

Comments of September 18, 2008

The latest “means justify the end” action by the United States government is the most disgraceful to date. The rally reported in your papers tomorrow was not as a result of any improvement in the collapse of our financial system. Instead the 400 point run up in the last hour was as a result of the Treasury telling CNBC to report that it had yet another “solution”. The timing of this non-announcement announcement was to trigger a violent upheaval in the index futures that were expiring in an hour. There was nothing coincidental about the timing. The certain purpose was to manipulate a massive rally because in fact the markets were headed for another collapse into the close.

While many of you may think, well that’s ok with me because it “made me money”, such a view is extremely short sighted. The repeated manipulations of the market these past two years have netted nothing but delays in accountability. They have continuously shifted burden from those who caused the problems to the many who have nothing to do with the problems.

Today’s “rally” is not the bottom. Today’s non-news news does not set forth a solution. Instead, it shows how completely desperate things have become that the federal government is engaging in such transparently improper conduct.

Nothing that happened today will alter the ultimate outcome and that is prices substantially below those in the closing numbers today (ironically this on the one year anniversary of the Fed rate cut that spurred the “don’t fight the Fed six week rally to “all time closing highs” last fall). Nothing happened today that will alter the destruction of the value of the dollar. Instead, actions like today will serve merely as a litmus test for how little credibility remains in the “government will save us” concept (see how long it takes for new lows).

I think that a major dislocation is at hand. The markets showed this week on Monday and Wednesday that government action is buying very little time any more.

I am once again getting hit with “what should I do” requests. My advice is no different than it has been. That advice – make sure YOU understand your financial situation and that YOU are relying on your judgment rather than that of financial product sales people. It is your responsibility and no one else’s for you to make informed decisions. There has been a plethora of reliable information setting forth the disaster in structured finance that was coming. There is an equal abundance now of information demonstrating that the credit problems are worsening, that the U.S. is overwhelmed in debt, that we are in the early stages of a long and painful decline in the economy and that it is impossible that the U.S. dollar will not decline substantially. Should you choose to believe otherwise, write down ten factual supports for your beliefs. This should not include anything related to the recently history of dip buying or whatever the latest sales pitch is. If you would like a lesson in history, look at 1930 . . .