The Solari Report

April 18, 2019

1st Quarter Wrap Up Equity Overview & Rambus Chartology

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C. Austin Fitts: Hello and welcome to The Solari Report. This is Catherine Austin Fitts. This is the first part of our 1st Quarter 2019 Wrap Up, the Equity Overview.

I usually kick off the Wrap Ups with News Trends & Stories, Part I the first week and Part II the second week. That is the synthesis of all the stories in the quarter, and I assure you that a lot was happening.

Scheduling before tax time was a bit tricky, so Dr. Joseph Farrell and I decided that we would record this weekend. We will be presenting News Trends & Stories Part I next week, and then Part II the following week. I am very much looking forward to that because there is so much to talk about.

I'm going to be talking more about Notre Dame and the fire at Notre Dame in 'Money & Markets' separately from this discussion. It will come up later, but I want to kick off with what one French elected official said before being thrown off Fox News for saying it – among other things, "Not even the Nazis harmed Notre Dame."

We are dealing with a new level of lawlessness, and it is a defining characteristic of what makes investment challenging in this environment. Financial assets are simply a function of the contracts and transactions that allow them to maintain or create value, and when you have lawlessness afoot, anything can happen.

I'm going to start by talking through the financial charts for the period as well as the Rambus Chartology. If you log into the web presentation for the 1st Quarter Wrap Up at www.esg.Solari.com, just use your Solari password. Please follow along because I think that it will make it much easier for the presentation.

If you are logged in, just click on 'Financial Markets' in the navigation bar, and then we will start with 'Fixed Income'. These charts are ending at the close of the quarter. As you can see, the U.S. dollar has continued to maintain its upward trend, but right now it's nearly going sideways for the year. We haven't seen much action in the dollar, but it's still holding.

If you go down to the second chart, it's the US Bond Aggregate ETF and the Junk ETF for high-yield bonds. As you can see, as I always complain about in Money & Markets, junk is flying. I can't imagine why anybody would want to be in high-yield bonds right now, but there you have it. It's doing just fine. Of course, the message is it's a big change since our last Equity Overview. The Fed has been very accommodative. They have changed their policies, so now it's risk-on, which means that junk is flying; it's not doing as well as the stock market, except for the quarter it was up 8.2%. The bond aggregate, which is an ETF of the primarily corporate bonds is up 2.46%. It says that investors are no longer worried about rising interest rates.

The next chart is the Treasury Long ETF and the Intermediate ETF. As you can see, they have recovered and are up 3% and 2% for the quarter. Again, these are as of the end of the quarter – not as of today.

One thing that we saw was a clear concern about risk issues – negative yields on more than $9 trillion around the globe. Let me just quote from Forbes, "Last October the world stock of negative yielding debt had tumbled by more than half from its record high as investors adjusted to the end of super-loose monetary policy. Now it's soaring again after the dovish pivots around the world."

We did see that with the Fed, the ECB, and everybody. "The Barclays Global Aggregate Negative-Yielding Debt Index has increased in value by well over $3 trillion since its low five months ago, to $9.3 trillion Wednesday. That is still below the all-time record of $12.2 trillion in June 2016."

One thing that we saw during the first quarter was an inverted yield curve: Short term rates were higher than long. Typically historically, that has been an indication that a recession is coming, and I think that is one of the reasons the Fed dialed back their plans for trying to inch their way back from unsound money or as close as they get to unsound money.

If you can click back to the navigation bar, and then click over to 'Equities' we will run through the Equities charts. As you can see, last year they were down and the low got hit right before my birthday, December 24, 2018. Happy birthday to me! I hit the low!

The markets have come back really strong, and the S&P is almost all the way back to the high as of today. So, it's a strong rally for the S&P. As you can see from the chart, the Buybacks stocks are up slightly more than the S&P, which was up almost 15% for the quarter. So it was very strong.

I want to take some time and look at the top deals in the period. First, thought, let's quickly go through the rest of the charts. Small Caps did very well also. If you compare Small Caps and Large Caps, they somewhat tracked with each other.

Aerospace & Defense, not surprisingly with the world of war, outperformed the S&P by a small amount.

Consumer Discretionary was a bit ahead of the S&P and the Consumer Staples were straggling behind. Industrial was up strongly. That was part of the 'Make America Great Again' as you bring back capital and reinvest in manufacturing and industrial. You are going to see that.

Financial ETFs are a little behind the S&P, but up 13.5%. Regional Banking is up 13.44%. It was much higher in the year, and then it dropped off by the end of the quarter.

Health Care, which led during the first couple of years of the bull market thanks to Obamacare, is lagging. The market was up 6% - about half of the S&P.

Pharmaceuticals, depending on which sector, spread from about 2% to 15%. It was interesting. Every time you see them dip, you get all sorts of screaming for more mandated vaccines and drugs. It's a bit scary. Biotech was a little ahead of the S&P.

Home Construction is doing very well, up 18%. Real Estate is up 16.93%. If you haven't read the Megacities Wrap Up, I recommend it. I believe that there is going to be tremendous securitization of real estate globally over the next 20 years. I think that is going to be an important long-lived trend.

The next charts are the top performers at Motif Investing. I love to look at how they organize and express the market. They have ETFs for different themes. The top-performing one was Software as a Service; second was Tech Takeout Targets; third was Used Car Tune-Up.

Notice that if you drop down to the lowest earners, the bear market is – as usual – doing terribly. Rising interest rates have now turned. They had been doing well.

