

The Solari Report 2015

A FREE &
INSPIRED
LIFE



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Published January 31, 2015 by:
Solari, Inc.
P. O. Box 157
Hickory Valley, TN 38042
United States

Visit our website at: www.solari.com

Designed by Ben Lizardi
Lizardi Communications, Inc.

Printed in the United States of America

ISBN: 978-0-9854251-1-1



A FREE & INSPIRED LIFE

by Catherine Austin Fitts

*A Wrap Up of the Financial and
Geopolitical Events of 2014
and an Inspirational Look Forward
to 2015*

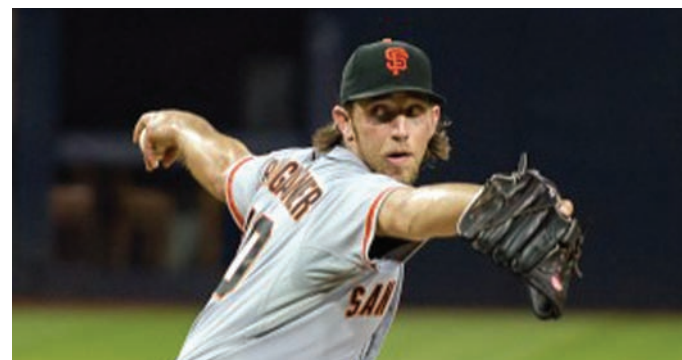
THE SOLARI REPORT
SOLARI, INC.
HICKORY VALLEY, TN

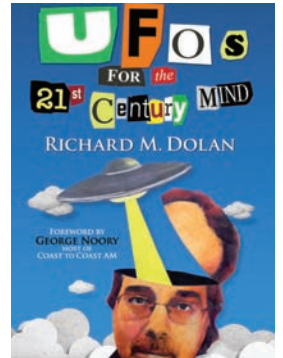
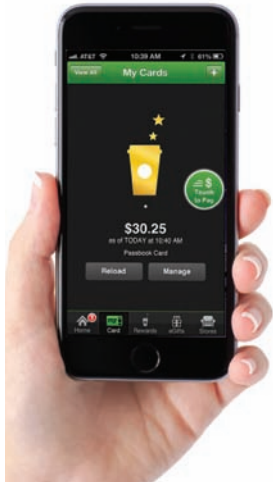
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I. Free & Inspired



Our theme for 2015 is “A Free & Inspired Life.”



The World is Changing

I described those changes in last year’s Annual Wrap Up as the shift from Global 2.0 to Global 3.0. If you have not heard or read them, I recommend a review of the four web presentations we published with our annual and quarterly Wrap Ups last year as excellent background for what we present in this Wrap Up of 2014.

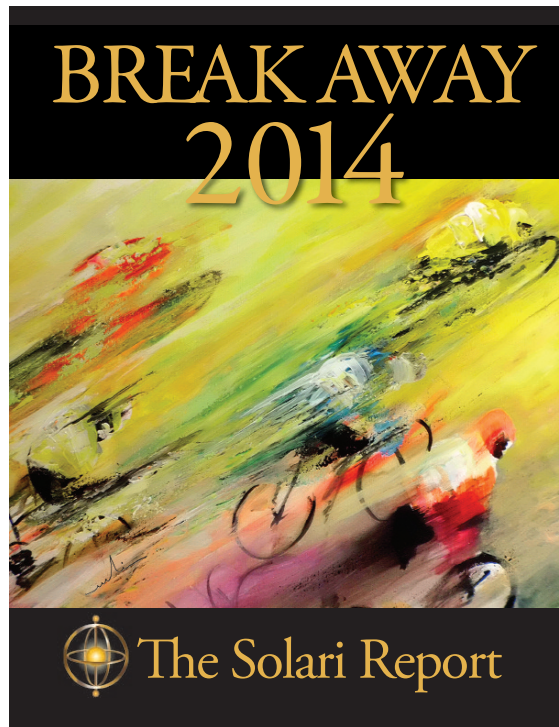
The change underway—and the volatility associated with it—is accelerating. As communicated by our 2014 theme, “Break Away,” it makes little sense to wait for the world to return us to a prior comfort zone.

To navigate this environment, it is essential to have good maps. There is no point sailing out across the ocean unless you have the tools necessary to find your destination and to avoid the rocks and pirates.

This Wrap Up was created to help you build such a map—to create a framework of what is happening that will make sense out of the rush of events—of both what happened in 2014 and what is coming up in 2015.

We live on a large planet and there is a lot going on. It’s a complex place. Much of what we need to know is hidden—indeed obtaining traditionally available statistics is growing harder each year. Uncertainty is increasing this complexity. Our goal with the web presentations that accompany each Wrap Up is to make that complexity more accessible.

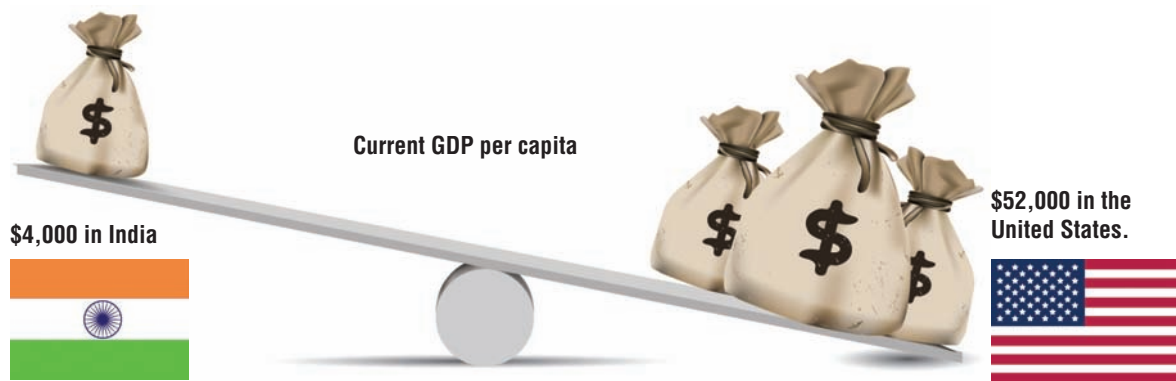
Before diving in, I would like to introduce some of the most important ideas you’ll encounter in this Wrap Up.



A review of last year’s Wrap Up is an excellent background for what we present in this year’s Wrap Up.



We live on a large planet and there is a lot going on. Much of what we need to know is hidden...



The Global Rebalancing

First, the global economy is rebalancing in a process begun decades ago. Current GDP per capita within the economies of the G-20 range from approximately \$4,000 in India to \$52,000 in the United States. This is a very wide range. Equity market valuations in terms of market capitalization as a percentage of GDP or P/E ratios also vary widely.

This economic divergence will continue to shrink. However, the process will be chaotic and organic. The pendulum will swing back and forth, back and forth. Things will go wrong... and there is some chance they could go very wrong. There will be surprises, good and bad. Someday, the annual GDP per capita in India and the United States will be drawn into parity.

As that pendulum swings back and forth, we are treated to an outpouring of often angry, highly imbalanced (even extreme), sometimes whacky, financial and political commentary positing all sorts of dire or ridiculous scenarios. Uncertainty and lack of hard data make us prone to listen to too many of these reports. During 2014, I became very concerned about the time wasted

and mistakes made as a result of our subscribers paying attention to such commentators.

The reality is that the rebalancing has begun and it will ultimately be completed. But, we just don't know how long it will take and whether or not our global population will be better off for it. It's the age old Tina Turner question, "We can do this nice or rough."

The rebalancing process is putting extreme pressures on the Bretton Woods system that began after World War II.

When the United States emerged victorious from the war, the terms it dictated to the world were not an occupation of territory (although one could argue that US military personnel in Germany and Japan to this day constitute an occupation) but rather to control the "flow" of capital and commerce. The US agreed to police the global sea lanes and trade routes and to provide the reserve currency. As an incentive to participate, the US then opened more of its domestic markets to global goods. The US consumer—at the time, part of the largest consumer market in the world—was the attractor. The resulting flow of imports and exports grew as national economies organized around the assurance of this global trade system.

As a subscriber remarked about the Bretton Wood's system, "Oh I get it, it's the Google model. Everyone uses that platform because





it's free, but the next thing you know your whole flow is moving across their infrastructure and you're locked in."

If you look at the hot spots around the world, you'll see the United States trying to maintain control of the flow:

- The trade moving through pipelines and railroads between a rising Asia and Europe.
- Maritime trade through the South China Sea as China begins to assert more muscle and to squabble with its neighbors.
- The digital and payment flows through ocean cables and global satellite systems and the payment and clearance systems that operate through them.

