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## Last Warning! Three-Pronged Collapse ... Stocks, Bonds and Real Estate / [Stock-Markets](#) / [Forecasts & Technical Analysis](#)

Dec 18, 2006 - 05:41 AM  
By: Money\_and\_Markets

Today I want to give you one final warning on the crisis I see coming. I've told you some of this before, but I feel it's so important that it needs to be repeated one last time. Gold's rally back over \$600, and recently to more than \$640 an ounce, is telling us — in no uncertain terms — that a financial crisis of major proportions is about to strike.



The dollar is telling us the same thing — that the “full faith and credit” of the U.S. Government is plunging ... that all is not well. Just look at how the dollar has been falling against many of the world's currencies ...

The dollar used to be worth more than six British pounds; now, it's worth about half of a pound.

A greenback used to be worth three Swiss francs; today, the two are almost equal.

The U.S. currency has already lost nearly 30% against the euro, which is barely six years old.

And the dollar is at a nine-year low against the Thai baht, a country that recently experienced a military coup!

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<a href="#">US Dollar</a>	83.63	-0.37
<a href="#">Bonds</a>	112.40625	-0.31250
<a href="#">Gold</a>	617.0	+1.1
<a href="#">S&amp;P 500</a>	1422.48	-4.61
<a href="#">Nasdaq</a>	2435.57	-22.27

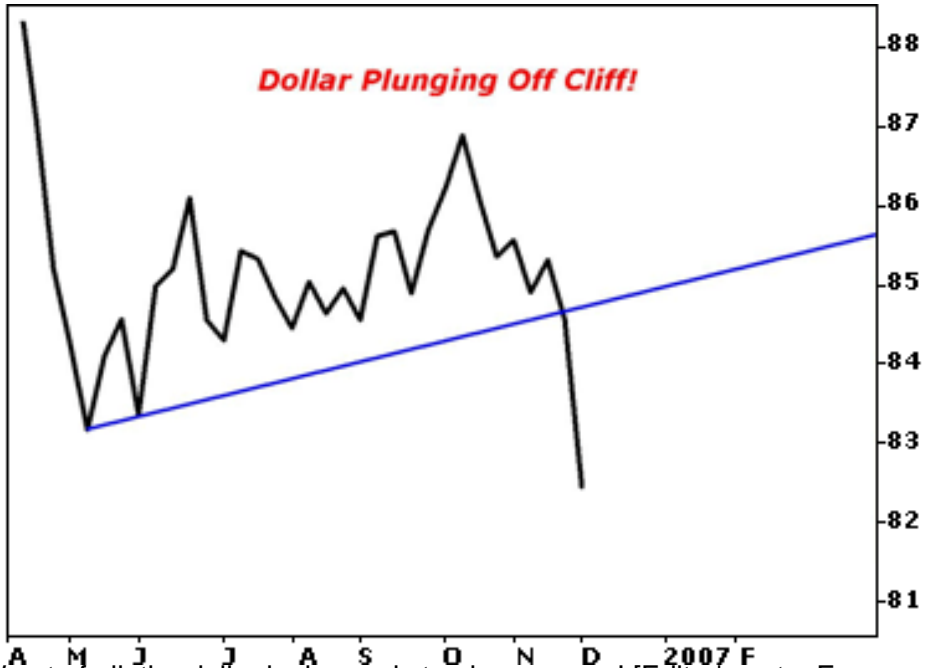
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Worst of all, the dollar looks ready to plunge anew! [Editor's note: For an interesting read on the dollar's decline, check out Addison Wiggin's new book, [The Demise of the Dollar... and Why It's Great For Your Investments](#)

Now, I don't know exactly when the crisis will hit, or what the cause will be. It could start with derivatives, a hedge fund collapse, the bond market, or in some other over-leveraged, overly speculative area. Regardless, I see a crisis on the immediate horizon, and it won't be pretty. If you want to uphold your financial security, you should take action now. Don't delay!

In a moment, I'll give you some steps to take. But first, here's how I expect the crisis to unfold. What I envision is a three-pronged collapse ...

**Prong #1:  
The Stock Market Will Plunge  
Like there's No Tomorrow**

My trading models have guided me through every crisis since I developed them in 1982: The 1987 stock market collapse, the ensuing bull market, the first Gulf War, the peak in 1999, and the crash of 2000 - 2003. My systems flagged every one of these events well in advance. Right now, the models are telling me that the stock market has a bit more upside in it, and that when the crisis hits, stocks will be viewed as — believe it or not — a safe place to be invested.

The Dow Jones might even go as high as 13,000. But listen carefully: If stocks rally any further, as my model indicates, it will be the biggest trap since the Dow peaked in 1999.

Keep in mind, markets love to trap the majority of investors, and it always happens when least expected. New highs in the Dow will get most investors thinking stocks are headed to the moon, but the result will be a fitting end to the three-year bull market. Look, even if the Dow does manage a last rally, there is no way it's worth current valuations. It's trading at 17 times trailing earnings when earnings growth for the current cycle has likely peaked. Its dividend yield is a lousy 2.24%.