Keep moving down the charts. The Developed markets are up – strongly, but not as much as the US market. Germany is up 8.63%, so they are lagging behind the US markets. All Europe was up 12.34%. Then there was a comparison of the UK FTSE and the S&P, and you can see them spread out. Basically, the global markets are tracking together on the trend.

The next two charts show some of what is happening with European banks. I want to review the banks and how they compared. Clearly, the European banks have been under pressure, but they also had a good quarter.

Let's turn to Asia. China Large Caps (FXI) is up 15%. They are tracking along with the S&P. The Small Caps are up 18%. India is up 5.94%, so they are lagging behind China.

The Emerging Markets are up 11.7%. Remember, again, that income convergence is an Asian phenomenon, not an emerging market phenomenon. The productivity in the emerging markets is lagging outside of Asia.

The Frontier Markets are up 10.5%. That's it for the stock charts.

I wanted to take a look at some of the top deals of the quarter because they say something about what's happening. With the market rallying like this, a lot of the IPOs that we have been waiting for have gone public. So we have Lyft, Uber, and Pinterest.

Uber was odd. The prospectus with its risks section said, "Not only has Uber not made money, but it might never make any money."

I thought, "What kind of world do we live in that companies that have never made money and say they might never make money can sell stock?"

Barrick and Newmont were watching a roll-up going on in the mining industry, and it reminds you that behind the suppressed prices there is real competition among the central banks and syndicates to control the stock of gold. It's a reminder of 'peak everything'.

Aramco did a $12 billion bond deal. It's part of the mystery around Saudi Arabia that keeps going up. That deal was part of a pot that the government was going to use to buy one of the chemical companies out of the sovereign wealth fund for almost $70 billion. I want to know who is going to get that $70 billion. I suspect that the $12 billion raised through London and New York will have some deal about where that money is going to go from the sovereign wealth fund. I would love to know where that is.

Tesla is in trouble. They have executives leaving, and the economics don't work. They were dependent on tax credits, and now they are losing those credits. They are diminishing, and other companies are showing up in the market to compete. If you look at the real economics and the environmental economics of electric cars, it's not as glorious as it was sold. Tesla is in a 'food fight', and they might not make it.

3G is the Brazilian venture company that bought Kraft in partnership with Buffet. Kraft has really 'fallen out of bed'. That's what happens when you start slashing and cutting costs. It's what happens when you let a group of hyper-materialists lose on a company that is a human, living, breathing thing. What you can sometimes get is a real mess.

I am reminded of my pastor who said, "God does not bless a mess."

These tricks of going into a company and whipping it around and draining it means that US airlines might be trading higher than the European airlines, but I will say, "There is no comparison". When you are on a US airline, you feel like you are not in a company or on an airline; you are just in a financial engineering pump and dump. There are some exceptions, and it's getting a little better.

The model of a company as a machine that you can just flip around is entirely bogus, and I would like to think that we have reached the end of that particular psychopathy in the financial world.

Probably the most important deal of the year is the Jedi contract. We have now seen Microsoft and Amazon posted as finalists. The competition behind the scenes, which I suspect included hacking Bezos' texts, was part of that competition.

It's been brutal, and we are going to see if DOD hires one or two. With all the intelligence agencies in the Amazon cloud, it's hard to believe that Amazon won't get in there. Needless to say, the consolidation of power that can come from that contract and the resulting reengineering of government and privatization is going to be extraordinary. Keep an eye on the Jedi contract.

Qualcomm, Apple, and Huawei have been fighting all quarter – whether it was Qualcomm with Apple legally or Huawei fighting with the American government. That reflects the AI superpowers war and the 5G war. If you haven't read my book review for *AI Superpowers*, I recommend it.

Essentially what we have seen, and you will see it if you make a five-year comparison in the stock market, is that the United States and China are skyrocketing ahead in the AI tech game, and everybody else is getting left behind. That may be why being in those other places is so much nicer for humans.

No doubt that the tech sector is leading the stock market. It informs why there is so much competition – whether legal or government enforcement in this space. It's going to keep on being significant.

After the quarter is over, we see a push by the Americans and Chinese to come up with a trade deal by May. They are on an accelerated schedule trying to come up with something. That is a big uncertainty over the market. If they succeed in coming out with something that people think is more than face and that it's real, you may see the market continue to melt up.

That's it for my comments on charts and related. Now you can click on 'Rambus Blockbuster Chartology' which is under the 'Financial Markets' navigation section.

This is a thing of beauty! Rambus is the equivalent to technical analysis to listening to a Beethoven symphony is all I can say. It's really magnificent.

We are fortunate to have Rambus do this for our Quarterly Wrap Ups. I say that if you are trading the markets and watching the markets closely day to day or week to week, Rambus' website is an excellent subscription to have. I just don't think there is a better one. I certainly have never experienced a finer technical analyst than Rambus. He has a gift.

This quarter Rambus took a very deep, long look at the equity markets, which is exactly what we need.. He takes us back to 1944.

The blossoming of the 'black budget' and the National Security State – he takes us from beginning through the entire way. He also looks at commodities, but I think that a deep look at the equity markets is what we need.

I always agree with Rambus. He says that the S&P has more room to run, and I agree with him. He points out again that this is the most hated bull market in the history of the equity markets, which it certainly is. If you look at how profits are being generated, we are generating more profits for corporate stocks in ways that are destroying the whole economy and society. Of course, it's a hated bull market.