Part of this effort is to maintain primacy or to win at economic warfare. Some, however, is to prevent an open model from breaking down into global warlords and fiefdoms that could threaten the fundamental economics of the more open model. For many participants, the question is which is worse: the risk of breakdown or the cost extracted by the US for maintaining and dominating the system.

One of the most telling signs in the global economy is the steps that the Anglo-American empire is taking to become more internally self-sufficient, including energy self-sufficient. They are prepared for a long-term unraveling.

But, life goes on. While the diminution of one system pulls us apart, other systems draw us together. And one of those systems is the global equity market.



Global Equity Markets

The development of liquid equity markets in the emerging markets is a relatively new phenomenon. Most equity markets outside the G-7 are still relatively illiquid. However, they are growing—and that growth has just begun. The development of exchange traded funds serves as a bridging mechanism which allows European and North American investors to participate in and monitor emerging equity markets on a more liquid basis. An investor in the G-7 can buy and sell a broad index in equity markets of each of the G-20 nations as well as in many other emerging and frontier market nations.

As things come apart in Global 2.0, there is a “giant sucking sound” of those assets being reorganized into:

- companies that are publicly traded on an exchange
- companies whose investors intend to take public some day
- companies whose investors intend to sell to a publicly traded company

Most equity markets outside the G-7 are still relatively illiquid. However, they are growing—and that growth has just begun.



While the United States is playing dirty tricks on China in hot spots in the Middle East, Alibaba is raising billions of dollars from investors in US markets in the largest IPO in history.

This is the sound of Global 3.0 rising.

The flow of global capital into larger and deeper equity markets as more global assets are shifted into ownership by new and existing companies will continue in an ebb and flow—despite tensions, dirty tricks and wars. Over the last 25 years, the market capitalization of listed companies has grown from \$11 trillion to \$70 trillion—or by approximately 650%. While the United States is playing dirty tricks on China in hot spots in the Middle East, Alibaba is raising billions of dollars from investors in US markets in the largest IPO in history. Look for the global equity markets to grow by another \$60 trillion again over the next 10-15 years.

The primary bet is now on Apple Pay, which is the payment system to watch this year.

This is part of Global 3.0 pulling things together in a new way—despite the geopolitical unraveling. I discuss this in our big theme for this year's Wrap Up: Planet Equity.

Towards a Global Currency

Another important development is the continued build-out of the hardware and software infrastructure for a global currency system.

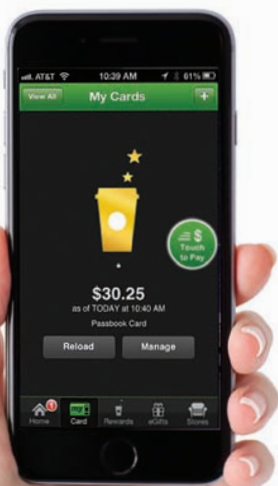
In this system, everyone will need a smart phone. Then they'll need affordable mobile payment systems that they can trust. Then they'll need those systems to feed into banking and clearance systems they trust and which trust each other. And those systems will have to

operate across hardware on land, seas and in the skies which is reliable. And of course, an “internet of things” helps, as well.

This is a tall order. And the struggle to control the flow and to disrupt that flow—that's the Cyberhacking story—will create plenty of challenges. It is amazing to watch the speed, however, with which thousands of companies, entrepreneurs and investors are racing to build the infrastructure out.

The US effort was moving too slowly when the injection of Edward Snowden upon the world stage focused the BRICS nations on their dangerous dependency on US systems. Suddenly, we see Russia, China and Brazil moving to provide for independent Internet, credit cards and settlement systems, to shift into domestic software and cloud companies and to cooperate in a new development bank.

Given the protections that Snowden and Glen Greenwald have enjoyed relative to other whistleblowers and reporters, my assessment is that global forces did not want to depend on the US government, banks and social media companies to build-out the global currency.



BRICS leaders: (L-R) Putin, Modi, Rousseff, Xi and Zuma.



The BRICS Nations



It appears that Mr. Global wants something more redundant, more powerful, and more innovative ... and he wants it to happen much faster. The US team needed a little more competition to quicken the pace.

This is why I often say that Edward Snowden and Vladimir Putin are the “teaser ponies” of the global currency system.

As the Google wallet has fizzled, the primary bet is now on Apple Pay, which is the payment system to watch this year. Facebook with 1.3 billion users has a population that is still smaller than China’s, but not by much.

Why Re-Balance?

As we watch the evolution of the global currency and equity systems, it is worth revisiting the fundamental reasons for the rebalancing of the global society. Why did the G-7 decide to do so?

One reason was that the G-7 nations faced a demographic winter. If they proceeded to use their accumulated retirement capital to ensure a comfortable retirement for the boomer generation, their futures could be compromised. This is important to understand, as we will be feeling the increasing impact of a demographic winter this year. It is one of the reasons why there is a push for the immigration of young people into the United States and Europe.

Another reason was that maintaining the economic imbalance relative to the emerging markets required a high degree of covert force —and this was wearing thin. The trade-off was clear: in exchange for allowing the West to take a significant equity position and by agreeing to subsidize more years of false prosperity for Western consumers, the emerging markets received investments and trade support that allowed them to develop and grow.

Another reason was communications technology. Once you let the communication technology out of the bag, a rebalancing is, to a certain extent, a fait accompli. If India’s GDP per capita is \$4,000, and the US GDP per capita is \$52,000, then an entrepreneur, company or investor can make money closing the gap. The divergence represents a potential arbitrage. And arbitrage is a flashing economic sign that says, “Profit Potential Here.”

However, there are other reasons. If our civilization is going to evolve, we must integrate more advanced technology across the board—including breakthrough energy technology—and we must find and colonize additional planets. That means we must evolve into a society that can trade successfully across multiple cultures, economies ... and even planets. Ultimately, that is going to require a global currency that can function at low cost on a reliable infra-



If the G-7 Nations proceeded to use their accumulated retirement capital to ensure a comfortable retirement for the boomer generation, their futures could be compromised.



This Wrap Up will make more sense to you if you have watched The Secret Space Program.



Catherine presented at The Secret Space Conference held in San Mateo, California on June 28-29, 2014.



structure. In addition, new energy and other technology is much better served by a financial system grounded in global equity investment rather than grounded primarily in debt and derivatives

The people leading the globalization process have had a very profitable run printing currency and debt and leveraging it with derivatives. That process is not yet over, particularly given the invisible weaponry and covert means by which they can keep the “central banking-warfare” system going.

However, ultimately, everything comes back to what is real. And that requires a global system in which both the leadership and the general population are incentivized to treasure and optimize that which is real.

Contemplating the financial system on this scale brings us back to the question of what is really going on here

on Earth. Essentially, our financial system is a component of our governance systems. Hence, it is absurd to propose serious reforms to the financial system independent of an understanding of who governs and the process by which they govern. The fact is that we don't know.

This raises the question of what is really happening with the ever-growing percentage of global GDP coming from non-transparent cash flows and the investment and expenditure of those funds in advanced technology and weaponry and in space exploration.

The importance of these questions was behind the extraordinary effort in producing a series of presentations at last summer's Secret Space Program. If you have not watched these presentations, I strongly recommend them to you. This Wrap Up will make more sense to you if you have watched them. They are available for viewing at: www.Solari.com.

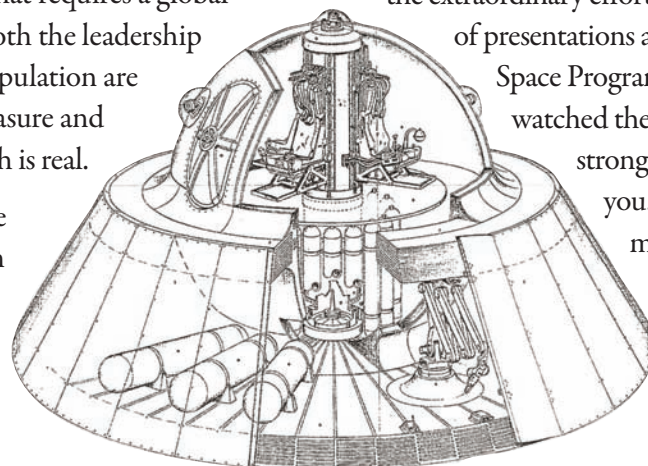


Illustration of "Alien Reproduction Vehicle" © by Copyright Mark McCandlish. Published by permission: www.MarkMcCandlish.com



Dependent, Victim or Free and Inspired?

One of the most frustrating aspects of my life during 2014 was trying to function in a world in which sophisticated investors and financial commentators tried to explain the financial markets within the “official reality,” ignoring non-transparent cash flows and invisible realities.