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Plus, a falling U.S. dollar is devaluing asset prices for foreign investors heavily invested in dollar-denominated assets like U.S. stocks. Stocks in the U.S will not ignore these fundamental forces forever. So while the broad markets may rally one more time, even reaching as high as 13,000 on the Dow, I urge you not to get trapped.



### Prong #2: U.S. Government Bond Markets Will Fall Precipitously

U.S. government bonds are poised for a major slide. There's no other choice here. Why? Because a slowing U.S. economy will make the dollar even weaker than it already is. Washington is the most indebted government on the face of the planet, with over \$44 trillion in outstanding IOUs. That alone has been sending the value of the U.S. dollar into the gutter. Slowing economic growth will only make it worse.

The reasoning behind this is simple: Anyone who wants to lend money to the U.S. will demand higher rates of return to compensate for the risks. That's only natural. After all, would you buy bonds (lend money) to a company that's hugely indebted and whose sales are slumping? If you did, you'd want 10%, 11%, even 15% on your money.

It won't be long before investors in U.S. government bonds want the same. And the only way they'll get what they want is from a collapsing bond market, with prices falling and interest rates soaring.

### Prong #3: U.S. Real Estate Markets Will Take One Final Nosedive before Rebounding

Property prices in the U.S. are still overvalued in most regions of the country. So another nosedive in real estate is likely, especially with stocks and bonds also collapsing. But mark my words: Sometime next year, after the dust settles, real estate will be one heck of a buy.

Why? Because there are three things that most analysts don't

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understand about real estate:

1. Land is in limited supply. And good locations are in even more limited supply. Waterfront property is the best example.
2. Construction and replacement costs are rising rapidly. Six years ago, I built a new home in Palm Beach County at a cost of roughly \$65 per square foot of air-conditioned living space. Today, the exact same construction would cost nearly twice that because of rising prices for everything from lumber to paint.
3. Overseas investors with money are ready, willing, and able to buy property in the U.S. As the dollar continues to fall, these investors will switch from stocks to gold and real estate.

In short, by this time next year, I expect foreign investment to start pushing up U.S. real estate prices, especially in areas like Florida, Arizona, Las Vegas, New York, and California.



***A lot of real estate analysts are ignoring the fact that it costs a lot more to build a house today than it did just a few years ago!***

A big part of the capital flooding into U.S. real estate will come from Asia. Remember how the Japanese rushed into the U.S. real estate rush in the late 1980s? Well, this time, get ready for a huge influx of money from China and India.

In the meantime ...

**During the Three-Pronged Collapse, You Will Want To Be Invested in Gold!**

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Gold is already starting to soar. When the crisis hits, and the three prongs collapse, gold will soar like a rocket. I expect it to go well above \$1,000 an ounce, and then, even higher. Remember, unlike stocks or bonds, gold has no debts, no earnings, no board of directors, no funny accounting statements, and no obligations to anyone but itself. Gold is the purest investment in the world. While paper money can be printed or devalued at will, the same cannot be said for gold. Gold is the only real money .

With that in mind, here are three steps to consider ...

First , minimize your exposure to the stock market. With the exceptions of the gold and natural resource stocks recommended in my Real Wealth Report , get out of all other stocks now. Don't even try to make it to next year to defer taxes on profits you might have. It's not worth the risk. I figure it's better to pay Uncle Sam his take than risk losing hard-earned gains.

Even if the Dow rallies further first, I believe it could easily give up 1,000 points or more early 2007.

Second, continue to keep the bulk of your money in safe, liquid, short-term investments such as money markets. You can get 5% a year ... even a tad higher in some cases.

But by all means, stay out of long-term bonds, whether issued by the U. S. government or private corporations.

Third, if you don't own any gold, I think you're making a huge mistake.

The best way to buy gold, in my opinion, is the streetTRACKS Gold Shares ETF (GLD). Each share represents 1/10 of an ounce of gold. When you buy this fund, it's kind of like buying a mutual fund, but one that holds only physical gold. Plus, you eliminate storage and shipping worries because the gold is held in trust for you. Or, if you'd rather buy a gold stock mutual fund, my two favorites are DWS Gold and Precious Metal (SCGDX) and Tocqueville Gold (TGLDX). As an alternative, look at the Market Vectors Gold Miners ETF (AMEX: GDX). This single investment holds ten of the largest gold miners in the world.

Stay safe and cautious,

by Larry Edelson

P.S. For my specific recommendations, take out a subscription to [Real Wealth Report for a modest \\$99 a year](#). You'll get 12 monthly hard-hitting issues, plus daily commentary on my website, flash alerts, advance notice of special situations, and more.

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**Re: Last Warning! Three-Pronged Collapse ... Stocks, Bonds and Real Estate**

(Score: 0)

by Anonymous on Dec 18, 2006 - 08:28 AM

Larry

I'd guess that you have been bearish throughout 2006, and maybe 2005 also ;)

Yes one day you will be right !, but until then ??

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▣ [Re: Last Warning! Three-Pronged Collapse ... Stocks, Bonds and Real Estate](#) by Anonymous on Dec 18, 2006 - 09:56 PM

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