I love going back to 1944 in the longest chart when he goes back all the way because it really is a picture of what the equity markets have done during the unipolar model. So, that's a picture of the equity markets under the leadership of the Anglo-American Alliance in the Bretton Woods model in the global unipolar model. Part of the craziness that we are watching is the people who manage the S&P. They are looking to keep those profits flowing by any means necessary.

What we saw in 2018 was a big drop, and the question was: Is it a correction, or is it the beginning of a bear? If you look at where we are today, it certainly looks like it was a correction. I think that it reflects – among other things – the squabble behind the scenes to preserve the unipolar model.

Let's look back. For many years, China was buying our treasuries. We would take the money, hand it out in welfare or social security, and people would go to Walmart and buy Chinese goods, and the money went around and around. Now China – instead of financing our false prosperity – is going to finance the Silk Road and build out their own currency and bond markets and compete head-on-head.

This idea of who is going to control the equity and the flow and the profits on the Silk Road is unbelievably important. And, of course, if you look at the struggle, it's not a national struggle; it's a struggle between factions who will use national interests and national armies.

One of the challenges, of course, and the reason why inequality digs so badly is that if you examine who fights the wars and who makes money on the wars, they have become very divorced. During World War II, if you looked at who made money on the wars, that money flowed back to a prosperous middle class in the United States. Now, as Colonel Wilkerson has pointed out on The Solari Report, the vast majority of our Army comes from young men and young women in seven southern states; it's not evenly divided. If you look who is doing the fighting and the dying, and then you look at who is getting the fruits of the labor, it's a much smaller elitist group. I suspect that is one of many reasons the US adopted FASB-56 – so they could essentially channel money to foreign and mercenary armies and avoid the political pressure of asking a whole group of people to die when they're not sharing the booty with them.

Back to the five-year performance, let's look at a comparison. The NASDAQ is up 96% for the last five years. This is as of this afternoon when I ran the numbers. NASDAQ is up 96%, which shows the tech sector leading the way.

The S&P is up 56% - a little more than half of what the tech is doing. The large cap China is up 31%. Emerging markets are up 9%. France is up 4% and Germany and Europe are down for the five years by about -7%.

So what does that say? That says the folks generating massive amounts of monetary and fiscal largess are watching their stock markets go up much more. Part of it is that much of that largess is being channeled into those markets or into things that create profits for the stocks in those markets. Some of that is the AI superpower story, which is why I would want you to read that book review and focus on what it means when you have two superpowers who are delivering the most fiscal and monetary stimulus, and they are applying the most tech and AI and software. If anything, their competition is getting even more serious.

I will let you work through all the different charts in the Rambus stock analysis, but the bottom line is that the equity markets have more 'up' to do. That is what looks extremely likely. For all of the reasons that we hate the bull market, that doesn't mean that it can't go much higher again.

If you can steal $50 trillion, you can engineer a great deal of investment to go the way that you want.

The second section is on commodities. What it shows is one big question that is on everyone's mind: Are we at the beginning of a new 'super-cycle' in commodities? I think it's too early to tell. There are too many recessionary trends and slowing trends there. I'm a skeptic, and I think that Rambus probably is, too.

There is no doubt that oil is flying and it's broken out. I'll talk a bit later about why I think that. An effort has been made to make sure that is happening by taking oil off the market. That is part of the geopolitical tensions behind the dollar.

Gold does not look exciting. Gold is not doing as well as I expected this year, and silver is certainly looking less well. I'm still a gold and silver fan and I think that they are part of a core position. There is no doubt about it. If you look at what is going on in the mining industry, there is a real effort to consolidate and control stock. If you look at the central banks, they are buyers. Everybody is looking to make sure they have a strong core position.

Across the board, I agree down the line with Rambus. I think that the stock market is still in a long-term bull. Commodities have a big question mark as to whether or not they are going to start a bull or not – other than oil which is clearly on its way up – and precious metals are still going sideways.

I want to talk a little about the problem of profits. The equity markets trade on corporate profits, and we have seen real warnings about monopoly. I have discussed in the last several Equity Overviews about how Jeremy Grantham, one of the top investors in the world, finally 'threw in the towel' on saying that the bull couldn't keep going because he now appreciated the ability of the political class to deliver subsidy to corporations in an unprecedented manner. Of course, that's not good for anybody. It's not good for the culture and it's not good for the economy.

There is a real multiple personality disorder between our wanting stocks to go up in our IRAs and what is really occurring behind the scenes to engineer that, which is lousy for everybody. When we make money from things that make the economy weaker, it's a very bad sign.

Late last year *The Economist* had an excellent piece called *An Age of Giants* on the problems of monopolies. It's interesting because I can strongly agree or disagree with *The Economist*. It's a very mixed bag, but when it comes to the big themes in their magazine, if you look at some of their analysis – which is a really deep economic analysis – they often do a very good job.

This one was called *An Age of Giants* and it was very critical of the US economy, saying that there were problems of, "Concentration and abnormal profits, and openness" I couldn't agree more.

The summary presentation opening up the theme was 'The Next Capitalist Revolution'. Let me read you some quotes from it because I think it is very instructive:

> "Life has become far too comfortable for some firms in the old economy, while in the new economy, tech firms have rapidly built market power. A revolution is indeed needed – one that unleashes competition, forcing down abnormally high profits today and ensuring that innovation can thrive.

> Free cash flow of corporate firms is 76% above its 50-year average. New company formation is slowing. One of the things that they suggest is needed is a data and intellectual property regime where patents are 'rare, shorter, and easier to challenge in court'.