How many times have we heard that the financial markets are trading without any grounding in fundamentals? I disagree. I think the markets are trading without grounding in the fundamentals of an “official reality.” They are, indeed, trading on the fundamentals—much of which are hidden behind a wall of denial and secrecy.

Sound fundamental analysis requires a complete understanding of reality.

The financial and investment community will be forced during 2015 to grapple with evolving investment models for Planet Earth, as the central banking-warfare model runs its course and the Bretton Woods system unravels. It will also be challenged to shift to models for investment analysis, allocations and strategies that are based in reality.

This change is a paradigm shift of enormous proportion. Many will prefer to simply live their lives while blindly trusting the establishment with their investing assets through vehicles such as index funds. Or to blame the establishment for all that is wrong with the world while trying to manage their assets in a system that does match their outdated paradigms and models.

My preference is to live neither as dependent nor victim, rather to look reality squarely in the face and use the resulting intelligence to live a free and inspired life. This includes building wealth in changing times.

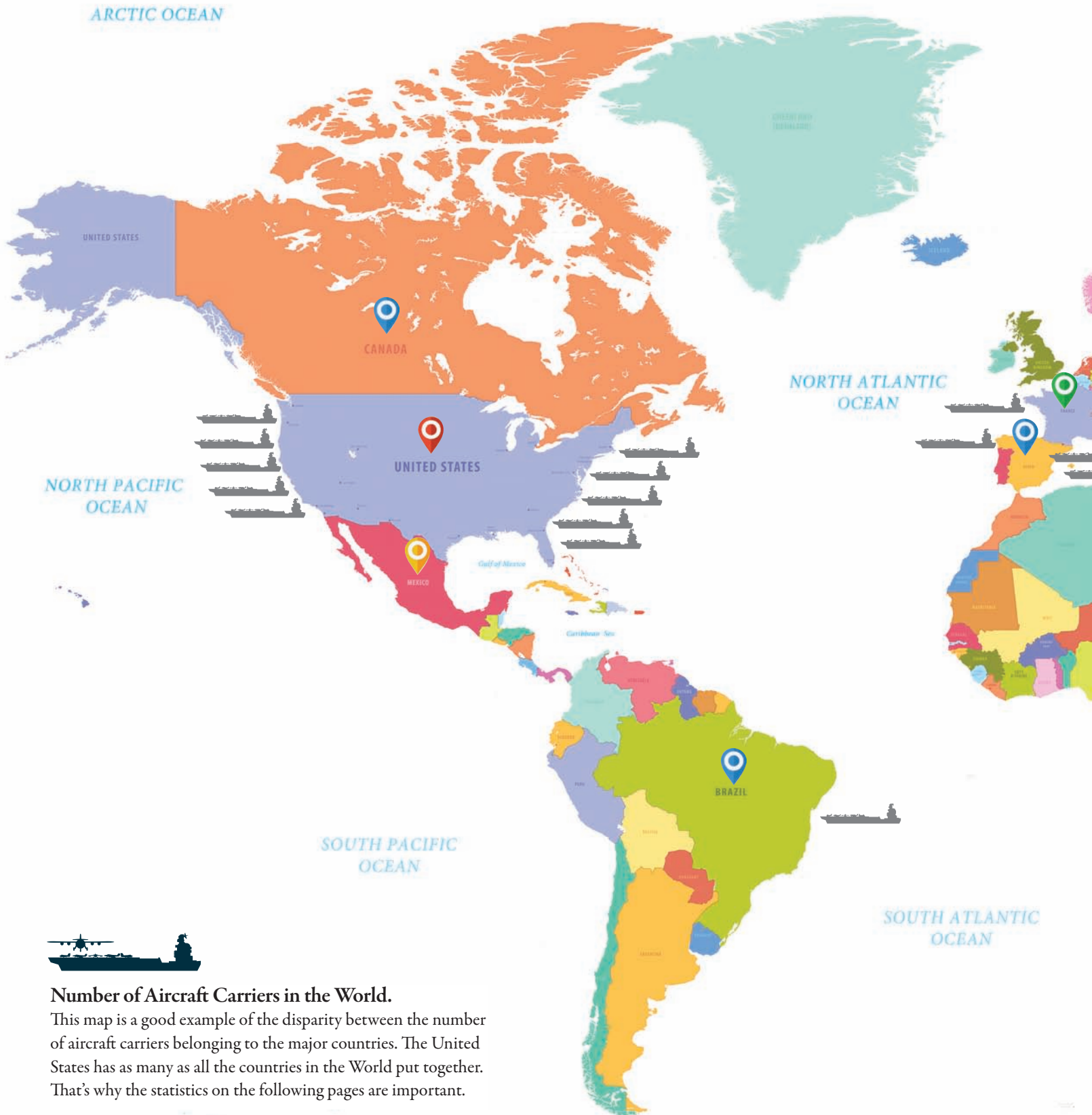
On behalf of the Solari Report team, I hope that this Wrap Up and our offerings in 2015 support you in doing the same!



The Financial Markets are, indeed, trading on the fundamentals—much of which are hidden behind a wall of denial and secrecy.



II. Money Maps of the World





It is simply remarkable how much financial commentary goes on these days without a fundamental grounding in the basic statistics of population, geography, natural resources, economy and military. How could we provide a simple primer that would help subscribers filter fact from fiction? We thought a page of “money maps” for (14) nations in the G-20 would help you power up the “geo” in your geopolitical discussions. As more and more investment managers and companies begin to assess allocations between regions based on an area’s percentage of global GDP, a grounding in vital statistics is essential in a world where we are “trading places.”



Vital Statistics on Fourteen Major Countries



Population Data (2014)			
	Australia	Brazil	Canada
Population (MM)¹	23.6	202.0	35.5
Urban Population¹	21.2	172.5	28.7
Median Age¹	43.0	30.7	40.3
Billionaires (\$USD)⁹	29	65	32
Internet Users⁸	21.1	107.8	33.0
English Speaking(%)¹²	97	5	85



Natural Resources			
	Australia	Brazil	Canada
Land Area (MM sq km)¹	7,740	8,514	9,970
Arable Land (%)²	6.2	8.5	4.3
Renewable Water Resources (cu km, 2011)²	492	8,233	2,902
Coastline (km)²	25,760	7,491	202,080
Waterways (km)²	2,000	50,000 *	636 **
Crude Oil (bbl, Jan, 2013)²	1.4 B	13.1 B	173.1 B
Natural Gas (cu m, Jan, 2013)²	1.219 T	395.5 B	1.93 T





China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
1,393.8	64.6	82.6	1,267.4	61.6	126.9	123.8	142.5	53.1	63.5	322.6
756.3	56.4	61.4	410.4	42,189	118.0	97.7	105.9	33.6	50.8	268.1
36.7	40.8	45.9	26.6	44.5	46.2	27.3	38.9	26.2	40.4	37.6
152	43	85	56	35	27	16	111	4 (2012)	47	492
641.6	55.4	71.7	243.1	36	109.2	50.9	84.4	24.9	57.0	279.8
1	39	56	12	34		5	5	29	98	95

China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
9,597	552	357	3,287	301	378	1,958	17,076	1,221	242,900	9,629
11.6	33.5	33.2	47.9	22.6	11.2	12.9	7.1	9.9	24.9	16.2
2,840	211	154	1,911	191.3	430	457.2	4,508	51.4	147	3,069
14,500	4,853	2,389	7,000	7,600	29,751	9,330	37,653	2,798	12,429	19,924
110,000	8,501	7,467	14,500	2,400	1,770	2,900	102,000	n/a	3,200	41,009
17.3 B	85.1 MM	254.2 MM	5.4 B	521.3 MM	44.1 B	10.2 B	80.0 B	15.0 MM	3.1 B	20.6 B
3.1 T	10.7 B	125 B	1.241 T	62.35 B	20.9 B	487.7 B	47.8 T	16 B	244 B	9.459 T



Infrastructure			
	Australia	Brazil	Canada
Railways (km)²	38,445	28,538	46,552
Roadways (paved, km)²	356,343	212,798	415,600
Pipelines (km, gas / oil)²	30,931 / 3,791	17,915 / 9,553	n/a
# of Smart Phones (2013)⁷	64.6 MM	278 MM	26 MM
# of Satellites⁵	15	14	42

Finance			
	Australia	Brazil	Canada
GDP (trillions, 2013 est.)²	\$1.0T	\$2.4T	\$1.5T
GDP Per Capita (2013 est.)²	\$43,000	\$12,100	\$43,100
Debt (% of GDP, 2013 est.)²	32.6%	59.2%	86.3%
Exports (2013 est.)²	\$251.7B	\$244.8B	\$458.7B
Outstanding Equity (2012)¹⁰	\$1.3T	\$1.2T	\$2.0T
Gold Reserves (tonnes, 2014)³	79.9	67.2	3.0



