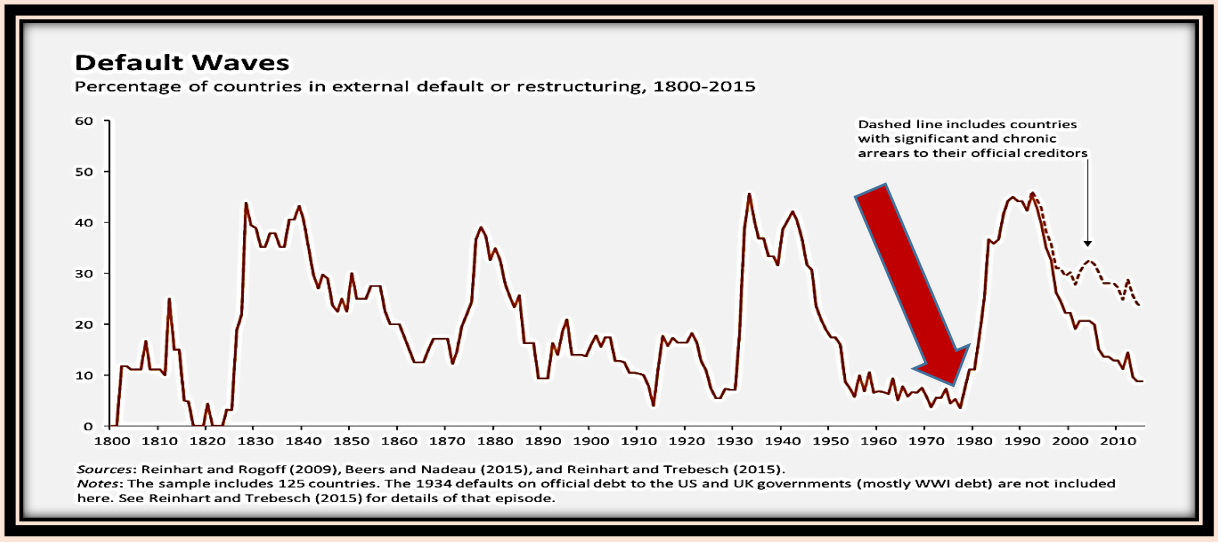


As you can see in the **above charts**, we are at *100%* debt to GDP and a large chunk of this is yet to be paid to the babyboomers. As economist **Daniel Amerman** has noted that $5 trillion of the national debt is money that has already been spent as the government spends FICA contributions as fast as they come in. In other words, the Social Security/Medicare scam is nothing more than a huge Ponzi Scheme that landed **Bernie Madoff** in the Big House. Theoretically we only have 72% debt to GDP if we don't account for this missing $5 trillion that is still owed to people retiring today at a rate of *10,000 per day* for the next 19 years! Our total unfunded liabilities for the babyboomers now exceeds $200 trillion and this does not bode well for this generation. The US ranks 29th among 33 developed countries for seniors living in poverty. This means that **22%** of retirees live in poverty here in the US compared to only **12%** for all other developed countries. This is why Detroit and failed pension funds are a metaphor for our future, and there is nothing, or no one (Trump, Sanders, et al), that can avoid this unsustainable debt path we are on. According to **Professor Reinhart** we are facing a year of sovereign debt defaults. In **December** alone foreigners dumped $48 billion of US Treasury debt as noted here below. What does this mean? It means the world is losing its appetite for US debt.

A Year of Sovereign *Debt Defaults?*

December 31, 2015, Carmen Reinhart is Professor of the International Financial System at Harvard University's Kennedy School of Government





In this chart, Reinhart illustrates that debt defaults and restructuring happened after **WWII**, and notice the *latest credit cycle* beginning in **1980** and leading to a global monetary crisis. The central planners, banksters and politicians have run out of "macroeconomic ammunition" to quote **William White** at the BIS below. The central banks of the world have been pushed into a fiscal corner.

World Faces *Wave of Epic Debt Defaults*, Fears Central Bank Veteran at the BIS

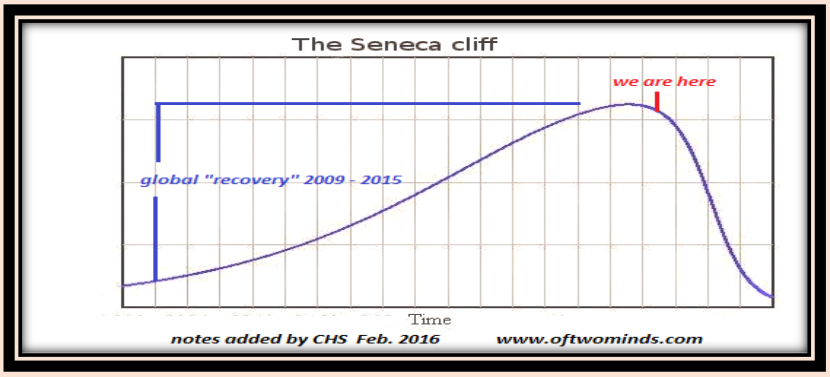
By Ambrose Evans-Pritchard, in Davos, 9:00PM GMT 19 Jan 2016

The global financial system has become dangerously unstable and faces an avalanche of bankruptcies that will test social and political stability, a leading monetary theorist has warned. **"The situation is worse than it was in 2007. Our macroeconomic ammunition to fight downturns is essentially all used up," said William White, the Swiss-based chairman of the OECD's review committee and former chief economist of the Bank for International Settlements (BIS)**. "Debts have continued to build up over the last eight years and they have reached such levels in every part of the world that they have become a potent cause for mischief," he said. "It will become obvious in the next recession that **many of these debts will never be serviced or repaid**, and this will be uncomfortable for a lot of people who think they own assets that are worth something," he told The Telegraph on the eve of the World Economic Forum in Davos. "The only question is whether we are able to look reality in the eye and face what is coming in an **orderly fashion**, or whether it will **be disorderly**. Debt jubilees have been going on for 5,000 years, as far back as the Sumerians." The next task awaiting the global authorities is how to manage debt write-offs - and therefore a massive reordering of winners and losers in society - without setting off a political storm…..READ MORE.

Mr. White ponders if all this monetary calamity will be handled in an "orderly fashion" and the verdict from history is *NO*. Legendary Austrian economist **Ludwig von Mises** reminds that the only real question is whether the final collapse will come sooner or later. And perhaps this is why **Alan Binder**, former Federal Reserve Board Vice Chairman recently said, "The last duty of a central banker is to tell the public the truth." I might add that it is *NEVER* their intention to tell the truth!

Bill Gross is often referred to as the bond king in financial circles after spending 43 years at PIMCO which he co-founded in **1971.** In his monthly investment outlook he asks the central banksters, "How's it workin' for ya?" in reference to zero-interest-rate-policy (*ZIRP*). The answer is not good and **Mohamed El-Erian**, a former PIMCO exec and advisor for bond giant Allianz warns that we are at the end of an historic credit cycle and bonds risk going no bid (default). Recently on **CNBC** he said, "The path we're on right now – and that we've been on for a while – is ending." He added that we are slipping into "financial disorder" and have less than three years to avoid the fiscal cliff.

Credit Expansion and *The Seneca Effect*



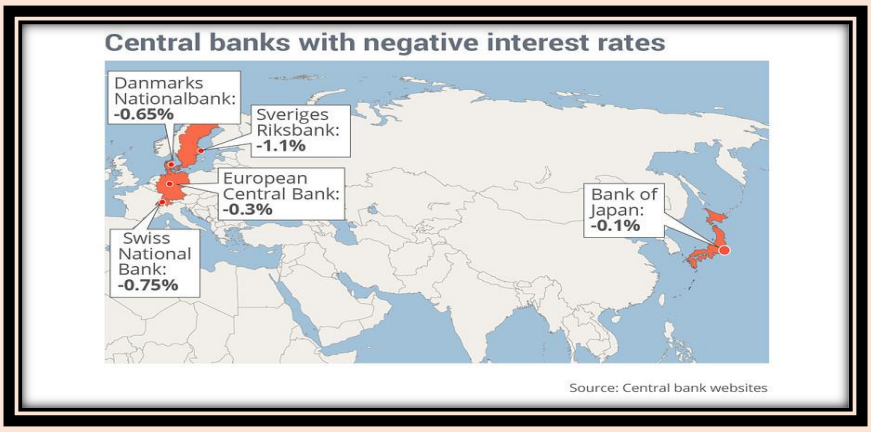
So what is the Seneca Effect? Proving that there is nothing new under the sun, this was an observation made by Roman politician **Lucius Seneca** 2,000 years ago that economic growth is slow, but "the way to ruin is rapid." In other words, things tend to *go down faster* than they go up and this phenomenon is also called the **Seneca Trap** and applies to civilizations and individuals. Recently on CNN, **Jim Rogers** said, "We're all going to pay a horrible price for the incompetence of these central bankers." He added, "We got a bunch of academics and bureaucrats who don't have a clue what they're doing." Sharing his irreverence for central banksters is **Jim Quinn** who points out the folly of central planning and our fractional reserve system based on fiat paper created out of thin air.