They think governments need to tear down barriers to entry such as non-compete clauses, occupational licensing requirements, and complex regulations written by industry lobbies.

I totally agree. They note that more than 20% of American workers must hold licenses in order to do their jobs, which is up from just 5% in 1950. Third, they say that anti-trust laws must be made to fit the 21st century.

Anti-trust laws need to be enforced. They are not being enforced.

I would also note a fourth, which is that we need to kill the 'Sheriff of Nottingham-style' enforcement. If you haven't listened to The Solari Report with Howard Root that I did two years ago called 'Cardiac Arrest', that says it all. And we have huge government contracts and purchasers that are primarily subsidies the way that it's being done.

Let me read you more from *The Economist*:

> Incumbents scoff at the idea that they have it easy. However, as consolidated markets become domestic, they argue globalization keeps heating the furnace of competition. But in industries that are less exposed to trade, firms are making huge returns.

Get ready for this:

> We calculate the global pool of abnormal profits to be $660 billion, more than two-thirds of which is made in America, one-third of that in technology sector.

They aren't including the $21 trillion; they are only including reported numbers. Remember, it's all secret now.

It's called An Age of Giants, and I recommend it. The bottom line is that when things are so bad that *The Economist*, which is run by Lynn Rothschild is beating up on the Americans for monopoly, you know it's bad. But it's right; we do need a capitalist revolution. I think that capitalism would be a great idea. We should try it. What we've been trying instead is organized crime.

Here is the problem for the investor: Do you buy the solid stock or do you buy the heavily subsidized stock, which has had a lot more momentum and has been going great and is much higher?

As one money manager said to me recently, "Do you buy the real or the nominal when the nominal is still flying?"

It makes life tricky because there are some deep, deep questions under the subsidized stock. The unipolar model – will it stick? If we go to a multipolar model, some of those stocks are going to go flying down into the valley.

The monopoly model – will it stick, or will we have a capitalist revolution, or even worse millennial socialism? That is the name the *The Economist* gives to the new push at technocracy.

If you are going to buy the heavily subsidized or stay in them, the question is: Can the steroids last? For the unipolar model and for the monopoly model to last, you need FASAB-56, significant privatization, and as I talked about recently, the Dutch West India model or the British East India Company model. That is essentially war, including war by mercenaries.

If you look at the ugliness of what you need to do in a low yield environment to keep up the yields, part of the reason we are in a low yield environment is because we keep moving towards rigged systems instead of letting the markets work.

Let's look at whether or not the unipolar model is going to stick. When you look at a stock chart of the S&P from 1944 on, you are looking at a bull market and a stock market that is generally rising in that model. If the model changes, you could get significant changes.

The dollar, as *The Economist* once called it, is 'dangerous but dominant'. It's weakening, but it still has a very significant market share, and there is no currency to replace it. The euro, with Brexit happening, is potentially coming apart. The Chinese are not yet in position to field a significant, highly liquid, global bond market or currency yet. But with the weakening position of the empire, we are seeing the empire doing things to maintain their position which is frightening – one of which is FASAB-56.

I will talk with Dr. Farrell more about it next week. My concern, of course, is that the money is going into Treasury from the sale of Treasury securities, and then it goes out the back door because this is what you do when you hit the final phase and you want to pull out as much money as possible, and you want money to keep secret armies going to generate secret profits and public profits.

I think that when FASAB-56 passed, it was a billboard to the mercenary companies, "Bring us proposals to keep the S&P 500 profits up."

We are clearly in a debt spiral. I have written this several times, but let me read it again. "US Treasury debt grew by 6% in 2018, and it is expected to grow by 8% in 2019. That is despite many years of what is being called an economic recovery. If the economy slows or goes into a recession, the debt growth is going to accelerate. If you add unfunded liabilities, the picture deteriorates further."

One important question, of course, is: Who will buy this debt? Currently the US investors own 33%, the Federal Reserve owns 11%, the US government owns 27%, and much of that is in the retirement funds. We own that, too. That is a total of 71% that is owned domestically. That leaves 29% owned by foreign investors who are currently net sellers. In addition, in the next two years we will see a significant volume of corporate maturities given high global debt levels. The competition for capital is likely to be fierce.

With dollar market shares under stress, in a manner that is likely to put pressure on US trade deficits, what does that mean to you and me?

It means that there is going to be tremendous pressure to export more food and energy. Remember, we grow a lot of food and we are now an energy exporter and energy self-sufficient, and the cost of imports will rise. What does that mean? It means price inflation.

If you look at the state of the dollar in the global trade balance, our food and energy prices have been rising. If you go to the Chapwood Index, you will see that the cost of basic household goods are currently rising throughout the United States, anywhere from 8% per year where I live to 14.5% in Silicon Valley, and it has been rising the last five years. It's just another sign of the weakening empire.

The Bank for International Settlements warning that was published in December 2018 was published at The Solari Report. You can see it there. It was published within the last two weeks. Basically, what they said is that the Chinese are building out their global bond, currency, and payment systems. If the day comes that those become liquid and reliable and smooth-functioning, the possibility is the market share that could leave what they define as 'the dollar zone' is 'a lot and fast'.

What people always say is that the dollar will diminish slowly, and then suddenly – boom! It will go.

You are watching people l around the world make provision for moving away from the US and moving away from the dollar. Of course, the more they do that, the more thuggish we get about the use of sanctions and throwing our weight around to keep things going. Of course, that means that they just turn around and want to go faster. I think it's a spiral.