China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
86,000	29,640	41,981	63,974	20,255	27,182	17,166	87,157	20,192	16,454	224,792
3,453,890	1,028,446	645,000	n/a	487,700	973,234	137,544	927,721	62,995	394,428	4,304,715
48,511 / 38,410	15,322 / 8,023	27,022 / 7,313	15,644 / 20,032	20,223 / 2,967	4,456 / 278	2,102 / 16,832	165,372 / 94,518	1,387 / 2,452	29,173 / 10,605	1,984,321 / 240,711
1,227 MM	72 MM	107 MM	924 MM	89 MM	121 MM	92 MM	256 MM	59 MM	83 MM	327 MM
237	69	64	69	33	191	7	4012	3	44	2092

China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
\$13.4T	\$2.2T	\$3.2T	\$5.0T	1.8T	\$4.7T	\$1.8T	\$2.5T	\$0.6T	\$2.3T	\$16.7T
\$9,800	\$35,700	\$39,500	\$4,000	\$29,600	\$37,100	\$15,600	\$18,100	\$11,500	\$37,300	\$52,800
22.4%	93.4%	79.9%	51.8%	133%	226.1%	37.7%	7.9%	45.4%	91.1%	71.8%
\$2.21T	\$578.6B	\$1.493T	\$313.2B	\$474B	\$697B	\$370B	\$515B	\$91.05B	\$813.2B	\$1.575T
\$3.7T	\$1.8T	\$1.5T	\$1.3T	\$480B	\$3.7T	\$525B	\$874B	\$612B	\$3.0T	\$18.7T
1,054.1	2,435.4	3,384.2	557.7	2,451.8	765.2	123.1	1,168.0	125.2	310.3	8,133.5



Military			
	Australia	Brazil	Canada
US Military Personnel Deployed (Sept, 2014) ¹³	173		131
Military (% of GDP, 2013) ²	1.6%	1.4%	1.0%
Nuclear Warheads ¹¹	0	0	0
# of Aircraft Carriers ⁴	0	1	0
Space Budget (2010) ⁶	35 MM		274 MM





China	France	Germany	India	Italy	Japan	Mexico	Russia	SAfrica	UK	US
		38,826		11,317	49,503				9,231	1,161,973
2.1%	2.2%	1.3%	2.4%	1.69%	1.0%	0.6%	4.2%	1.2%	2.2%	3.8%
250	300	0	90–110	0	0	0	8,000	0	225	7,315 ***
1	1	0	2	2	0	0	1	0	0	10
	1.4B	1.2B		847 MM	2.2B		2.6B		303 MM	10.8B



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* Most in areas remote from industry and population
 ** Saint Lawrence Seaway of 3,769 km, including the Saint Lawrence River of 3,058 km, shared with United States

*** (5) European nations host U.S. nuclear weapons on their soil as part of a NATO nuclear-sharing arrangement: Belgium, Germany, Italy, Netherlands, Turkey



Australia

Australia is a member in good standing of the Anglo-American alliance (UK, US, Canada, Australia, New Zealand). Rich in natural resources, it has benefited from development in Asia, particularly China. Australia is the driest

inhabited continent on earth, making it particularly vulnerable to the challenges of weather and climate. Finally, as one New Zealander once mentioned, “we are dealing with long supply lines down under.”



Brazil

Brazil is the “B” in “BRICS.” Brazil has pursued industrial and agricultural growth while taking advantage of its rich land and natural resources to become Latin America’s leading economy.

It has a young population and a wealth of land and renewable water resources. A slow-down in Chinese growth and the fall in commodity prices has impacted Brazil’s economy, including its mining sector.



Canada

Canada is rich in land and natural resources. The Canadian economy is highly integrated with the United States, with which it shares the world’s longest unfortified border. It must grapple with the politics of a francophone Quebec and managing the distances of its

territories (Canada has a population of approximately 4 people per square km, compared to 8 for Russia, 33 for the US and 147 for China) and the environmental impact of developing diverse energy resources. As with most of the countries in the developed world, it faces the challenge of managing an aging population.



China

China is shifting from a centrally owned and planned economy to a more market-oriented economy. Its growth has been significant since the 1990s. China’s GDP surpassed Japan’s in 2001 (Japan is now fourth behind India) to become the second largest global economy and then surpassed the US in late 2014 to become the world’s largest economy. Coincidentally, this is a status it enjoyed more than a century ago prior to the industrial revolution.

China’s challenges are:

- Managing the world’s largest population.
- Dealing with the environmental stress of rapid industrialization and growth.
- Rebalancing its economic relationships

with the US and Europe as internal consumer markets grow.

Recommended: [Solari Report Interview with Steve Roach on his book on the rebalancing of the US China trade, *Unbalanced*.](#)

Steven Roach’s statistics on the rebalancing which is currently underway between West and East are compelling:

“The United States, with only 4.5 percent of the world’s population, spent \$10.7 trillion on personal consumption in 2011, accounting for 17 percent of global consumer demand. U.S. consumption is nearly 35 percent larger than pan-European consumption, even though Europe’s population is slightly larger than that of the United States. It is four times that of China and India combined, even though those coun-



tries account for close to 40 percent of the world's population, nearly nine times that of the United States.” —Stephen Roach, Unbalanced: The Codependency of America and China (p. 10). Yale University Press. 2014

As emerging market consumers begin to increase their share of global consumption, less of their savings may be available to buy govern-

ment bonds. And these bonds finance subsidies which support the continued consumption of Westerners.

Look at the number of Chinese who now have a smart phone and are on the Internet. The growth of the Asian online market, surpassing the US and Europe in size is a recent phenomenon. This is a profound change—and it has just begun.



France

France is a player. It is a permanent member of:

- The United Nations Security Council
- NATO
- The G-7
- The G-20
- The EU

One of the goals of the creation of the European Union was to achieve the economic integration of Europe by combining France and Germany into a common market and currency.

France's leadership in nuclear technology has provided relative energy independence. France also enjoys a high percentage of arable land while their leadership in fashion, fine food and wine commands a surprising share of equity value in global financial markets.



Germany

Germany is Europe's economic powerhouse with a strong base in manufacturing and technology.

The decline of the USSR and the end of the Cold War allowed for German unification in 1990. Since then, Germany has expended considerable funds to bring Eastern productivity and wages up to Western standards.

In January 1999, Germany, France and nine other EU countries introduced a common European exchange currency, the euro.

A critical geopolitical question is whether Germany will remain part of an integrated

European Union in closer alliance with the Anglo-American countries or draw closer to Russia and China as Eurasia develops.

Russia, which supplies approximately 25% of gas demand for continental Europe and as much as 50% of Germany's demands, would benefit from access to German technology. The United States is particularly concerned regarding a potential German-Russian alliance. Hence, the importance of recent developments with NATO, the Ukraine and "pipeline politics."

Germany's population has the second highest median age within the G-7 after Japan: 45.9 years.



RECOMMENDED SOLARI REPORT INTERVIEWS:

- [Russia and the Ukraine Backstory with Anne Williamson](#)
- [The Oil Card – What's Next? with Jim Norman in January](#)



India

India is the “I” in “BRICS”—its economy is the third largest in the world. India has 1.3 billion people, slightly less than China’s 1.4 billion. That is a lot of people. Approximately two thirds of India’s population is rural. That compares to approximately 45% for China, 16% for the US and 7% for Japan. This, in part, explains why India’s GDP per capita is less than half of that of China’s.

Indians have traditionally been small farmers. The WTO’s efforts to industrialize global agriculture have come to a grinding stall in India, marked by rising farmer suicide rates

and political opposition, contributing to the failure to date of the WTO’s Doha round.

Highly Recommended: [Sir James Goldsmith’s Globalization Warning \(video\)](#)

India is currently in a period of growth. In part, G-7 alliances with India are designed to offset the growing power of China. India has numerous advantages including significant arable land and a population with a young median age.

The country’s challenges include building an infrastructure to support a modern economy and to lower their high poverty rates.

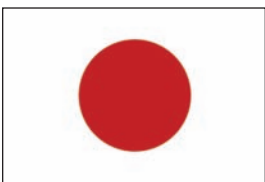


Italy

As with the other Southern nations in Europe, the creation of the European Union has not been to Italy’s advantage. Following Japan, Italy is struggling with the second highest debt load in the G-7 (133% of GDP) as well an aging

population.

The Vatican is a separate, sovereign state located within the city of Rome. Who knows what it might do to Italy’s financial statistics if the Vatican were integrated into this data!



Japan

Japan, the fourth largest national economy in the world, faces tough geography and demographics.