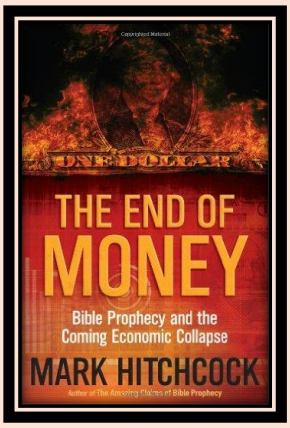
Deranged Central Bankers Are *Blowing up the World!*

February 15, By James Quinn, wwwtheburningplatform.com

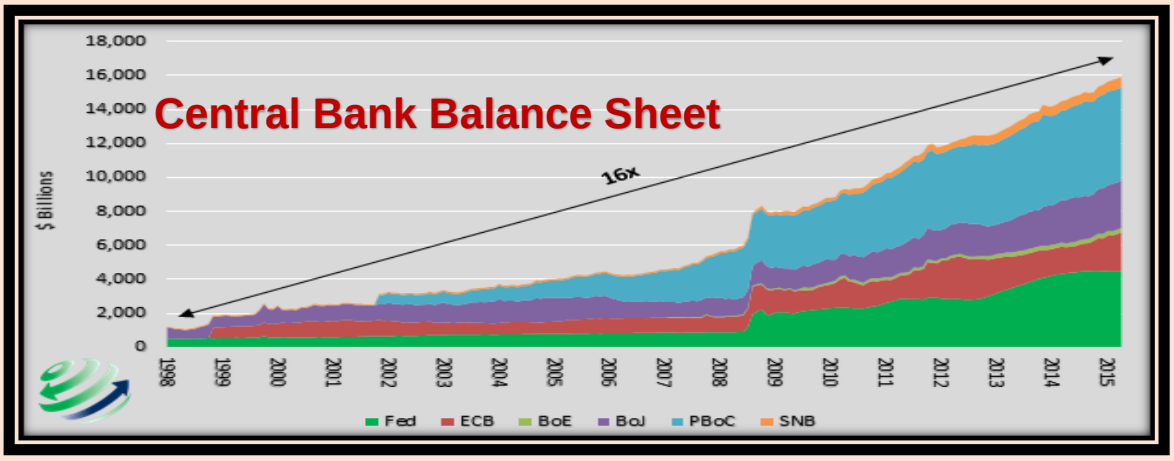
It is now self-evident to any sentient being (excludes CNBC shills, Wall Street shyster economists, and Keynesian loving politicians) the mountainous level of unpayable global debt is about to crash down like an avalanche upon hundreds of millions of willfully ignorant citizens who trusted their politician leaders and the central bankers who created the debt out of thin air. **McKinsey** produced a report last year showing the world had added $57 trillion of debt between 2008 and the 2nd quarter of 2014, with global debt to GDP reaching 286%. The global economy has only deteriorated since mid-2014, with politicians and central bankers accelerating the issuance of debt. **These deranged psychopaths have added in excess of $70 trillion of debt in the last eight years, a 50% increase**. With $142 trillion of global debt enough to collapse the global economy in 2008, only a lunatic would implement a "solution" that increased global debt to $212 trillion over the next seven years thinking that would solve a problem created by too much debt…....READ MORE.

Bank of Japan goes to *Negative Interest Rates!*





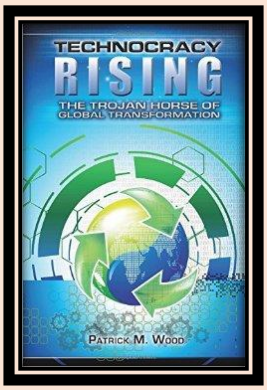
In the latest display of deranged monetary policy, the **BOJ** has announced on January 29th that they will join other central banks with a negative-interest-rate-policy (*NIRP*) to further guarantee that the Japanese bond market will go to junk status faster than **Zimbabwe**. The March sales of Japanese 10-year bonds have been *cancelled* due to the profound uncertainty of this latest laboratory experiment, and this is not the half of it. The notional value of global derivatives is $700 trillion and *80%* of these are interest rate sensitive. According to analysts, the **Deutsche Bank** in Germany has the largest tranche of derivatives at $75 trillion and their credit default rates (CDS) are weighing heavily on their bank stock that is now 20% lower than in **2008**! Adding to this stress is the invention of Contingent Convertible (*COCO*) bank bonds after the **2008 Crisis.** What are COCOs? A dangerous hybrid bond that converts to bank stock if capital requirements get to low. These were introduced as a measure to recapitalize **TBTF** banks and pay a 7-10% yield, but here is the rub – how can a bank convert debt without spooking the markets? The banksters have issued $100 billion in COCOs from Frankfurt to Beijing and things are getting "contingent" as sovereign debt increases exponentially and financial creditworthiness is coming into serious question. You can see the trajectory in this **central bank chart** below. A *16-fold* increase in as many years and there is absolutely no end in sight:



What is the real reason for NIRP? Here it is. Central banks cannot service all this debt with a zero rates and now they must *go negative*, and this also means the banking system that is trying to force (punish) depositors to spend their money into the economy, and their preference is a ***cashless society***.

So It Begins: Bloomberg Op-Ed Calls *for an End of Cash!*

***By* Tyler Durden 01/31/2016**, http://www.zerohedge.com/print/522165



In just the past week or so Germany has announced plans to eliminate the €500 euro note and place limits on €5,000 cash transactions. The reason? According to the **ECB** it is to fight crime and money laundering and so on, but this is a fraud. For negative rates to work there must be a digital cashless system that herds people into the banking system. The rationale is that people should not hoard money in society and the banksters can stimulate spending (velocity) by charging depositors a negative rate. Is this crazy or what? Nope. It is being well-planned in this era of unsustainable debt, deflation and defaults. The **Bible** predicts a day when people cannot "buy or sell" unless they have a government "mark" on their body and *NIRP* is paving the way (Rev. 13:16-18). What is being proposed is the end of money, and in his book *Technocracy Rising* author **Pat Wood** has outlined how carbon credits will be used to replace money to ration energy and even food. This is the dark side of this monetary crisis/reset that we are facing and it all fits into a prophetic matrix. Events in Cyprus and Greece have already proven that banks want to retain your money for **bank bail-ins** to recapitalize failed banks, and this is coming to the US as I have covered many times in my previous newsletters.

Spend or Die! The Era of Negative Interest Rates has Arrived

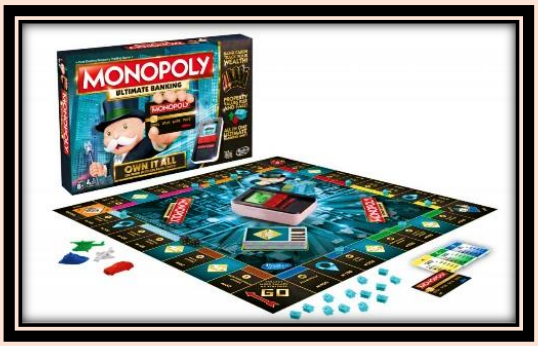
financialsense.com / MATTHEW KERKHOFF / 02/02/2016

Question – What do you do when you really need someone to spend money? Answer – You tell them they'll lose it if they don't. Spending is the lifeblood of an economy. At a social level many people frown on consumerism and materialism, but the fact is that economies function based on the transmission of goods and services from producers to consumers. The reason spending is so integral to an economy is because every dollar (euro, yen, yuan) spent represents another person's income; reduce spending, and you reduce aggregate levels of income. Reduce spending enough, and the whole system can gradually come to a stop. **That's why central banks have, for years, combated periods of slow economic growth by enticing consumers, businesses and governments to spend**. Historically, they have achieved this by lowering interest rates. This has the effect of simultaneously reducing the cost of money, and also the burden of existing debt….READ MORE

In a recent article by Paul Rosenberg he made the following comments: Negative interest rates mean that your bank account shrinks day by day, automatically. Your $1000 in January becomes $950 by December. And where does that money go? To the banks, of course, and to the government. They syphon your money away, drip by drip, and there's nothing you can do about it. This accomplishes several things for them at once:

- It finances government, limitlessly and automatically. Forget tax filings; they can just take as they please.
- It pays off the bad debt of the big banks. (And there are oceans of debt.)
- It forces you to spend everything you've got, as soon as you get it. (Otherwise it will shrink.)
- It gives the system full control over your financial life. Everything is monitored, everything is tracked, and every single transaction *must* be approved by them (or not). If they decide they don't like you, you're instantly reduced to begging.