When 9/11 happened, the American pension fund system was almost 100% fully funded. Today it is 70% and falling. I think that part of the tension is going to be when you have an insider group who is using more aggressive tricks to achieve their returns, the inequality issues are bad and getting more serious.

I say all of that, and will also say the same thing that I've said for many, many years: We have lent large amounts of dollars throughout the emerging markets, which potentially puts the emerging markets in a bear trap. That is exactly what is being done to China by the US to try to negotiate better trade terms.

Don't underestimate the ability of that bear trap to keep the dollar strong for some period of time. I think that we are facing the facts that the pressure is to move away. Of course, the people who have been running the dollar system want something to move away to. That is one of the reasons you are going to see more and more central banks and inside financial institutions prototyping and dealing with cryptocurrencies.

Once you get all those satellites up, then you can start to go to much more of a digitized system, which they would love to do.

As I always say, this comes down to who has what weapons. As we know, the most important, invaluable weapons are secret. This brings me to war with Iran. There are multiple symptoms everywhere that the Anglo-American Alliance syndicate – which I would say includes US, the UK, Israel, and the Saudis – are making every noise that they are trying to figure out how to get a war with Iran and win.

Let me start with Pompeo's oil speech. I put up an article by a French reporter, Thierry Meyssan, called *The Geopolitics of Oil in the Trump Era.* It's about a speech that Mike Pompeo gave to the industry recently, and it lays out our philosophy, which is that we want to stop Venezuela, Iran, and Syria from being able to market oil because we are trying to get our oil and gas sold and because of the price differentials we need the price to be higher to make that work. He essentially describes Pompeo saying, "We are going to keep doing that until the shale gas runs down in 2023-2024."

Obviously – as it has been for decades now – we are managing and manipulating the oil markets to serve our geopolitical interests and the management of the dollar. Clearly one sign they want to go to war with Iran is t to control that position, it is going to take a lot of force. I think it is deeply dangerous.

The second thing that we saw was the arrest of Julian Assange. I will talk more about that in Money & Markets. That followed the IMF reproving of a $4.2 billion loan for Ecuador, and we will explain to you how much Assange is worth.

I think that if you are going to push for a war with Iran, there is a real danger of the truth of who killed Seth Rich and monkeyed with the DNC or stopped the DNC links and some of the other things coming out. I think that Assange was very instrumental in stopping both the war with Iran and, obviously Clinton winning, etc. If you think we have a neocon problem now, it would be much worse if Clinton had won.

I think that the Assange arrest is a clear signal of battening down the hatches, trying to get to war. I don't think that the persons who interfered with the election were only Seth Rich and the DNC hack. There was serious foreign interference, but I assure you that it wasn't the Russians. The people who did that interference don't want people to know that they now have Trump over a barrel in the White House. We will have more on that when I talk to Dr. Farrell.

We now see the Bushies teamed up with the neocons and back in the White House. It looks like the Iran-Contra team – literally – with Barr at the Department of Justice. Let me give you some more signals: I think that the Notre Dame fire is a real signal that there is a push for war in Iran. We see the Macron government in real trouble. Macron was going to come out with his response to the Yellow Jackets on Monday, and that got cancelled when the fire happened. I think if you look at his approval ratings, the European leadership is very concerned that he may not be able to make it through. That could put the EU in real doubt. He was the odd man out on not wanting to give May a full extension to October. I think that the Notre Dame fire is not a good sign for the strength of the EU.

We have seen twelve church vandalisms and fires within the last month in France, but this is clearly not as big as Notre Dame, although one was a very important church in Paris the week before. It's a very, very disturbing trend because they are trying to break the heart of the culture, which is a very bad sign.

Netanyahu won the election. He is a part of this piece. I think that one of the things that we have seen if you look at the history of covert ops with the Russians and Americans in league with the Israelis, is that the Israelis are unbelievably aggressive and foolhardy.

Seeing the documentary about the Stuxnet virus will show you that they are the partner who is always going to get you killed.

Another one that most people would not immediately connect the dots to is the targeting of the Hasidic Jews in Rockland County in Williamsburg. We see alleged measles outbreaks that suddenly inspire the officials to insist on vaccinations. We have a group of Hasidic Jews in Rockland County in Williamsburg who have been very aggressive in protesting and saying that Israel does not speak for American Jews and that Zionism is different than Judaism and arguing that they do not want to be conscripted in the Israeli Army.

In some respects, there is no more effective opposition to war in the Middle East than that group, and it appears they are coming down very hard on them to try to shut up that voice. God only knows what will be in those vaccines.

FASAB-56 is a dead giveaway that, for some reason, we want to channel a large amount of money to mercenary armies. If we are going to engineer war in Iran, FASAB-56 is a perfect way to get an abundance of money to Israel or other Middle Eastern militaries who are going to 'play' with us.

The State Department hired a new "hitman." I tweeted it out and put it up at The Solari Report. He is in charge of stopping anti-Semitism. You can't make this up!

He announced as his major policy that being anti-Zionism is being anti-Semitic. The next step is being anti-war, is being anti-Semitic, and being anti-neocons, is being anti-Semitic, and being anti-anything that organized crime wants to do is being anti-Semitic. You just can't make this up! I can't wait to talk to Saker about this.

We saw on Monday as Notre Dame is burning Russia announced that they are breaking off military communications with NATO. Russia is not a part of NATO, but they have always been in communication with NATO. They are breaking off communications. That is scary. And, of course, Russian intercession is even stronger now in Venezuela. I think that is because they understand this 'control the oil' and the 'shut the oil flow off'. Obviously, they benefit from higher prices.