The country is dependent on imported fossil fuels and the Japanese median age is the highest of the G-7: 46.2 years. Japan also has a frightening amount of debt per capita: 226.1%. Add to these issues the ongoing crisis surrounding Fukushima. And finally, there is the insecurity of being a small nation who must

manage tensions in the South China Sea with numerous neighbors including two that have nuclear arsenals: China and North Korea.

Japanese science, technology and engineering continue to astonish and accomplish amazing things. During 2014, a Japanese company announced plans to complete a space elevator by the year 2050. Who knows—perhaps all of us traveling to the moon will have to land in Tokyo before rising to the suborbital platforms.



Mexico

As the Bretton Woods global “free market” system frays (or perhaps even unravels) expect to see North American outsourcing move closer to home by switching to Mexico. Indeed, the economic integration of the United States and Mexico continues, regardless of what the politicians say.

I believe that part of this integration is financed with narcotics trafficking. The US opens its markets up to drugs and this, in turn, finances its acquisition of land, real estate and equity investment in Mexico. This means that there is little political incentive to rein in the drug cartels but plenty of cash-flow to build out additional US infrastructure in Mexico.



The direction of US immigration is clear from looking at the median ages of Mexico and the United States. The US median age is 37 and Mexico's median age is 27. By encouraging the immigration of young people from Mexico, the US can shore up its economy, its housing sector and its Social Security system.

Watch for investments in railroads, ports and roads between Mexico and the United States. Big bets are happening here. Among other things, this will create a powerful constituency

for a Jeb Bush presidency. His wife is Mexican and he and his brother were governors in states with very high Hispanic populations.

The power and importance to the United States of secure Southern borders—Cuba to the East and Mexico to the West—is ever more important, fueling economic integration. This is one of the reasons why it was so important for a variety of interests to assert control over and to reengineer the port of New Orleans following hurricane Katrina.



Russia

To understand Russia it is essential to understand the vast distances of its territory. Russia is almost twice the size of China or the United States. A lot of that territory is cold and inhospitable. This makes it a difficult nation to conquer as Napoleon and Hitler discovered at great cost to their armies (and to the Russian people).

Russia is rich in natural resources, particularly fossil fuels. That makes its economy highly dependent on the commodities markets and vulnerable to swings in the price of oil and gas. Driving the oil and gas price down was the strategy that fractured the Soviet Union.

Recommended: [The Oil Card Interviews with Jim Norman](#)

After the Soviet Union dissolved, privatization efforts led by US and Western investment interests asserted private control of a significant portion of Russian assets, working through the so-called “oligarchs.”

Recommended: [Russia and the Ukraine Backstory with Anne Williamson](#)

This has enabled the United States and its allies to maintain a high oil price to help manage China. However, as Russia's oil and gas revenues have helped its leadership maintain national

sovereignty, its oil and gas sales to Europe have strengthened its relationship with Germany and Europe. As a result, growing tensions with the United States and, subsequently, between the EU and Russia have emerged.

Recommended: [The Oil Card—What's Next with Jim Norman](#)

Russia has very little debt: 8% of GDP. That means their governmental ability to withstand economic sanctions is high. However, their private debt is much higher. Russia has also maintained a strong military capacity with the benefit of technology and intellectual capital developed during the Cold War. They have more satellites and more warheads than the United States. However, like the Chinese, they have a single aircraft carrier. The United States continues to maintain a dominant position in policing the global sea lanes.

Russia's greatest challenge is long-term. They face a declining population but do not currently have the capacity to attract the immigration which Europe and the United States do. In response to their current situation, Russia is playing a leadership role within the BRICS nations to create new financial, payment and communication systems outside a US dollar-centric system.





South Africa

A review of investor returns from the 1800's to the present reveals that South Africa is in the lead, a reminder of Franklin Sanders comment that "wealth comes from what men take from the ground." For many decades, South Africa has been an important source of diamonds and is currently one of the world's largest producers of platinum, gold and chromium. China has

surpassed South Africa as the largest gold producer.

Africa is enjoying increased investment—that works to South Africa's advantage. However, it is struggling with an unstable electrical power system and very high unemployment. This is a country that could benefit by putting its population to work building reliable energy systems and a more advanced infrastructure.



United Kingdom

Based on data from *Forbes*, our money map indicates that the United States has the highest concentration of billionaires. However, in my experience, billionaires prefer to go unnoticed. I suspect, for example, that there are many more billionaires in China than those shown in the Money Maps. Indeed, the recent documentary *Red Obsession* claims that there are more billionaires in China than in the United States.

However, it would not surprise me if there were more billionaires in the City of London than in all of China and the United States combined. Like the Vatican and the US black budget, the City of London figures are also excluded from those listed for the UK. We suspect that such "data free zones" along with many offshore havens (including those set up and protected by the Anglo-American alliance and the US Navy) constitute enormous networks of hidden finance and dark pools of capital.

I believe that the role which the City of London and New York play in the global financial markets creates a mechanism through which the UK has far more global clout than statistics would indicate (as there are few publicly available statistics on many inter-generational pools of capital).

However, even looking at publicly available statistics, the British are impressive. With a landmass equivalent to 3% of the United States and a population 20% of that of the US, they manage to produce an equivalent of 14% of the GNP, 16% of the equity market capitalization and 52% of the exports.

When reviewing the statistics for both the United Kingdom and Japan, it is worth pondering how island nations can produce such powerful export economies. The economics of those exports grew up around a low-cost Bretton Woods system of global trade. If that system unravels, export economies may change in significant ways.



United States

The United States has arguably the greatest strategic piece of real estate on the planet.

First and foremost, it is secure. It has the Atlantic on one side and the Pacific on the other. It has a secure border with Canada, with a language, culture and economy well-integrated with the

United States. It enjoys strong relations and economic integration with Mexico. It has little need to worry about national security threats from its Southwestern borders. The recent announcements regarding its relations with Cuba indicate a desire to ensure similar security on its Southeast coast.

Second, the US has rich, arable land and water



sources, including navigable rivers. Combined with significant investment in roads, railroads and airports, it has a highly economic internal transportation infrastructure for agriculture and manufacturing.

Third, it has been able to maintain a motivated, well-educated work force by attracting and educating young people globally. Some of these people return home to build American-friendly businesses and institutions and some stay to replenish the US residential population.

Fourth, it is developing its sizable domestic oil and gas reserves and is moving towards energy self-sufficiency. Energy costs for US manufacturers are significantly lower than for Asian or European counterparts.

Fifth, it fields the largest military capacity globally, by sea, air and standing army. While its borders are secure, its aircraft carrier fleet and Navy give it the ability to project power globally. That capacity has been badly stretched and bogged down in Iraq and Afghanistan.

Perhaps more important, it is the global leader in so called “black budget technology” and invisible weaponry. US interests can blackmail and kill while making these events look like accidents or natural disasters to the general population.

As does Europe, the US maintains a global satellite GPS system.

The US also faces significant challenges. It now has a large and growing number of retirees whose government and private pensions have been compromised by the “financial coup d’état” and an ongoing policy of currency debasement. This population has lived—by global standards—in the lap of luxury. How they are going to adapt to the ongoing adjustment in living standards is a serious political question.

The US also faces an inability to maintain the Post WWII Bretton Woods system.

Consequently, that system is unraveling and inspiring comments on a “New World Disorder.” But the US still enjoys the benefits of managing the global currency and maintaining the diminished global trade system.

The US is responding domestically as it is globally—with a wide portfolio of overt and covert force. In part, this may be the result of allowing the growth of a very expensive private national security corporate infrastructure that has taken on a parasitic life of its own. In the process, the US is debasing its food and educational systems, which makes it harder to solve problems with innovation and technological prowess, potentially increasing its dependence on force.

On one hand, the US elites are in an extremely advantageous position as a result of their real estate, natural resources and infrastructure. But they face significant risks. They could potentially destroy their global franchise by unsuccessfully using greater amounts of force to provide a high standard of living for 1) unproductive parts of their corporate infrastructure and 2) an aging population. This population no longer contributes economically and its retirement assets have been shifted out-of-range to ensure US primacy in the global investment infrastructure.

Having unleashed investment and securitization through the emerging markets, the question remains by what means the Anglo-American alliance intends to maintain its leadership—by force or innovation?

Numerous financial commentators are appalled by the US use of force and related debasement of economic and cultural resources. However, these commentators are ignorant of the black budget weaponry which gives the Anglo-American alliance primacy. And they have neglected to take into account the advantages which the US enjoys as a result of its geography.



III. Planet Equity

Alibaba launches the largest IPO ever.





The dominant theme in the 2014 Wrap Up is the growth of global equity markets.

In a recent online survey asking for votes on the top story of 2014, I voted for the Alibaba IPO.