Can you see how QE has led to ZIRP and then to NIRP and now to a cashless system? The Carl Menger Center issued a STATEMENT on this trend and concluded that "moving to an all-digital monetary system will enable an even more powerful and repressive government." Indeed it will, and this trend is very subtle. The latest edition of the famous **Monopoly** board game (since 1935) has now gone digital using NO cash at all! Yep, you can read it HERE and HERE and this is prepping a new generation to hail the arrival of a fully digital cashless system that will eventually morph into the reign of the **Antichrist** and a full-blown technocratic society like the world has never seen.

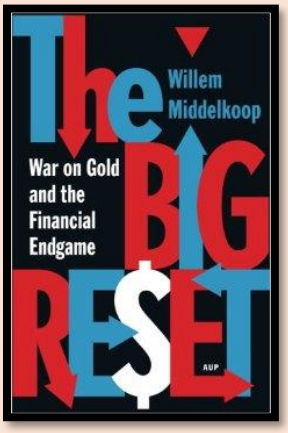


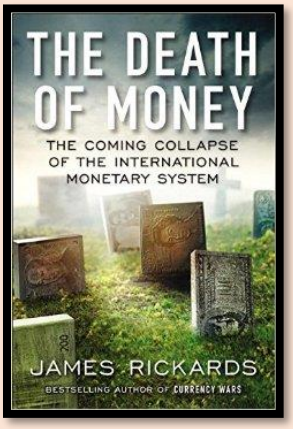
Will people actually take the "mark of the beast" (666) as described in the **Bible**? They most certainly will, and for most they will be enthusiastic and proud to receive this new tattoo (have you ever seen a time when people have more tattoos?). In ancient times people marked their bodies for religious reasons, but the **OT** says you shall "not make any tattoo marks on yourselves" (Lev. 19:28). Most certainly this mark will include an **RFID biochip**. In his book *The Future of Banking and Digital Bank*, **Chris Skinner** relates how the future of banking will use this technology available today:

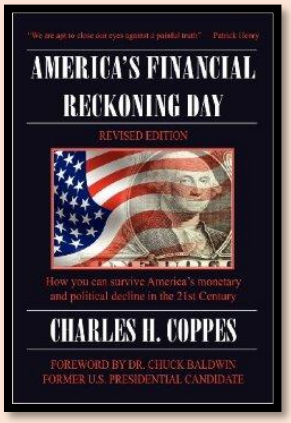
*Imagine that your payment mechanism is built into a watch that your bank gave you. The watch includes an **RFID** or NFC capability, biometric recognition and is supported by existing infrastructures at the merchant front-end and money transmissions process back-end. The retail consumer can therefore go into any store, **wave their watch** at the contactless terminal, press their finger to the pay point and they have purchased the goods. No card or cash involved. That is the vision of the future of retail payments and we are almost there today. We already have contactless payment terminals, fingerprint recognition payments, micro and mobile payments. The only **logical step** is to introduce non-card based (i.e. biometric-based) payment systems.*

So what will be the impetus for a cashless society and technocratic New World order? It will be the "coming collapse of the international monetary system" as noted here in **Jim Rickards** book *The Death of Money*. I have also covered this prophetic theme in my book, and this involves the need for a **new global monetary reset** to write down debts and rebalance the global monetary system.

The Need for a *Global Monetary Reset!*







James Rickards compares the international monetary system to an *avalanche* that is just waiting for the right amount of snow accumulation (debt) to collapse everything. As **Jim Quinn** said earlier, "the mountainous level of unpayable global debt is about to crash down like an *avalanche* upon hundreds of millions of willfully ignorant citizens who trusted their politician leaders and the central bankers who created the debt out of thin air." This is a **financial reckoning day** and out of this "bigger crisis than **2008"** will come a new monetary scheme that will necessarily be anchored in gold. The cover of *The Economist* magazine in **1988** (above) predicted that the world would have a new currency rising out of the ashes of fiat currencies like the phoenix bird by **2018**. This is how it read:

> *Thirty years from now, Americans, Japanese, Europeans, and people in many other rich countries, and some relatively poor ones will probably be paying for their shopping with the same currency. Prices will be quoted not in dollars, yen or D-marks but in, let's say,* ***the phoenix****. The phoenix will be favoured by companies and shoppers because it will be more convenient than today's national currencies, which by then will seem a quaint cause of much disruption to economic life in the last twentieth century. At the beginning of* ***1988*** *this appears an outlandish prediction, but it could become a reality by* ***2018****.*

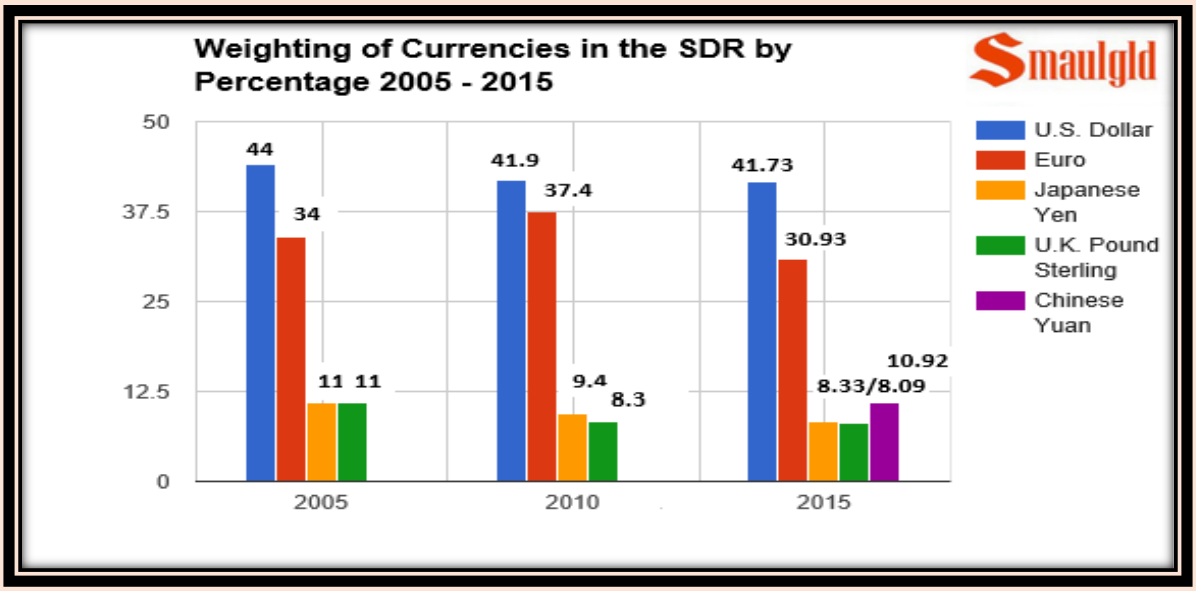
Could this become a reality by 2018? It sure looks like it and **Willem Middlekoop** (*The Big Reset*) says this *reset* will either be "planned well in advance, or hastily implemented on the back of a US dollar crisis." I agree with the latter, but plans are also being made as I will cover in a moment.