Here are the questions, and are the ones that I have talked with Saker about: Can the unipolar model continue? Can the empire win?

It's about preserving the dollar by controlling the oil markets, and it's about controlling the profits and the equity on the Silk Road. It's going to also entail controlling the sea lanes in the South China Sea. I think it's going to be more and more difficult. The more the wealth does not roll back to the families of all the people needed to make this happen and support it-aka as it was in World War II-I think it's going to be harder and harder to do. I think that the Midianite thing is going to become the plague of the empire.

The $64,000 question is about the secret weapons. Can the secret weapons pull it off? Can weather warfare and sanctions sufficiently weaken the Iranians until the Americans can figure out how to win in a military sense? That is the question. As I've always said, I don't know enough about who has what secret weapons to judge.

I think that the Stuxnet documentary is very helpful to see some of the problems, and Charlie Ferguson's documentary on Iraq is helpful to see some of the problems with the neocon/Bush/Israeli teams. They are hyper-materialists, and they make a mess.

Notre Dame is a very bad sign. It's a sign of, not only the fragility of the system, but the frustration of the leadership in trying to manage the population. It reminds me of the scene in the movie, *Avatar*, where the guys invading the planet are going for the home tree. They are going to destroy the morphogenic field.

If you look at the power that stands behind freedom in the United States, it's the Constitution, but globally it's the Christ force. It is a very powerful force for freedom. If you spend any time in France, Mother Mary and the Christ force are so powerful. It's part of what makes the French people so powerful. They really are not hyper-materialists; they have a very powerful practice, and they love their culture as they should.

I think that this is a negative attack. It shows the enormous hyper-materialism of the leadership, but also their tremendous frustration with what is going on in the world, as well as in France, particularly.

Why would everybody go along with this? I think that in trying to keep the unipolar model in the whole world, including the American politicians – whether it's Congress or Trump – is a prisoner of the red button problem, which is why I keep trying to get everybody talking about the red button problem. So many people who I know – good-hearted people – want their stocks to go up. Well, do you really want your stocks to go up if they are levitating on a sea of subsidy that is destroying the world?

What we have to do is navigate an economy where we could get enormous shifts if the unipolar model goes to multipolar or if the reserve currency changes – even if the Chinese manage to really get their act together and absorb a great deal of the emerging market market share. There is no doubt that it is coming, but the question is: When?

The other thing that we need to manage is the fact that the bull market could continue. If these people go to a privatization model with Dutch West Indies and play the monopoly game – whoa!

I would note a new article in *The Economist*. I know I'm quoting from *The Economist* a lot tonight, but it happens to be a good run there.

They had a recent article on 'The New Scramble for Africa'. Consider this statistic: "From 2010 to 2016 more than 320 embassies were opened in Africa."

It’s interesting. If you look at the 2020 US election, the Democrats are running around, promising trillions and trillions of dollars of subsidy – whether it’s the technocracy being called ‘millennial socialism’ or it’s some financial response to inequality or it’s healthcare. It’s almost as though they are creating a total illusion that will help to market technocracy and generate huge and hideous private profits.

The thought that there is really going to be any change to provide all these things is such a frightening illusion. ‘It is what it is’. The 2020 election is going to be pretty wild.

What do you do? Here is what you do. I’ve said this before, and I’m going to say it again. You need to secure your basics first. How are you going to get high-quality food, and how are you going to get energy if those prices skyrocket? Where do you want to live, and who do you want around you? Who do you want to be in association with if things get fantastically meaner and uglier than they are? Because they could. How are you going to provide useful services and skills to others?

It’s incredibly important that you keep having a high learning metabolism and keep learning how to be useful to the people around you. Of course, if you have the time and resources; the problem in this day and age is that you can have the greatest self-sufficient plot of land with great gardens and low energy costs and low maintenance. It can be all perfect. Then the next thing you know, you are in Paradise, California and the place burns down.

You need to be prepared. If you don't have a backup, you need to have a backup plan. Secure your basics first. It's exceptionally important in this environment that you have excellent food and a source of energy. It's very, very important that you are with people of integrity. So, secure your basics.

The second thing is that a recession is probably coming. I don't know if it's coming in 2019 or 2020 or after the election. It could come at any time. We are certainly seeing slowdowns and the steroids are going to run out.

FASAB-56 and piratization can deliver many more steroids, and I never underestimate the ability of the infrastructure or the Military-Industrial Complex to deliver more steroids to the stock market. Remember, the more steroids they deliver by skimming assets and profits off everybody else, the worse it's going to be for the economy. It is one of the things that has wrecked the economy. I expect more lawlessness and also increased competition from the emerging markets.

You need to consider in your budget what will happen if we get significant rises in food and energy prices and it brings on a recession. What does that mean to you? How are you going to adapt and deal with it?

Asset classes are next. Let's review the asset classes:

Precious Metals. I thought they were going to have a better year. It's still in its consolidation mode. I say the same thing: It's very important to have a core position.

I've been getting questions on storage issues. There is no perfect storage solution. If you have it at home, it's close by, but there are real safety issues.

First of all, given what has been happening with the fires, you need a safe that can withstand 2,000 degrees. Most safes that are 'fireproof' withstand 1,300 or 1,400 degrees and getting a safe that can withstand 2,000 degrees is expensive.

The other thing you need to understand is how you are going to handle a home invasion or somebody sticking a gun in your face or your spouse's face and saying, "Give me all your precious metals."

