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Goldman-Sachs - Train Wreck Of The Week

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Goldman-Sachs cuts fees, media says everything will be fine, delinquencies in subprime mortgages are at 14% which may be potentially billions if not over a trillion, S&P downgrading issues, Federal govt spends over a billion on PR and propaganda, a drought of debt will follow the flood of liquidity, class action against Countrywide Financial corp., predictions of recession, Wal-Mart feels the consumer fatigue, memories of the hot summer of '34, could it be a bad omen?

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Things are going so well at Goldman Sachs that they have waived fees to draw investors to its Global Equity Opportunities hedge fund after stock-market losses wiped out \$1.4 billion of assets.

New participants won't pay the 2% management charge and Goldman will cut its performance fee in half.

As usual we hear the soothing voices coming out over CNBC. Everything will be just fine. Two weeks ago they said the market would hold and we'd have no debt contagion. They were as usual dead wrong. Everyone who bought CDOs and ABS bonds was given the same pitch, namely that they were a relatively safe bet, since much of the paper had AAA ratings, but offered higher returns than regular corporate bonds.

Now delinquencies in the subprime market are at 14% of total, up from 10% in 2004 and 2005. We are ultimately looking for 1/3 to 1/2. The damage inflicted will vary from \$750 billion to \$1.3 trillion, not the \$100 billion the CNBC barkers are talking about. No one is talking about factoring in the contagion of quality mortgage loans, home equity loans and the damage it is causing in commercial paper and in the ability of hedge funds to procure credit. All the players are having big problems, but not the major banks who have the strongest balance sheets and are able to refinance their operations most easily thanks to the extra liquidity that central banks have put into the market in the past two weeks.

The problems from this mortgage fiasco will be felt for the next few years. Inflation, real inflation, not government lies and worst of all, recession with a big fall in consumption.

This reminds us of the collapse in 1974 of the Herstatt Bank, only it is much worse this time.

S&P is probably going to downgrade several issuers of commercial paper, especially where the paper is backed by residential mortgages. Commercial paper in the US has grown to \$2.2 trillion with about \$1.2 trillion backed by residential mortgages, credit card receivables, car loans and other bonds. The major buyers include pension funds, insurance companies, hedge funds and short-term money market funds.

We have seen a massive move out of stocks into money market funds. Last week, more than \$36 billion moved into those funds, the 5th largest shift since December 2005. In all, some \$2.6 trillion is in money market funds.

Four possible down grades by S&P are American Home Mortgage, which is in bankruptcy, KKR Atlantic Funding Trust and KKR Pacific Funding Trust, two affiliates of the buyout from Kohlberg, Kravis Roberts; and Ottimo Funding, an

affiliate of Aladdin Capital Mgt.

Among M/M funds that held commercial paper issued by these companies are Evergreen Institutional M/M Fund, Brookhollow and Funding. Legg Mason's Master Portfolio Trust Liquid Reserves Portfolio, Columbia Fund Series Trust Cash Reserves and Sentinel all had commercial paper.

Federal departments spent \$1.6 billion from 2003 through the second quarter of 2005 on 343 contracts with P. R. firms, advertising agencies, media organizations and individuals to prepackage news. That is managed news. We taxpayers are funding covert propaganda to be used against us.

Surreptitiously, the Fed has been buying mortgage backed securities for weeks and in quantity, almost as much as they have been buying and monetizing treasuries. We will give you the numbers when we have them all. As you can see the elitists are trapped as we said they were six years ago. We see no way they can avoid a financial, monetary and economic implosion worldwide. All of Wall Street still doesn't get it. The game is over and systemic problems daily grow exponentially. These people are about to find out they are not in the masters of the universe.