After submitting my vote, I learned that 2% of the voters agreed with me. The vast majority voted for stories I considered fabricated or irrelevant to the trends that are and will be shaping our lives in 2015.

I think the Alibaba IPO is the most important story of the year. It speaks to Planet Equity—the power of the equity markets as they grow and create global financial interdependence. We are investing in each other. We are creating a world where we can profit from each others' success.

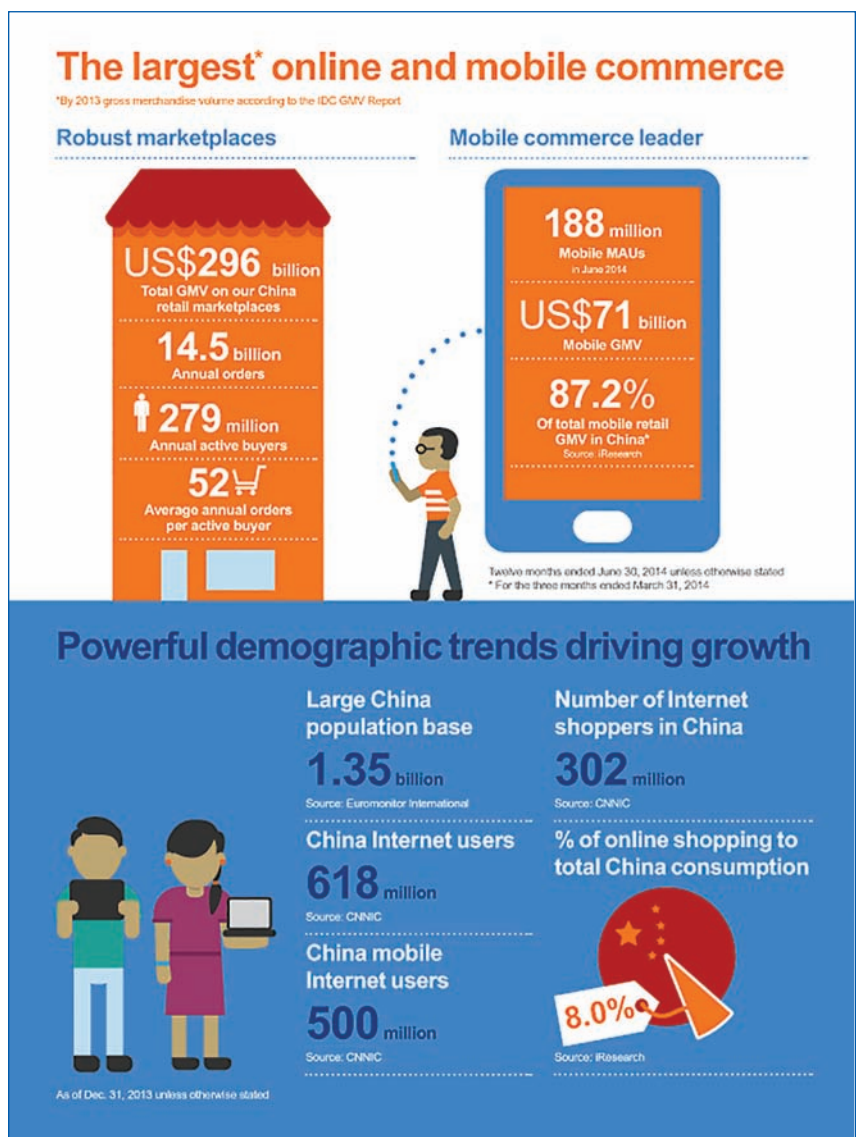
English teacher Jack Ma started Alibaba in the mid-1990's in his living room in China. Twenty years later he launched the largest IPO in the history of the world for a company that has a market valuation which is larger than the GDP of many countries. Alibaba's story speaks to the growth of Asia, of the online market exploding in size with smartphones and mobile payment systems, and of the access and liquidity these developments offer millions of small businesses and consumers.

In the process, despite running what is now one of the largest companies in the world, Jack Ma spoke to a global media audience and to the largest, most influential investors in the world about the importance of serving the dreams and aspirations of the little guy.

Go here to read the Commentary: <http://solari.com/blog/alibaba-ipo/>



“If you want to grow, find a good opportunity. Today, if you want to be a great company, think about what social problem you could solve.”
—JACK MA





While Alibaba was launching its IPO, Apple was growing even larger. The year ended with commentators asking if 2015 would be the year in which Apple became the first \$1 trillion

company. With the US having high hopes for Apple Pay, the race is on. Here is the listing from Wikipedia of the largest companies in the world:

Rank	First quarter ^[4]	Second quarter ^[5]	Third quarter ^[6]
1	 Apple Inc. ▼478,766.1	 Apple Inc. ▲560,337.4	 Apple Inc. ▲603,277.4
2	 Exxon Mobil ▼422,098.3	 Exxon Mobil ▲432,357.3	 Exxon Mobil ▼401,094.1
3	 Microsoft ▲340,216.8	 Google ▲358,347.3	 Microsoft ▲381,959.7
4	 Google ▲313,003.9	 Microsoft ▲344,458.8	 Google ▲361,998.4
5	 Berkshire Hathaway ▲308,090.6	 Berkshire Hathaway ▲312,216.7	 Berkshire Hathaway ▲340,055.0
6	 Johnson & Johnson ▲277,826.2	 Johnson & Johnson ▼276,837.0	 Johnson & Johnson ▲300,614.2
7	 Wells Fargo ▲261,217.5	 Wells Fargo ▲261,217.5	 Wells Fargo ▲270,782.4
8	 General Electric ▼259,547.3	 Royal Dutch Shell ▲269,563.4	 General Electric ▼257,068.4
9	 Hoffmann-La Roche ▲258,542.1	 General Electric ▲263,529.6	 Novartis ▲255,326.4
10	 Wal-Mart ▼246,805.7	 Hoffmann-La Roche ▼256,322.8	 Hoffmann-La Roche ▼254,543.8



Global Stock Markets Are Growing

The global equity markets have grown by \$60 trillion in the last twenty-five years, from approximately \$11 trillion to \$70 trillion.

Some of this growth has come from the debasement of global currencies. As more money is printed, the value of stocks go up while the currency in which they are denominated has a lower value, not because corporate profits have risen or companies are worth more. Indeed, one of the reasons that predictions of hyperinflation (as a result of expansionary monetary policy) have not come to pass is that this securitization process is soaking up a great deal of excess liquidity.

In the developed world, growth in equity markets has come from companies assuming ownership of a larger portion of assets and operations. The more dramatic growth has been in the emerging markets where countries have developed new securities markets, including stock exchanges. These exchanges have facilitated the flow of capital into the creation and growth of companies, and the shift of investment capital from West to East. This has contributed to a greater percentage of GDP in their areas being represented in the equity markets—as well as contributing to growth in GDP as liquid capital becomes available to more businesses and entrepreneurs.

According to the World Federation of Exchanges, its member exchanges (which unfortunately no longer include the London Exchange, which also owns the Italian Bourse) now have listings for a total of 44,326 companies:

- 24,265 companies are on Asian exchanges with a market capitalization of \$20.6 trillion

- 10,320 are on exchanges in the Americas with a market capitalization of \$30.6 trillion
- 9,741 are on European, Middle Eastern and African Exchanges with a market capitalization of \$12.9 trillion

New company listings in 2014 were highest in Asia with (903) new listings, compared to (317) in the Americas and (134) in Europe, the Middle East & Africa.

In the United States, private equity, mergers and equities constrained the growth of new listings in 2014 while stock buybacks continued to shrink the outstanding float for many existing companies.

The value of outstanding Exchange Traded Funds has now reached \$1 trillion globally, and most of that is in the United States. This has made it possible for American investors to access a broad index of stocks traded on emerging market exchanges, typically by country. A retail investor can invest in an index of the Indonesia or Brazil markets, including many stocks not listed on the US exchanges, through an ETF and pay US discount firm commissions.

This process of representing a growing portion of global assets, corporate income flows and country GDP in liquid equity markets is a significant development.

In one sense it is the “securitization of everything.” At the root, it represents a shift from a world run by sovereign governments to a world where a greater portion of the economy is run by companies and their investors. But the shift is messy. Much of the more baffling, even unpleasant things going on around us is the result of companies aggressively vying for markets and earnings, at times in destructive ways, as rising stock prices increase their incentives to grow profits.



Capital gains on stocks and real estate are the single largest source of political contributions in the United States.