A big way that people lose money on precious metals is they forget where they put them. You have to make sure that you have a record of where it is. If anything happens to you, somebody knows how to find it.

We did a great Solari Report on safes with Dan Perkins of Hidden Safes. It's in the archives in the library.

Also, even if you have a great safe, you need to make sure that it's really secret that you have it. Do not spread it around. If you keep precious metals at home, don't let anybody know that you keep it.

I once had a wonderful ally who had his precious metals delivered by the dealer to a relative who worked at a Miami law firm. I should have told him that was the most dangerous thing to do. Sure enough, the following week his house was broken into.

They went right for the precious metals. That was all they wanted, and then they left. I told him that he was lucky that he was alive. If he had been there, he may have been killed.

There are lots of good depositories around the world – both here and abroad. If you put it in a precious metal's depository – unless you sign over the agency to someone – you have to go there. Of course, there are fees involved. So, it is cheaper to keep it at home once you have amortized the costs of the infrastructure where you keep it.

You can keep it in a bank safety deposit box and avoid the big fees. But then, of course, people are concerned about confiscation of banks. I'm not concerned about that.

You can put it in a foreign bank, but, of course, the foreign banks are all under the US thumb. If the US writes them and says, "Send us all the gold," they can do it if it's in an allocated account in the bank's vaults. If it's in your safety deposit box, it's a little iffier.

If they can trade – because it's in their accounts – and it's in a foreign bank, then you have to do an FBAR form. So, please don't forget to file that.

There are banks or institutions or digital websites where they can trade for you as an agent. Again, with those you have to file the FBAR form. I'm not as confident in much of their custodial relations. I tend to be very picky when it comes to where things are stored and how they are stored.

We have many great precious metals market reports with Franklin Sanders and some of the other people in the gold markets that you can access in the library. We go over many of these issues again and again.

I should also mention that you can buy precious metals in securities form, with rare exception. I don't think they are really precious metals; I think they are bank IOUs priced in gold or silver. Of course, some asset managers – depending on the account and where you are and how big the account is – will buy and hold for you in bullion form as opposed to ETFs or other securities.

I have a great Solari blogpost on 'What Percentage of My Assets Should I Hold in Precious Metals?' I wrote it many years ago, but it applies just as much today.

I also have another more recent one on why you should never ever ever ever buy numismatic coins. Numismatic coins are priced way over the spot price. You want to pay for your coins as close to melt value as you possibly can.

So for precious metals, a great core position if you want to understand what this all means to you is to look at 'What Percentage of My Assets Should I Hold in Precious Metals?'

Fixed Income. Serious quality issues. I think that with currency debasement on all the fiat currencies around the world, as well as the problems that the Fed is going to have and the Treasury is going to have with selling more treasuries other than just monetizing them,—

— we are looking at serious currency debasement. Then with corporate maturities having a lot of rollover issues, I think there are going to be credit quality issues.

The question on all of it is: Could it cause interest rates to rise? I'm not worried about rising interest rates. In 2019 the Fed is clearly going to be very accommodative. Obviously, anything can change in this environment, but I think that the 'tough guys' wimped out and went home on that one, so we don't have to worry this year.

I think that fixed income between the credit quality issues and currency debasement is a tricky place to be.

If you haven't read 'Caveat Emptor', which is part of the 2018 Annual Wrap Up, you can find the table of contents on Solari.com and do a search. There are significant money and assets disappearing out the back door, and the time has come to 'face the music' that the US Treasury from a credit standpoint is not what it was, and you can't depend on the brokers and the rating agencies to tell you the truth.

Stocks & Real Estate. When I say 'stocks', I mean stocks in good companies. Stocks and real estate's rise reflect the liberal monetary and fiscal policies, and I think that is going to keep happening. Much of the inflation for monetary policy is going to be channeled into stocks and real estate.

Real estate is very much a local issue. What we are seeing reported all over the country is that there are too many big homes. You have all of these boomers trying to sell big homes, and nobody wants them.

We also see towns where we are watching serious weaponization of drug-addicted populations – and I think that is to gentrify the middle class and get them out. It's quite a 'dirty game'.

If you watch the video that I put up in this quarters wrap up, it is going to be one of our Top Videos on The Solari Report on the *1st Quarter 2019 Wrap Up* presentation. It is called *Is Seattle Dying?*

If you look at all the reports that I am getting from San Francisco, LA, and Seattle on how those drug-addicted populations are being used to really terrorize people in the city, it is incredible.

In this environment you have to be very careful about location on real estate and you have to be very careful about share selection in the stock market. I think that you have to look at companies on an individual basis. This is not a market given the difference between subsidized companies and real companies where you only want to focus on sectors. I like companies in this environment who can endure whatever comes. So they should have clean balance sheets, are not heavily leveraged, have a strong, deep presence in their market share, and are not heavily subsidized.

Late last year I did a review of almost 300 stocks on the approved list for one of the Swiss money managers who I know and like. I wanted to see how many of those stocks would qualify for the Solari World Screen that I do in Solari Investment Advisory Services. It was interesting because I pulled out about 250 stocks that were great companies. They were solid, grounded, and had clean balance sheets. It was a remarkable list. Yet if you looked at that portfolio –

– if you took those 250 stocks and put them in a portfolio – they have significantly underperformed the S&P. That is because a lot of them are in Switzerland. Some of them were US, but mostly they were Swiss or European.