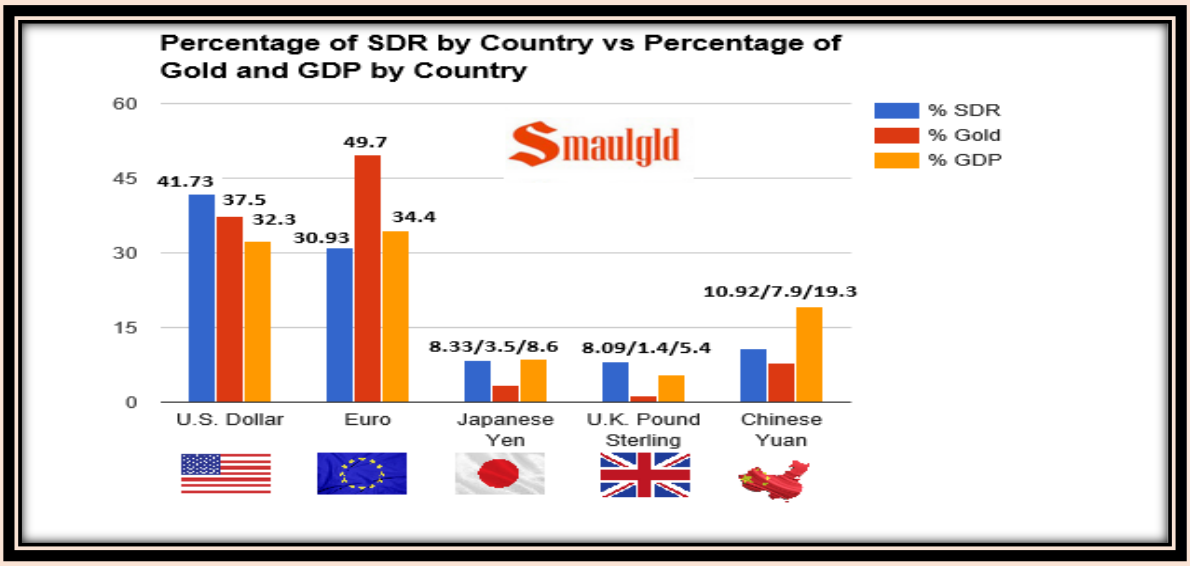
http://goldsilver.com/video/willem-middelkoop-on-gold/

I invite you to **watch the above video** for a fascinating interview with this author as he explains how the US dollar was established as the world's settlement currency in **1944** at the Bretton Woods Agreement and how the **IMF** is moving the **Special Drawing Right** (SDR) into position to serve as a new reserve currency unit that will likely include a gold component. His analysis is spot on.

The **SDR** is a basket of currencies with different weightings as **seen below**. In November of **2015**, the **IMF** finally included the Chinese yuan (RMB) into the SDR as seen in this **purple bar**. To make room for the yuan the euro, yen and pound were taken down by a certain percentage.

Special Drawing Rights & *the Role of Gold*



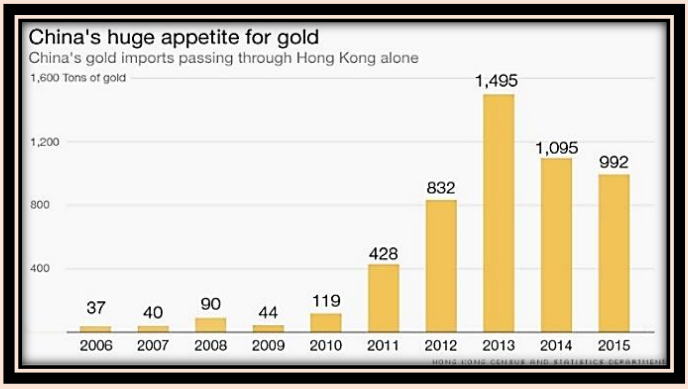


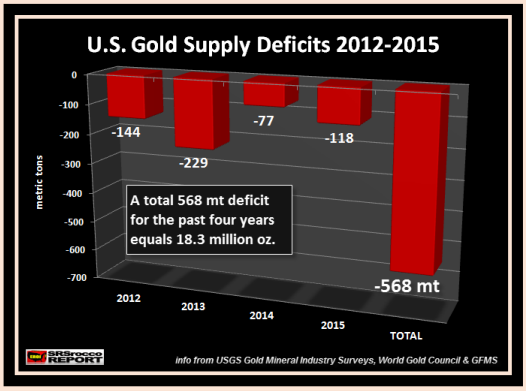
In the **above chart** we can see the **percentage of gold** for each currency related to GDP. Using this metric the **Eurozone** is the leader and the Chinese are simply not saying how much gold they really have. They claim a modest **1,658** tons, but estimates are as high as **30,000** tons. Sneaky huh? As **Middlekoop** explains nations will need to revalue gold *much higher* in order to mark-to-market their current national debts to a new price. Will this be sufficient for a monetary reset? Nobody is quite sure but gold will need to serve as an anchor and restore confidence among nations. Rickards believes (as I do) that the US is *suppressing* gold (and silver) to allow China to increase its **percentage above**.

Koos Jansen is a highly respected authority on China's gold strategy and is based in Hong Kong. In a recent keynote speech by **Song Xin**, President of the China Gold Association (CGA), he stated the following that was translated from Chinese at THIS LINK. Here is what he said.

For China the strategic mission of gold lies in the support of ***renminbi*** *internationalization. Gold forms the base for a currency moving up in the international arena. If the renminbi wants to achieve international status, it must have popular acceptance and a stable value.* ***To this end it is very important to have enough gold*** *as the foundation and raising the 'gold content' of the renminbi. Therefore, to China, the meaning and mission of gold is to support the renminbi to become an internationally accepted currency and make China an* ***economic powerhouse.***

And here is what Song Xin is talking about. Do you see a pattern here? It is no secret that China is buying tons of gold as the US gold supply goes into deficit as seen in **these revealing charts**:





Hugo Salinas Price is a Mexican billionaire who fully understands where things are going. Last December he said, "The Chinese evidently have some plans which they are not divulging, for we see that China is purchasing huge amounts of gold. In the meantime, the US insists on trashing the price of gold, as if to say that the US dollar is and will remain the world's supreme currency till the end of time." But just remember, "The last duty of a central banker is to tell the public *the truth*." In a more recent interview by VIDEO Hugo remarked on the global contraction and upside for gold:

We are now in the contraction phase. When I call a debt on somebody, that party is going to call in the debts to him . . . and there is a cycle going on where everybody is going to try to collect from everybody else. So, it reinforces itself. ***When we come to the end of this contraction phase,*** *we're going to find a world where there is no other recourse but to revalue gold so that it makes debts payable. It makes money much smaller and less weight. Then we will have a lot of gold money that has gone up in value.* ***Some people say (gold will be repriced to) $8,000 per ounce. Some people say it will be $10,000 per ounce, and others are going as far as $50,000 per ounce.*** *I don't know what the value of gold will be, but it will have the effect of diminishing the weight of debt on the world. I don't know when this will take place, but I think that is coming, and it has to come. That will be the outcome of this century of inflation we have had.* ***I think we are approaching a revaluation of gold.***

Again, we are seeing the urgent need for **gold** to be "repriced" or "revalued" to a somewhere near $10,000/oz. and perhaps *five times more!* It is extremely important to know that the **Shanghai Gold Exchange** (SGE) is set to launch a yuan-based gold fix in **April of 2016**. Vice president of the **SGE**, Shen Gang said "We will be introducing a renminbi-dominated fix at the right moment, we are hoping to introduce by the end of the year." This is consistent with the China Gold Association.

According to a report out of Europe, both **China and Russia** are accumulating gold to challenge the fraudulent price fixing in the West. "Commentators say the two countries are keen on breaking the metals free from the price manipulation undertaken by the banks and governments in the **US** and **UK**. And once price discovery moves from **West to East**, the two countries will allow the price to float to free-market levels, and the value of all the gold they have been accumulating will skyrocket."

I personally believe the Chinese are producing and buying gold like no tomorrow because their cronies in the Communist Party have allowed their banking system to grow *1,000%* in ten years and they now have a debt bubble of *$34 trillion*. A reset and repricing of gold will allow for a soft landing and secure their place in the **SDR**. The Chinese economy is slowing and they need to retain their $3 trillion in currency reserves to cope with their massive balance of payments. The Chinese currency is pegged to the US dollar and the US dollar index is up 36% in the past 20 months, and this is adding stress to their currency. With the potential for currency devaluations in China wealthy Chinese are moving millions offshore – and this is true in the city of **Vancouver, BC** where detached properties are going for $2.5 million and higher among the thriving Chinese community there!

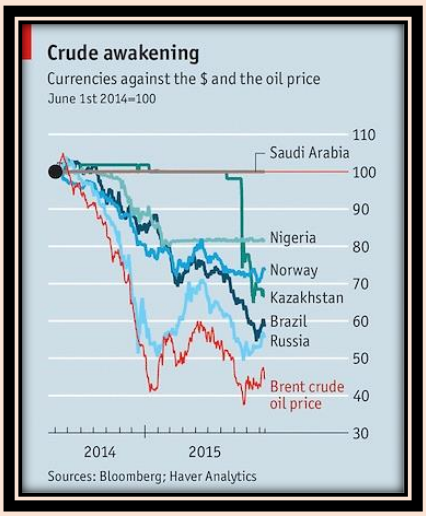
China is striving to become an "economic powerhouse" and in the space of **30 years** their GDP has grown *eight-fold*; they are the number one car manufacturer and they are the number one oil importer. According to Nomura Holdings in Hong Kong, the **OPEC** oil cartel "needs to accept the renminbi for oil payments instead of just the dollar." This idea is gaining momentum and the geopolitical and macroeconomic implications would be devastating for the favored **US petrodollar system** that has helped prop up the US dollar since **1974**. Space does not permit to cover this important issue in detail, but we are all aware of lower crude oil prices, and we need to put all of this into perspective as it relates to China, Russia, Iran, America, Saudi Arabia, Syria, Turkey and the Ukraine. Whew!