Figure 1
Relative sizes of world stock markets, end-1899

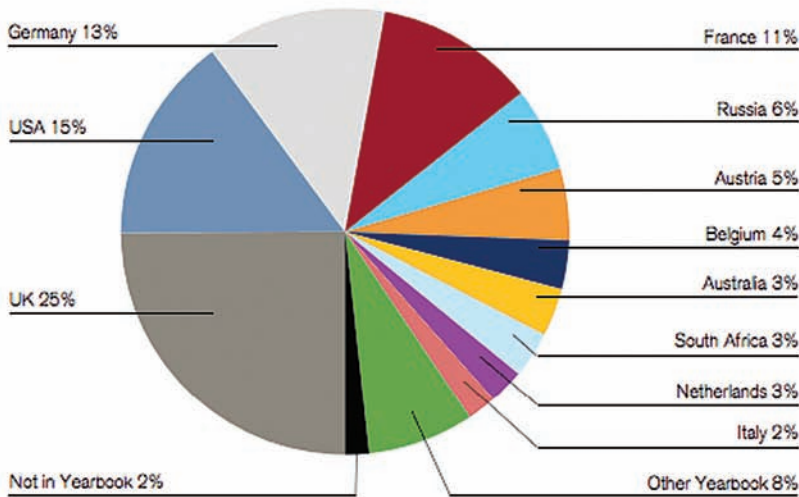
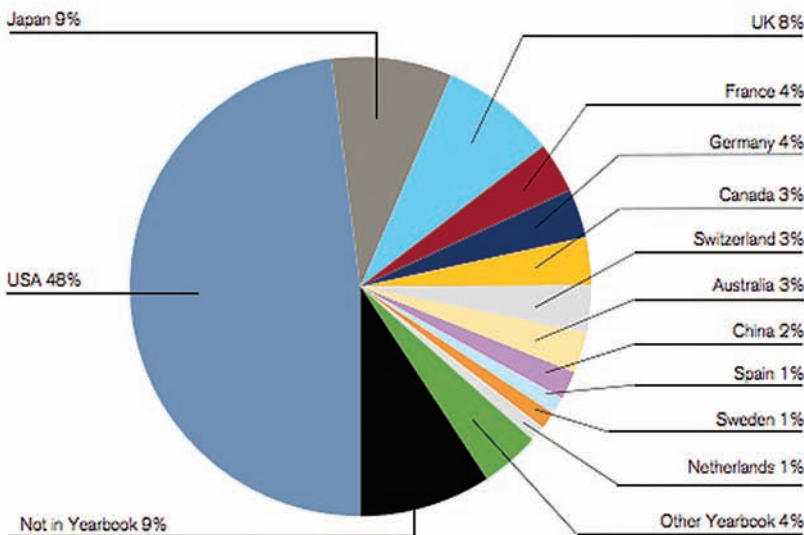


Figure 2
Relative sizes of world stock markets, end-2013



Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Credit Suisse Global Investment Returns Sourcebook 2014.

You can hear some of the discomfort with this process from leaders, such as Vladimir Putin, who prefer their country to be governed by a sovereign government as opposed to being picked over by corporate interests as they were in the “global supermarket sweepstakes” of the 1990’s.

Then there are times that companies are the voice speaking on behalf of cooperation—Russian sanctions harm their business and policies that squeeze the middle class shrink their consumer base and profits.

Companies trade in the equity markets for a multiple of their net income—the price earnings ratio or P/E. If a company makes a dollar and its stock is valued at \$20 dollars, we say that its P/E ratio is 20X. For every dollar of additional net income, shareholder value increases by \$20. So if I buy a stock and double the companies earnings, the value of my stock is likely to double. My profits from the increased value are capital gains.

Capital gains on stocks and real estate are the single largest source of political contributions in the United States.

Politicians do things that cause a company’s profits to go up. Grateful investors then send the politicians campaign contributions with a percentage of their profits. I describe a case study of how this system works in Dillon, Read & the Aristocracy of Stock Profits <http://dunwalke.com>

Debt Or Equity?

As economies in the developed world have matured, they have relied on increasing amounts of government debt. Currently, emerging markets are growing globally, so it is not surprising that they rely more heavily on equity.



Will Young People Invest in Equities?

One of the most important questions impacting projections of financial markets is whether participation in equity ownership will continue to grow. First, US households have traditionally invested in the equity markets.

However, as government fiscal and monetary policies have shifted savings out of households and into corporations, the question is whether households will have sufficient assets to invest in equities. One variable driving the consolidation of wealth may be a forced consolidation of

capital to ensure a continued availability of savings and investment into capital pools, including equity, to ensure that US companies have access to sufficient capital to dominate globally.

Recent polls indicate that the 2006-2010 financial crisis and bailouts left many young Americans appropriately alienated from large banks and financial markets. Starting in 2014, a major effort is underway on the part of US financial institutions to rekindle their interest in investing. We are seeing media designed to encourage young people to invest.



List of Top Twenty Stock Exchanges Worldwide

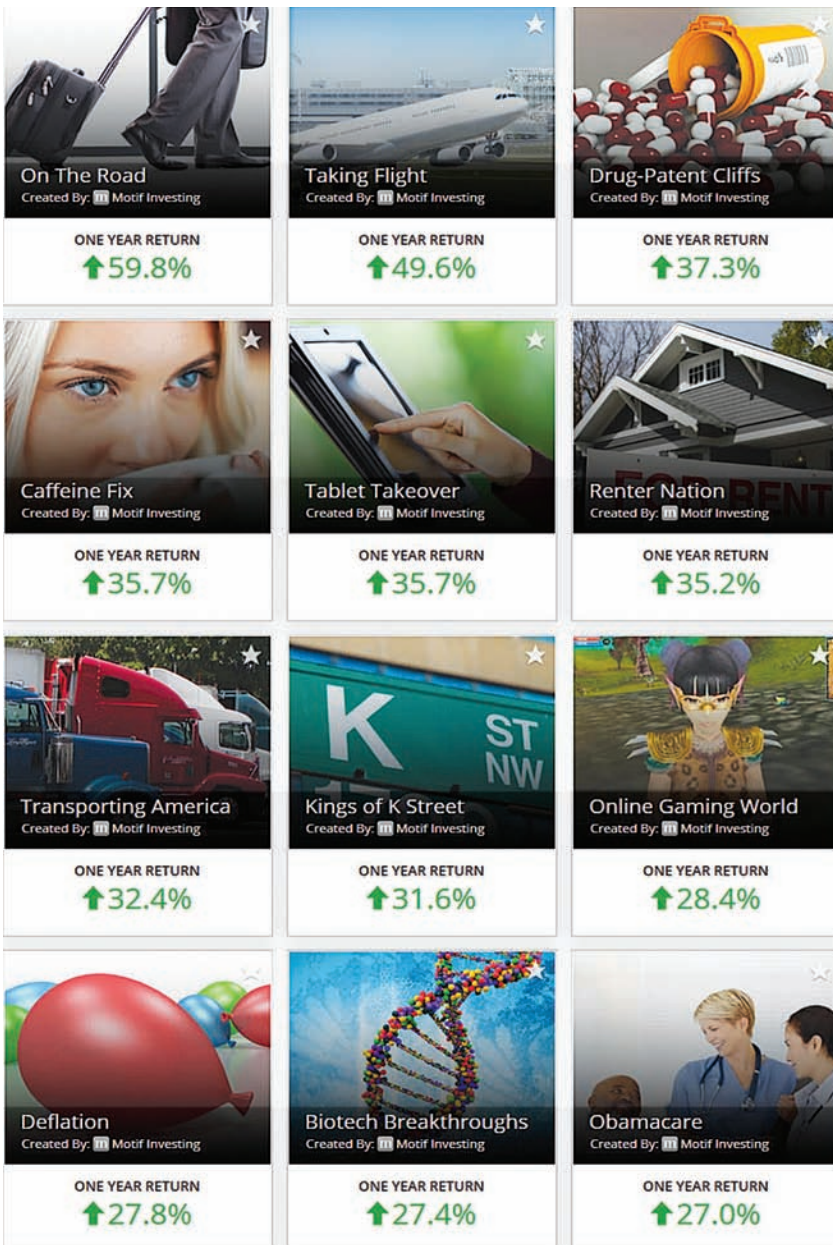
Rank	Exchange	Economy	Headquarters	Market cap (USD bn)	Trade volume (USD bn)
1	New York Stock Exchange	United States	New York	18,779	11,299
2	NASDAQ	United States	New York	6,683	8,739
3	Japan Exchange Group – Tokyo	Japan	Tokyo	4,485	4,011
4	Euronext	Netherlands France Belgium Portugal	Amsterdam Paris Brussels Lisbon	3,504	1,443
5	London Stock Exchange Group	United Kingdom Italy	London	3,396	1,890
6	Hong Kong Stock Exchange	Hong Kong	Hong Kong	3,146	1,093
7	Shanghai Stock Exchange	China	Shanghai	2,869	2,920
8	TMX Group	Canada	Toronto	2,204	1,008
9	Shenzhen Stock Exchange	China	Shenzhen	1,913	3,677
10	Deutsche Bourse	Germany	Frankfurt	1,716	1,095
11	SIX Swiss Exchange	Switzerland	Zurich	1,527	579
12	Bombay Stock Exchange	India	Mumbai	1,519	94
13	National Stock Exchange of India	India	Mumbai	1,485	480
14	Australian Securities Exchange	Australia	Sydney	1,344	609
15	Korea Exchange	South Korea	Seoul	1,273	990
16	NASDAQ OMX Nordic Exchange	Northern Europe, Armenia	Stockholm	1,243	542
17	BME Spanish Exchanges	Spain	Madrid	1,146	782
18	BM&F Bovespa	Brazil	São Paulo	992	518
19	JSE Limited	South Africa	Johannesburg	951	254
20	Taiwan Stock Exchange	Taiwan	Taipei	848	552