They're not famous and they don't have a lot of momentum like Facebook, but they are very safe. They have excellent businesses, and the world could nearly come to an end, and they would be 'turtling' along making money, and paying a dividend. Maybe in the worst case they would have to cut a dividend, but these are companies that have enormous endurance, and they are priced very, very modestly because they haven't been run up on huge amounts of subsidy and all sorts of other government games and largess.

If you are a money manager, one of the challenges is: Do you put your money in those things which are real and have endurance, or do you put your money in the high fliers and hope that you can jump out and get in the grounded real stocks when the game is up?

If you haven't looked at 'MegaCities', which was the *3rd Quarter 2018 Wrap Up* that has charts. If you go into the web presentation, and to the TablePress tables. It is very good list of global real estate companies to review and to manipulate.

I think that the securitization of real estate globally is a long-lived trend. It is a tricky market, but for the people who get it right, I think that is where you are going to see some significant opportunity, particularly in the emerging markets.

Tech is going to lead. The whole key to productivity is to apply new technology to every process that you can imagine in the world. So, expect tech to keep on leading. There is some of tech that I don't like, but there is plenty of tech that is great, too.

Could commodities be moving into a new bull? I think that it is too early to tell, but it is worth watching. If we slow down, it's just not going to happen. Clearly, we are in an oil breakout. If you read Mike Pompeo's speech, he hopes to keep Venezuelan, Syrian, and Iranian oil off the market to keep that breakout going.

Here is the bottom line of what you and I need to worry about. We are managing a likely shift in the model – whether it's the unipolar world to a multipolar world or a world where the cost of food and energy is much higher, and where we face a likelihood of a war, including one that we could lose badly.

The US is used to losing wars, but not ones that hit us badly. This one could hit us very harshly because, of course, among other things, you could lose the reserve currency. So, we are going to have to manage all this. It means massive uncertainty.

Stop listening to anybody who spouts fear porn or hope porn, or who gives you certainty. I know that we all want certainty, but there is none. You have to stay very balanced and nimble, and that is one of the reasons I absolutely believe in balance and I absolutely believe in diversification. You never know which way this thing could go.

We recently posted two new 'Food for the Soul' columns. One was on da Vinci, and the other on the 'All the Rembrandts' exhibit at the Rijksmuseum. This year, 2019, is the 500th anniversary of da Vinci's death. Da Vinci lived in a time that was far more dangerous than the one we live in now, and his response to all the danger and problems was to search for and invent solutions and create works of art of great beauty. We can do that, too. That is the proper response.

Instead of trying to figure out with certainty and predict the future, let's just start inventing solutions and, if you have the power, invent works of art and works of great beauty.

I want to underscore that you take some time this year to celebrate the 500th anniversary of da Vinci. If you don't like da Vinci, celebrate the 350th anniversary of Rembrandt. It's incredible that we are doing them both in the same year.

I think that da Vinci will inspire you to 'rock-n-roll', as I once said. I just bought a book for two of the children in my life who I love because I want them to learn about da Vinci. I think it's fun to teach the kids in your family who you love all about da Vinci. Da Vinci was a scientist, an engineer, a painter, a musician, and all those different things. When children realize that you can be all those different things, that is where the expression 'Renaissance man' comes from. It inspires them to maybe shut down the screen and start learning how to do all those different things.

I know it does this for me, but we all need joy and we all need 'food for the soul'. Get some inspiration from da Vinci because he can show you how to 'rock-n-roll' and lead through a period when the rate of entropy is rising. Remember, it only took a few people to drag us out of the medieval ages into the Renaissance. That is what we are going to have to do again.

So, guard your heart and find some food for the soul.

Our theme for the *1st Quarter 2019 Wrap Up* is on ESG. ESG stands for Environmental Social Governance. It's the process of starting to apply Environmental Social Governance criteria to stocks. I wrote a major piece on it in the 3rd Quarter 2016 Wrap Up. You can find it in the library. I want to look at it again because the market share of this is growing and, of course, I manage a screen called Solari World through Solari Investment Advisory Services.

My focus is on social responsibility and governance, but my screen is very different because I am trying to screen out organized crime, not make them look good. There will be more on that when we talk about the theme, but I will say one thing: One of the ways that I get food for my soul is travel and search the planet for companies that have good governance and provide useful products and services. There are thousands of them, and it is always very inspiring to find them.

There are thousands and thousands of entrepreneurs out there trying to solve the world's real problems in a real way. They get up every morning, and they just do it. Like most of us, they get paid when things work. It's hard work what they do. I find them and what they are accomplishing very inspiring, and you never hear about them through the shriek-o-meter. I have to figure out a way to talk more about them. The problem is that bragging on them could be interpreted as investment advice, and I don't want to be a stock picker; that's not what we do here. But I do assure you that there are thousands of inspiring people out there solving the world's problems and doing great things every day. It's part of where I get my 'food for the soul'.

I will have more on that when I present the theme as the last part of *the 1st Quarter 2019 Wrap Up*.

Stay tuned at the website ESG.Solari.com. That is the web presentation for the 1st Quarter Solari Report. The financial charts and Rambus Chartology are up. I hope that you enjoy them. We are working on *News Trends & Stories*, and that section will be final as we launch those over the next two weeks. You can log in with your Solari Report password.

I look forward to talking with you next week. I will be with Dr. Farrell for *News Trends & Stories Part 1,* and I assure you that we have much to talk about!

Until then, please remember: Don't worry about whether or not there is a conspiracy. If you're not in one, you need to start one. Ladies and gentlemen, goodbye and good luck.

MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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