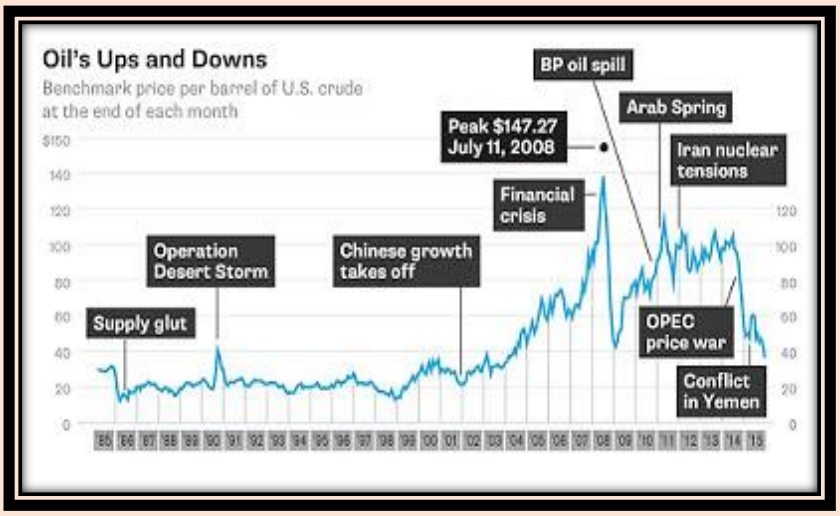
Petrodollar or *a New Petroyuan??*

To better understand the players and complexity of the **Syrian civil war** I present this comment from my September 14th, 2013 newsletter. Please note the progression of this geopolitical conflict:

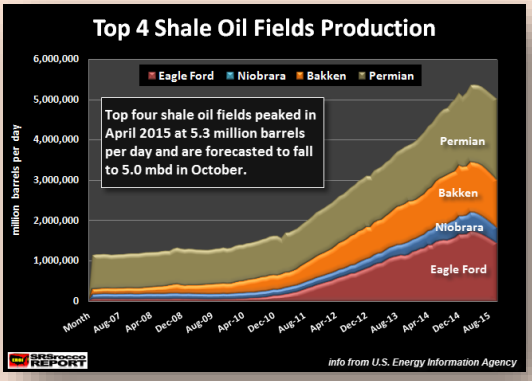
In 2007, a massive natural gas discovery was made in the Persian Gulf that benefited both Qatar and Iran. The parties signed a Memorandum of Understanding (MOU) that splits the Iranian interests (South Pars) and the Qatar interests (North Dome), and both have ambitions of capturing the EU market, which has a mandate to impose a 60% drop in carbon emissions by 2020, and convert to natural gas. These proposed pipelines necessarily must go through Syria and now you can get a sense of the conflict in the region. In **2009**, Syria denied the Qatar (North Dome) gas pipeline and instead favored the Iranian (South Pars) pipeline project that leads to Homs or Tartus on the Syrian coast. Let's remember that Iran is allied with Russia and China, and further this is a sectarian divide. Assad in Syria is a liberal **Shiite** and allied with Iran. In Syria it is 74% **Sunni** and 26% Shiite. Qatar (is Sunni) and they made a $10 billion dollar deal to link up with Turkey's Nubucco pipeline (fellow Sunni). So this brings us to **July 25th, 2011** when all the troubles began. Why was this? Iran, Syria and southern Iraq (Shiite) signed a MOU to build a pipeline through Syria that is also sponsored by Russia (Gazprom) and the SCO alliance in China. All of this has conflicted with the US-EU sponsored pipeline from Qatar (North Dome) through Syria to minimize "energy leverage" by the Russian-Iranian (South Pars) gas pipeline, get it? Both sides started a civil war in **2011** and the US has been exploiting this civil war and Qatar and Saudi Arabia have been funding this civil war to produce a "regime change" in Syria. The recent chemical attack (**9/13**) is a false flag to allow more US intervention **to force regime change**....a very familiar pattern in the Middle East, right? Qatar is also the headquarters for USCentcom naval and air force in the region. [end of excerpt]

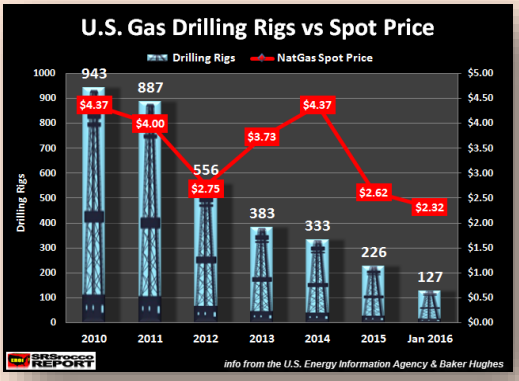
Here we can see that China, Russia, Iran and Syria are pitted against the US, Saudi Arabia, Qatar and Turkey – *and this all about oil and gas pipelines, and not about fighting terrorism!* On **September 11, 2014**, John Kerry visited Saudi Arabia and this is when the "OPEC price war" began as seen in **this chart below**, and this has been done to hurt Russian interests (plus Ukraine) and Iran.

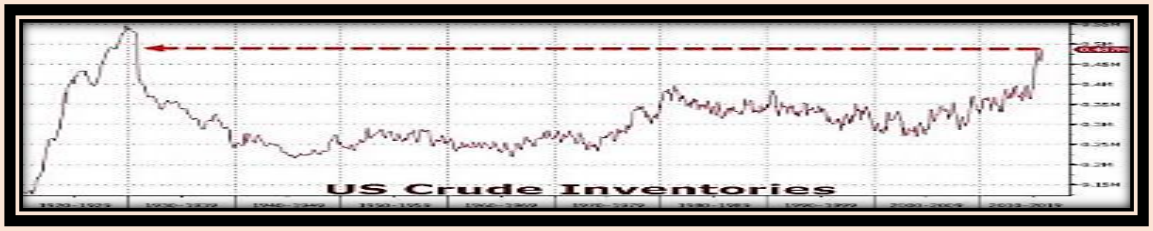




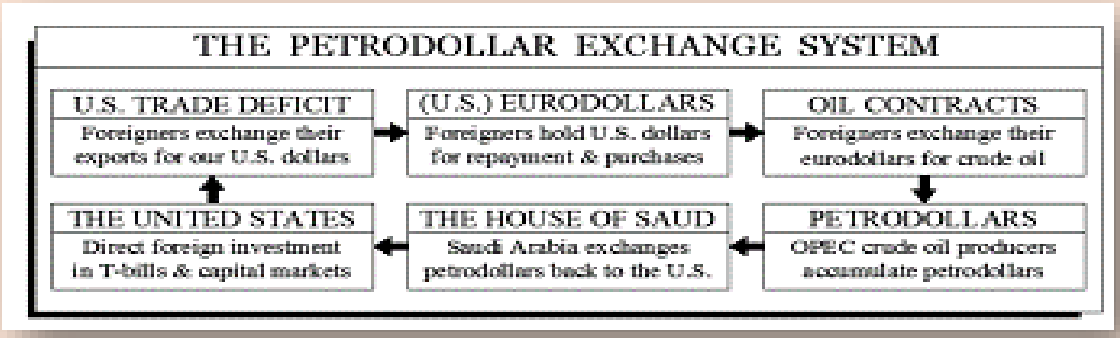
Should crude oil really be trading at $30/barrel or less? Hardly, and this depressed price is a result of over-capacity and not lack of energy use. It is asymmetrical warfare against other oil producers, and **OPEC** announced on February 18th that they *will not* be putting a freeze on crude production. Has all of this hurt oil production in the US? You had better believe it, as seen in **these charts** that show the dramatic decline in shale oil and rig counts. The **US State Department** has literally thrown American workers under the bus and bad loans are about to blow up as indicated in THIS LINK.







US Shale oil production had been declining already after adding 4 million barrels a day in four years. Now Saudi Arabia has launched a massive military exercise with troops from 20 Muslim nations dubbed **North Thunder** near King Khalid Military City in their northeast border with Iraq near Syria. Their Foreign Minister has stated, "Bashar al-Assad [in Syria] will leave – have no doubt about it. He will either leave by a political process or he will be removed by force." Saudi Arabia has traditionally served as an ally of the US, but recent negotiations and deals with **Iran** has infuriated the royal family, and this could signal the end of the favored **petrodollar exchange system** that has benefited the US dollar/bond market. The **following chart** is from my ***Petrodollar Report*** to show how this has worked, but the comment below from Zerohedge indicates how this is ending.