All things financial have been paramount. The elitists destroyed productive capacity by implementing free trade and globalization, offshoring and outsourcing. This has led to bankruptcy, unemployment and the neutralization of our greatest strength as a nation. The result is cash chasing less goods and services, which has led to inflation. The money and credit injected by the Fed is linked to nothing productive. The unbridled issuance of dollars and euros is very inflationary as is the monetization of Treasuries, CDOs and ABSs. That will lead to deflation in some asset classes that will have to be offset by more money and credit in order to keep the system afloat.

What the elitist's central banks won't do until forced to do so is allow the system to default and be purged of its excesses. That is why in the final analysis gold is the only permanently safe asset. This flood of liquidity in a debt crisis is just a way to make default less obvious to the untrained eye. That is why there is low-level panic. Investors are getting the message even if Wall Street isn't.

Schatz Nobel IZard P.C. Announces Class Action Lawsuit Against Countrywide Financial Corp.

The law firm representing investors in prosecuting claims of securities fraud, announces that a lawsuit seeking class action status has been filed in the U. S. District Court for the Central District of California on behalf of all persons who purchased the common stock of Countrywide Financial Corp ("Countrywide") between October 24, 2006, through August 9, 2007, inclusive (the "Class Period"). The Complaint charges that Countrywide and certain of its officers and directors violated federal securities laws by making false and misleading statements regarding the changing quality of the Company's mortgage loan portfolio. As late as April of 2007, Countrywide stated that credit rating agency Moody's upgraded the rating of the Company's banking segment and announced that its home loans segment was also under review for possible upgrade. Then, on June 12, 2007, the Company boasted of its position as the number one mortgage originator in the US. These reassuring announcements served to conceal the alarming growth of loan delinquencies and the increasing likelihood of impairment charges, with resulting diverse impacts on the quality of the Company's collateralized debt obligations (CDO's), earnings and profits. On July 24, 2007, Countrywide announced over \$417 million in impairment charges and implementation of a \$292.9 million loan loss provision. On the news, the price of Countrywide Financial stock tumbled 10.4%, closing at \$30.50 per share. On August 9, 2007, within four days of reassuring statements that purported the reliability and availability of liquidity to meet short-term needs, the Company adopted a new risk disclosure, warning of short-term liquidity issues. As a result, on that day, the price of Countrywide Financial stock fell again, losing \$1.00 or 3.4%, to close at \$27.86 per share.

The amount of cash raised through the debt capital markets as a whole - including bonds of both investment grade and lower-quality junk-rated paper - reached \$1,450 billion, the highest volume on record, and up 32% over the same period last year.

The economists and analysts are now talking about a 65% chance of recession in the US. Where have they been since last November?

Shoplifting by consumers at Wal-Mart is so bad that it is denting profits. This is a reflection of consumer desperation. The consumer will be out of surplus funds by September.

What Wal-Mart and Home Depot warnings portend is that consumer fatigue is setting in; it is losing its resilience. Auto sales have fallen for a record seven months in a row and slipped to a 9-year low of 15.2 million units in July and there is no sign

of a pickup in August. Consumer spending in real terms has stagnated over the February-July period, which is a stretch of weakness not seen since the double-dip of 2002. Chain stores sales were flat sequentially last month and fully 62% of the retailing universe missed their already lowered sales targets in July. As we said, 1-1/2 years ago, a recession had begun but few were listening, particularly Wall Street and our government and they still are not listening, because they are liars. This consumer-led recession will be the first since 1990, which was the result of a real estate collapse. The consumer is mad. He and she are tired of being lied too. They are tired of the duplicity and the government and Wall Street shills.

We say it is about time the Fed stop bailing out the banks and Wall Street. If we could get Ron Paul as President there would be no more privately owned Fed. We'd have free trading markets and an end to the "Working Group on Financial Markets." At the least we would have an executive order limiting market incursion to real emergencies and it would be run by the Treasury not the Fed. We have to stop the long line of Wall Street professionals into government. The terrorist elites are not in Iran; they are in our corporate fascist government culture.

Could it be we are seeing an omen? We have had one of the hottest summers ever. Could it be that we are emulating 1934?

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