*Two years ago, in hushed tones at first, then ever louder, the financial world began discussing that which shall never be discussed in polite company - **the end of the system** that according to many has framed and facilitated the US Dollar's reserve currency status: **the Petrodollar**, or the world in which oil export countries would **recycle the dollars** they received in exchange for their oil exports, by purchasing more USD-denominated assets, boosting the financial strength of the reserve currency, leading to even higher asset prices and even more USD-denominated purchases, and so forth, **in a virtuous loop** [as seen in above chart].*

How has the petrodollar exchange system been undermined in the past two years? OPEC has been allowing crude oil contracts to be settled outside the US dollar, and this is particularly true of **Iran** that is openly hostile to the petrodollar dynamic. **Russia and China** have entered into massive energy deals and currency swaps, and this old system is breaking down as the US is becoming vulnerable to a **monetary reset** that will permanently end the US dollar reserve currency status.

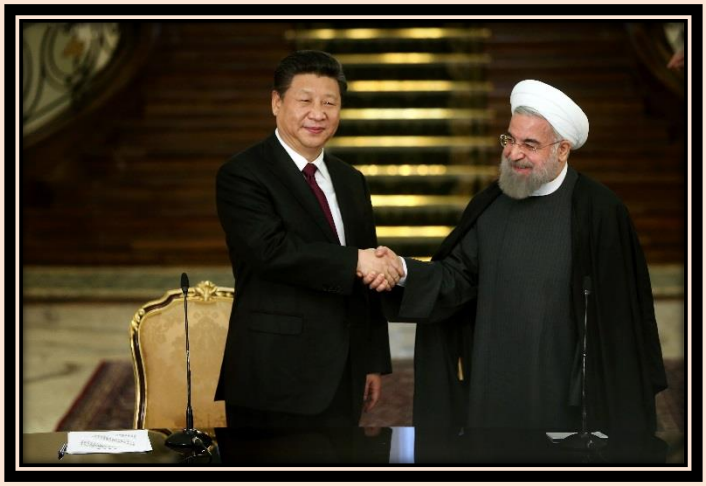
Iran Says No Thanks to Dollars; *Demands Euro Payment for Oil Sales*

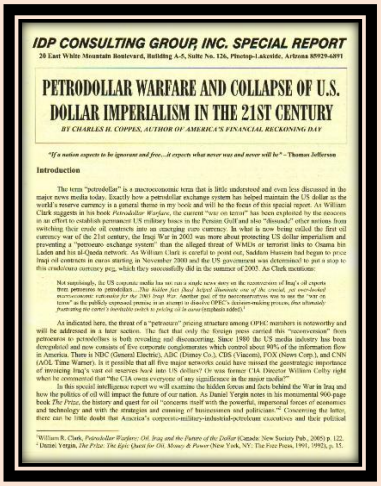
, Submitted by Tyler Durden on 02/07/2016 11:20 -0500

Here is a **recent headline** to underscore how the petrodollar is waning. It should be further noted that there is a sharp sectarian divide in the Middle East between the **Sunni Muslim** nations (Saudi Arabia, Qatar, Iraq and Turkey) and the **Shiite Muslim** nations (Iran, Syria and portions of Iraq). Presently, Turkey is threating to send troops into Syria (along with the Saudis) while Syria is inviting Iran and the Russians into the conflict. Russia has now called for a **UN** cease fire, but this is becoming a sectarian battle to favor LNG/oil pipelines in the region! With all this chaos and intrigue the days of cheap crude may be about over as geopolitical authority **F. William Engdahl** has RECENTLY noted in this comment below between **Shiites and Sunnis** and the prospects for oil at $250 or higher. This comes at the same time that China, Russia, Iran and Syria want to end the petrodollar system.

*Since the execution of the **Shi'ite** cleric and Iranian storming of the Saudi Embassy in Teheran, leading to a break in diplomatic ties by Saudi and other **Sunni** Gulf Arab states, the confrontation has become far more direct. Dr. Hossein Askari, former adviser to the Saudi Finance Ministry, stated, "If there is a war confronting Iran and Saudi Arabia, oil could overnight go to above **$250**, but decline back down to the $100 level. If they attack each other's loading facilities, then we could see oil spike to over **$500** and stay around there for some time.*

Golden Triangle: Iran, China, Russia to Drive the World *Away from US Dollar*





IDP CONSULTING GROUP, INC. SPECIAL REPORT

20 East White Mountain Boulevard, Building A-5, Suite No. 126, Pinetop-Lakeside, Arizona 85929-6091

PETRODOLLAR WARFARE AND COLLAPSE OF U.S. DOLLAR IMPERIALISM IN THE 21ST CENTURY

BY CHARLES H. COPPEN, AUTHOR OF AMERICA'S FINANCIAL RECKONING DAY

"If a nation expects to be ignorant and free…it expects what never was and never will be" – Thomas Jefferson

Introduction

The term "petrodollar" is a macroeconomic term that is little understood and even less discussed in the major news media today. Exactly how a petrodollar exchange system has helped maintain the US dollar as the world's reserve currency is a general theme in my book and will be the focus of this special report. As William Clark suggests in his book *Petrodollar Warfare*, the current "war on terror" has been exploited by the neocons in an effort to establish permanent US military bases in the Persian Gulf and also "dissuade" other nations from switching their crude oil contracts into an emerging euro currency. In what is now being called the first oil currency war of the 21st century, the Iraq War in 2002 was more about protecting US dollar imperialism and preventing a "petroeuro exchange system" than the alleged threat of WMDs or terrorist links to Osama bin Laden and his al-Qaeda network. As William Clark is careful to point out, Saddam Hussein had begun to price Iraqi oil contracts in euros starting in November 2000 and the US government was determined to put a stop to this crankiness currency peg, which they successfully did in the summer of 2003. As Clark mentions:

> Not surprisingly, the US corporate media has not run a single news story on the conversion of Iraq's oil exports from petrodollars to petroeuros. …*The hidden fact (but) helped illuminate one of the crucial, yet ever-denied macroeconomic rationale for the 2003 Iraqi War. Another goal of the neoconservatives was to use the "war on terror" as the publicly expressed premise in an attempt to dissolve OPEC's decision-making process, thus ultimately frustrating the cartel's inevitable switch to pricing oil in euros* (emphasis added).[1]

As indicated here, the threat of a "petroeuro" pricing structure among OPEC members is noteworthy and will be addressed in a later section. The fact that only the foreign press carried this "reconversion" from petrodollars to petroeuros is both revealing and disconcerting. Since 1980 the US media industry has been deregulated and now consists of five corporate conglomerates which control about 90% of the information flow in America. There is NBC (General Electric), ABC (Disney Co.), CBS (Viacom), FOX (News Corp.), and CNN (AOL Time Warner). Is it possible that all five major networks could have missed the geostrategic importance of investing Iraq's vast oil reserves *back* into US dollars? Or was former CIA Director William Colby right when he commented that "the CIA owns everyone of any significance in the major media?"

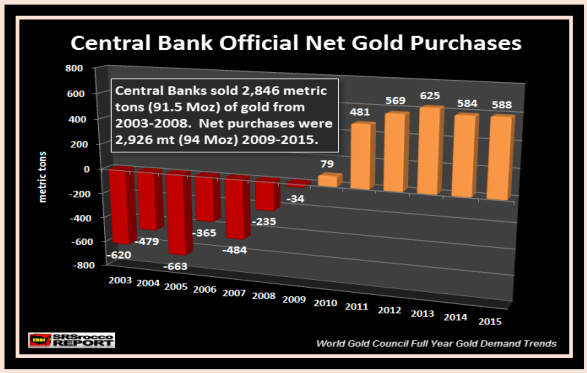
In this special intelligence report we will examine the hidden forces and facts behind the War in Iraq and how the politics of oil will impact the future of our nation. As Daniel Yergin notes in his monumental 900 page book *The Prize*, the history and quest for oil "concerns itself with the powerful, impersonal forces of economics and technology and with the strategies and cunning of businessmen and politicians."[2] Concerning the latter, there can be little doubt that America's corporate-military-industrial-petroleum executives and their political

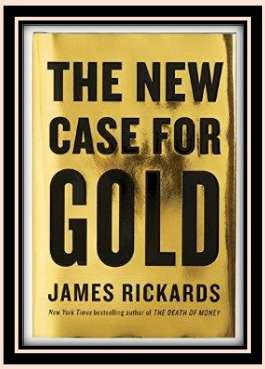
[1] William R. Clark, *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar* (Canada: New Society Pub., 2005) p. 122.
[2] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York, NY: The Free Press, 1991, 1992), p. 15.

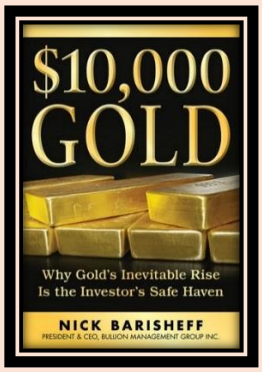
February 4, 2016, http://sputniknews.com/politics/20160203/1034171547/iran-china-russia-dollar.html

On January 23, **Chinese President Xi Jinping** and his Iranian counterpart **Hassan Rouhani** signed almost 17 agreements on economic and technological cooperation. Furthermore, the leaders announced they will cooperate on the China-led One Belt One Road initiative. The researcher calls the formal inclusion of **Iran into China's New Economic Silk Road** project "a giant positive step." According to **F. Wm. Engdahl**, it will allow Tehran to "break years of economic isolation" and will open doors to the region's economic development. Hussain views Pakistan as a "geographical corridor" between China and Iran. "The China Pakistan Economic Corridor (CPEC) project has become more vital after latest trade accords between Iran and China," he underscored. The Pakistani columnist highlighted Russia's determining role in the region and expressed his confidence that China, Pakistan, Iran and Russia will bolster trade and economic growth in Central Asia and beyond. Referring to the fact that Iran currently has SCO Observer status **Engdahl** envisages that Iran will be formally admitted as a full member of the **Shanghai Cooperation Organization** (SCO) at their next annual meeting this summer……..READ MORE. [Click above to download my report]

This article highlights the geostrategic goal of creating alliances against **US hegemony** in the world, and the Sino-Russian initiative to enlarge the **SCO** members in Central Asia. **Donald Trump's** website boasts, "A strong military presence will be a clear signal to China and other nations in Asia and around the world that America is back in the global leadership business." This is bluster and bravado. On **January 29th** the US Navy sent the guided missile destroyer USS Curtis Wilber within 12 miles of the South China Sea archipelago to confront the Chinese in that disputed region. The Chinese see this as a provocation and they are shrewdly acquiring all of **our gold** and creating new institutions to confront the IMF, NATO, World Bank, Comex, LBMA and other corrupt entities in the **West.** In other words, they are building up their own navy and military and they see a day when a **monetary reset** will go against US interests as **gold** soars to new highs to bolster their economy.







As mentioned, China is acquiring **tons of gold** (as well as other central banks), and this strategy to hedge against uncertainty has led to a new book by **James Rickards** as seen **above**. What is the new case for gold? **Rickards** mentions the risk of cyberwarfare that could freeze the banking system, as in an EMP attack. He further explains how nothing has been fixed since the Financial Crisis of 2008, and how things are considerably worse now. **Rickards** has called for **$10,000 gold** and this is also the title of another book by gold analyst Nick Barisheff. What we are witnessing in the world is known as **Gresham's Law** – bad (fiat) money is driving out good (hard) money. People are losing confidence and afraid to leave their money in the banking system and want the safety of **gold and silver**. Japan's announcement of *NIRP* has now led to a shortage of safes in their hardware stores according to THIS LINK. Instead of *spending* their cash (as the central planners wanted) they are *hoarding* their cash in their little safes. Of course, the tormented Japanese people should be hoarding **gold and silver** instead of *worthless fiat paper currency*, but you get the idea……

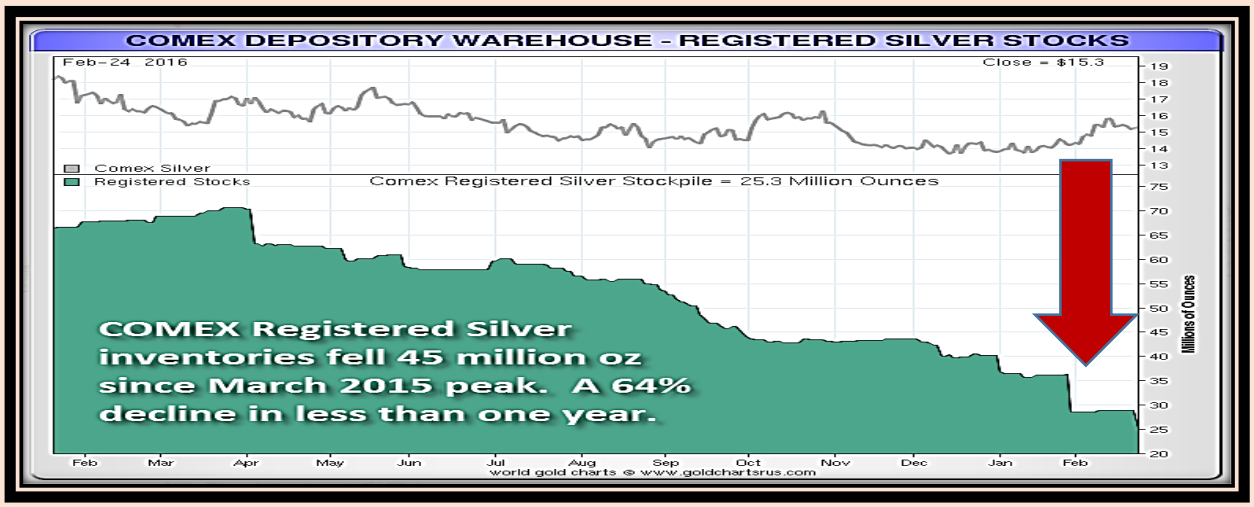
The most recent example of failed collectivist central planning is now taking place in **Venezuela** – a socialist/communist paradise with *727%* annual inflation. The artificial collapse in crude oil has hurt this **OPEC** member, but even before that they were on a trajectory for social disintegration as all collectivist experiments end up in history. According to the *WSJ*, this week three dozen 747 cargo planes arrived in Caracas with newly printing paper currency. Venezuela's central bank in Maracay did not have enough security paper to print their new bills – and this is what **hyperinflation** looks like. Things are so bad in this oil rich country that they are out of toilet paper, food is rationed (using biometric fingerprinting) and police try to protect people leaving stores from the gangs. **Ludwig von Mises** has foretold us that all credit expansions end in a collapse of the currency system. What is happening in Venezuela is going to visit Western central banks. **Here is the rest of his quote:**

But then, finally, the masses wake up. They become suddenly aware of the fact that ***inflation*** *is a deliberate policy and will go on endlessly. A breakdown occurs. The* ***crack-up boom*** *appears. Everybody is anxious to swap his money against* ***real goods****, no matter whether he needs them or not, no matter how much money he has to pay for them. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as media of exchange. They become* ***scrap paper****. Nobody wants to give away anything against them.*

My friend, I am trying to warn you about the crack-up boom that is coming – the reckoning. Gold and silver is like *kryptonite* to the evil banksters, and they will do ***anything*** (along with their Wall Street brokerage shills) to dissuade you from protecting your wealth (like they are doing!). As mentioned in my introduction, metals are up in **2016**. On February 12th, the **CME Group** (parent company of Comex/Crimex in NY) raised their gold/silver margin requirements by hundreds of dollars. They do this to allegedly cover the increase in metals, but it is really meant to flush out the long contracts that sense a bullish trend. They did it on April 29th, 2011 (silver from $49 to $30), and later in April of 2013 ($30 to $20). They will fight the metals complex to their death and this **6-min clip** from **Bill Murphy** at the Gold Anti-Trust Action committee (gata.org) is all you need to see:

Desperation by Central Banksters to Suppress Metals

Listen to this important interview from **CNBC** in Hong Kong (would never hear this in New York or London). He specifically says that "silver" is the real *kryptonite* for the central banksters. Why is this? As he mentions near the end of this short clip, there is **less physical silver** than gold, and here is what we are talking about. I understand this is a new record low and they are running out of time.

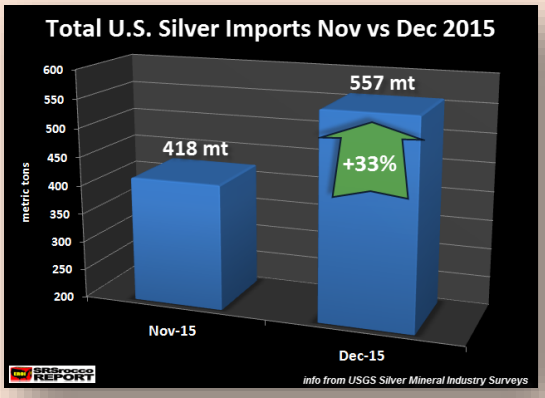


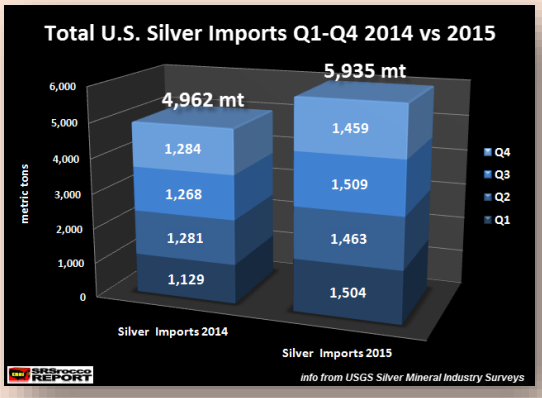
The Banking Cabal is Running out of Time in *the Silver Manipulation Scheme!*

thewealthwatchman.com / FEBRUARY 1, 2016

Ladies and Gentlemen, for months I've written about how the diminishing price/supply in silver, coupled with fresh, record demand will lead to a "religious experience" for the market riggers. On Saturday, I did an interview with Wall Street for Main Street, on the topic as well. Well, in the last few days, the downward spiral of Comex silver ounces has turned into a gigantic plummet, a rout of 2011 proportions**.** Just take a look at the warehouse numbers for Friday! One glance, and you'll instantly understand: ***Something is very wrong on the silver scene!*.....READ MORE**

Yes, something is very, very wrong on the silver scene. I present the following **two charts** for your consideration. Silver demand has been strong with another record year at the US Mint in 2015. Along with this record demand the US had to import **33%** more silver in December and nearly **75%** for all of 2015. According to these chartists, these are record and *unexplained* figures:





The data above has led many to believe that "big pockets" (JP Morgan Chase) are buying all the silver on the cheap that they can. As I have reported in my last few newsletters, **JP Morgan Chase** is the *chief manipulator* of the silver index and they also have the world's largest silver hoard at *400 million* ounces! It has been concluded that silver is heading for **$100/oz**. "There just won't be enough silver to go around. The day when the market price of silver goes over **$100** with no sellers is coming." **Dave Kranzler** at *IRD* recently said, "I believe the looming shortage in physical silver is worse than in physical gold and last summer was an omen of what's coming." **Bill Murphy** (from GATA), said that "when silver breaks $18.50 [cost of production] it will then take out $50 and hit **$100 +** because since the last time it hit $50 [1980] they have gone through all that physical supply." These are all bullish indicators for silver, not to mention that the current silver/gold ratio is **83:1**, and anything above **50** is a buy signal. The historic ratio has been around **15:1**, and many believe this is where it has to go in the near future. With $5,000/oz. gold this would suggest **$333/oz. silver**. Is this realistic? According to metals expert **James Turk** this is too modest. He is suggesting **$400/oz. silver**, and even if you doubled gold to **$10,000/oz. gold** (as indicated earlier), this would mean nearly **$700/oz.** for silver. Silver is the most undervalued asset class in the world and smart investors see an historic opportunity to profit and hedge themselves in these troubled times. How about you?

James Turk Predicts Jaw-Dropping $400/oz. Silver

In 2007, rhodium went *20-fold* from $500/oz. to $10,000/oz. Yes, metals can explode in value, and the set-up for silver is astronomical. THIS ARTICLE mentions how it is "ridiculously simple to be bullish on silver." I want to leave you with a final comment from **Ted Butler** when it comes to silver paper/futures manipulation at Crimex and the invitation to buy and hold silver:

The Troubling Turnover in Silver!

Theodore Butler, January 28, 2016, www.silverseekcom

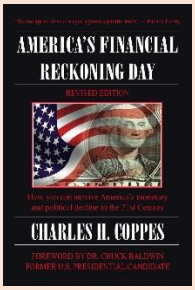
For five years, I have ranted and raved about the frantic turnover and physical movement of the COMEX silver inventories. Most importantly, this frantic physical inventory movement is unique to silver and no other commodity….Over the past five years, world visible silver inventories have remained flat to lower, even though the data reflected that true total inventories were no longer being depleted. **This fits in nicely with my premise that JPMorgan has been accumulating massive amounts of physical silver and shielding it from view. Total COMEX silver inventories hit their lowest level in three years, at under 155.4 million ounces recently**. That's down by nearly 30 million ounces from last year and flies in the face of the widespread belief in a silver surplus. Not only are visible silver inventories actually decreasing, the inventories are being frantically turned over. The price of silver remains stuck at some **impossible-to-justify depressed level**, yet physical demand has caused its turnover to explode. **I don't think there could be more compelling proof of price manipulation and a skyrocketing price to come. The surplus in crude oil is as real as rain and the price is mostly reflective of the physical glut in oil. But the "surplus" in silver is only a surplus of COMEX futures contracts and not of real metal. The evidence in silver points to a growing physical tightness based upon the documented COMEX physical turnover and visible inventories shrinking instead of growing. If that's not an invitation to buy and hold silver, then I don't know what is. [end of article]**

Silver analyst **Ted Butler** compares the artificial geopolitically-motivated "surplus" in **crude oil** to the phony paper futures contract "surplus" for **silver** (and gold) at the Crimex warehouse. What he is saying is that there are **150** *paper contracts* for every ounce of silver. On the other hand, oil tankers are waiting offshore to deliver their *physical crude reserves* due to over-capacity. One is real and the other one is fake. Most people are not able to make this distinction and I trust that you have.

Summary and Conclusion. In summary, nothing has been fixed since **2008**, and the world is in much worse shape simply because "deranged" central banksters are blowing up the world with new monetary schemes that threaten our wealth, privacy and futures. According to the **McKinsey Institute** the world has amassed *$200 trillion* in sovereign, corporate and private debt and this credit cycle is leading to deflation and defaults. The war on cash is picking up and it can't be long before those "hoarding gold and silver" will be considered "terrorists" according to THIS LINK. Nobody is talking about this yet, but the window could be closing just as the need to protect wealth (from the banksters) is the most urgent. This insidious attack on financial privacy is evil and plays right into the prophetic scenario predicted in the last days. Europe is eliminating large notes and Larry Summers has suggested getting rid of the $100 bill here in the US. According to sources, going *NIRP* and the *war on cash* was the hot topic at the annual **World Economic Forum** held in Switzerland last month.

You can also be sure that monetary reform, the SDR and falling crude oil was high on the agenda as I have shared this month. This too is fitting into a prophetic matrix that I have outlined in my book as nations are lining up with the tiny nation of **Israel** in the middle (Ez. 5:5). If you would like to download my 20-page ***Petrodollar Report*** you can find it on my home page at IDP.

I conclude with a reminder that **Gresham's Law** is at work in the metals space as record demand for gold and silver continues as physical supplies are getting stressed. Metals index prices *trending lower* in this dangerous macroeconomic environment is as *probable* as potato prices dropping as more French fries are consumed! An epic battle is being waged to criminally suppress metals (the kryptonite) as the banksters desperately try to maintain confidence (deceive investors) in the financial system. Do not be fooled. They know that they are out of "ammo" and they are also hedging themselves. Also, do not be frustrated that metals "prices" are being artificially suppressed. Forget price and think value. It is all noise (up/down/up/down) on the way to capitulation (default) among the market riggers. We have likely found a bottom in the metals space. In the near-term it is possible that a strong **USD Index** (up 36% in 20 months) could have downward pressure on the commodity complex as capital flees into the US market (from the EU, Japan, etc), but this can't continue forever since the US is in worse shape by any measure. As **Rick Rule** RECENTLY remarked, "It is a waiting game until the markets lose confidence in the US dollar." We will see fiscal calamity in Europe and Japan first, and then the financial reckoning day for America. Stay focused and be patient.



I leave you with some **good news** – the Arizona Senate recently passed the **Legal Tender Bill** (4-3), and this is our third attempt to bring our state into "compliance" with the US Constitution, which says that states shall only have "gold and silver as tender in payment of debts" (Art. I, Sec. 10). State governors may not understand this issue, but they will when the reckoning comes. The other **good news** is that **God** is in control and some day He will establish His righteous kingdom upon the earth, and I pray you will be part of that kingdom (Is. 9:6-7). You can find out more at my website, and as always we look forward to hearing from you if we can be of assistance to you.

Until Next Time, Your Messenger from Pinetop

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