SOURCE: WIKIPEDIA.ORG



The Young Investor

We are also seeing software technology being used to organize investment vehicles which appeal to the Millennial Generation. For example, Motif Investing is an online broker based in Silicon Valley that invites you to create or invest in exchange traded funds organized around a trend in the economy a “motif.” Here were the (15) best performing motifs for 2014 (please note we don’t show the worst performing (15) motifs!).



The technological developments that will make equity investment most accessible to the next generations are ongoing innovations in human-computing interfaces. Just as Amazon.com makes it far too easy for me to buy books with one click, smartphone apps for brokerage firms will also make it possible for the global online market to buy with a single click.

However, financial institutions will not stop there. [Note Fidelity’s launch this year of its ‘StockCity.’](#)

Will A Growing Global Middle Class And Online Market Invest In Equities?

While the ongoing participation rates in the G-7 nations will have a significant impact, the big question is whether the growing global middle class—hundreds of millions of people who have never invested in the equity markets—begin to invest in the securities markets. We are watching the growth of the online Asian market overtake the US and European consumer markets in numbers—and someday in size. Can and will it do the same to the flow of savings and investments? The move towards global parity says that this is likely. The potential for a rising middle class to shift a portion of their growing capital from bank deposits and real estate into mutual funds and liquid securities represents a major opportunity for the financial markets.

While households in the emerging markets own a relatively small portion of equity investments, emerging market institutions have been closing the gap with institutional investment.

In June 2014, the think-tank OMFIF published a survey of global central banks, sovereign wealth funds and public pension funds which reported that public institutions owned \$29.1



trillion of the estimated \$130 trillion in cross-border assets. This includes \$13 trillion held by (157) central banks (reported before the recent increases from quantitative easing), \$9.5 trillion held by (156) public pension funds and \$6.5 trillion by (87) sovereign wealth funds. OMFIF reported a broad-based shift of central bank assets into the equity markets. **China's central bank with \$3.9 trillion in assets has now become the world's largest public investor in equities.**

Many emerging market countries do not have pension fund systems. To the extent that they adopt them, such arrangements may also create a volume of equity investment as those countries grow.

How Much More Growth?

Global rebalancing of the economy means global rebalancing of the equity markets. And that means equity markets have more growing to do. Many variables can drive the short and intermediate swings. The unraveling of the Bretton Woods system and geopolitical tensions can slow things down, creating significant losses for some and windfall profits for others. Wars and environmental disasters can stop and reverse the process for a time.

One of the big variables is the general level of P/E ratios. The S&P 500 P/E ratio is above the historical mean. However it is far below the high in the P/E ratio of the roaring 20's or the Internet stock boom—both were periods of explosive growth from new technology married with “pump and dump” antics of the Western financial system.

On one hand, I could argue that the introduction of mobile payment systems and the integration of digital technology into our infrastructure along with dramatic improve-

P/E Ratios of Country ETFs		
January 27, 2015 US Closing Price		
Argentina	Global X MSCI Argentina (ARGT)	14X
Australia	iShares MSCI Australia (EWA)	15
Belgium	iShares MSCI Belgium Cap. (EWK)	16
Brazil	iShares MSCI Brazil Cap. (EWZ)	14
Canada	iShares MSCI Canada (EWC)	16
Chile	iShares MSCI Chile Cap. (ECH)	14
China	SPDR S&P China ETF (GXC)	9
Denmark	iShares MSCI Denmark Cap. (EDEN)	16
Finland	iShares MSCI Finland Cap. (EFNL)	16
France	iShares MSCI France (EWQ)	14
Germany	iShares MSCI Germany (EWG)	14
Hong Kong	iShares MSCI Hong Kong (EWH)	15
India	PowerShares India (PIN)	16
Indonesia	iShares MSCI Indonesia (EIDO)	13
Italy	iShares MSCI Italy Cap. (EWI)	13
Japan	iShares MSCI Japan (EWJ)	15
Mexico	iShares MSCI Mexico Cap.	18
New Zealand	iShares MSCI NZ Cap. (ENZL)	18
Netherlands	iShares MSCI Netherlands (EWN)	15
Norway	Global X MSCI Norway (NORW)	11
Poland	iShares MSCI Poland Cap. (EPOL)	19*
Russia	Market Vectors Russia (RSX)	7
Singapore	iShares MSCI Singapore (EWS)	14
Spain	iShares MSCI Spain	14
South Africa	iShares MSCI South Africa (EZA)	16
South Korea	iShares MSCI South Korea Cap. EWY)	9
Sweden	iShares MSCI Sweden (EWD)	16
Switzerland	iShares MSCI Switzerland Cap. (EWL)	17
Taiwan	iShares MSCI Taiwan (EWT)	13
Thailand	iShares MSCI Thailand Cap. (THD)	12
Turkey	iShares MSCI Turkey (TUR)	10
United Kingdom	iShares MSCI United Kingdom (EWU)	14
United States	Vanguard S&P 500 (VOO)	17
Vietnam	Market Vectors Vietnam (VNM)	10

* As of 12/31/14

Higher interest rates causing high defaults of debt and derivatives could send both corporate earnings and P/Es much lower.



ments in the human-computing interface could send P/Es much higher. On the other hand, a growing population stripping natural resources and experiencing weird weather which compromises the global harvests could find itself mired in an ugly competition for natural resources and capital. Higher interest rates causing high defaults of debt and derivatives could send both corporate earnings and P/Es much lower.

The Anglo-American alliance has been the dominant player in the global financial markets for a century or more. While the Bretton Woods model is a large flow model, it is arguable that the global financial markets constitute an even more powerful one. The power to convert \$1 of profits into \$10-100 of

shareholders value, and lever it with debt and derivatives, is the goose that laid the golden egg. It attracts—and attraction is a more powerful economic engine than physical and military force. China’s conversion to markets has proven this yet again.

In theory, global equity markets have the potential to organize capital into a system that encourages us to allocate capital to the productive among us (and to those who have a vested interest in their success) without regard to social status, race, color, creed or nationality. That power depends, however, on a common commitment to the rule of law which creates and maintains the trust which is the basis for liquidity and leverage in the system. A shared belief in the rule of law is the basis of the goose that lays the golden egg.

When there is law, \$1 in profits can create many multiples of that in equity value. When there is no law, \$1 in profits can create little or no equity value as the only value is today’s cash flow and what you can protect with a gun or standing army that day.

This is not an inconsequential point. The “financial coup d’etat” engineered by US

Trillions were stolen from global investors with fraudulent securities and related derivatives.





financial institutions came close to destroying confidence in the financial markets. It was preserved by a thread as the US Treasury and Federal Reserve provided trillions to replenish the funds stolen from global investors with fraudulent securities and related derivatives. Millions of investors took permanent losses. There are still trillions in fraudulently issued bonds and stocks floating around the global financial system. High frequency trading, naked short selling and other institutionalized practices that generate enormous profits “above the law” continue. The dark pools grow.

The mass media has been promoting an endless flow of lies and false realities for years to ensure that the Anglo-American institutions can combine the benefits of non-transparency, money laundering (organized crime) and tactics of financial and economic warfare (the oil card) with the financial leverage of liquid markets. We have arrived at a highly Orwellian state where the financial markets make no sense to even the most sophisticated investor because the national security state requires secrecy to effect its manipulations.

Also eroding trust in the US system are regulations to minimize liquidity at the local level. Small business owners are told that they cannot raise equity capital by using crowdfunding or online systems due to possible fraud. But, they are encouraged to spend their life savings on lottery tickets every day. As a result, small investors leave their money in the bank where it is channeled into US Treasury securities (with no real return to the investor) or in a brokerage account which ensures that their equity investment flows through Wall Street.

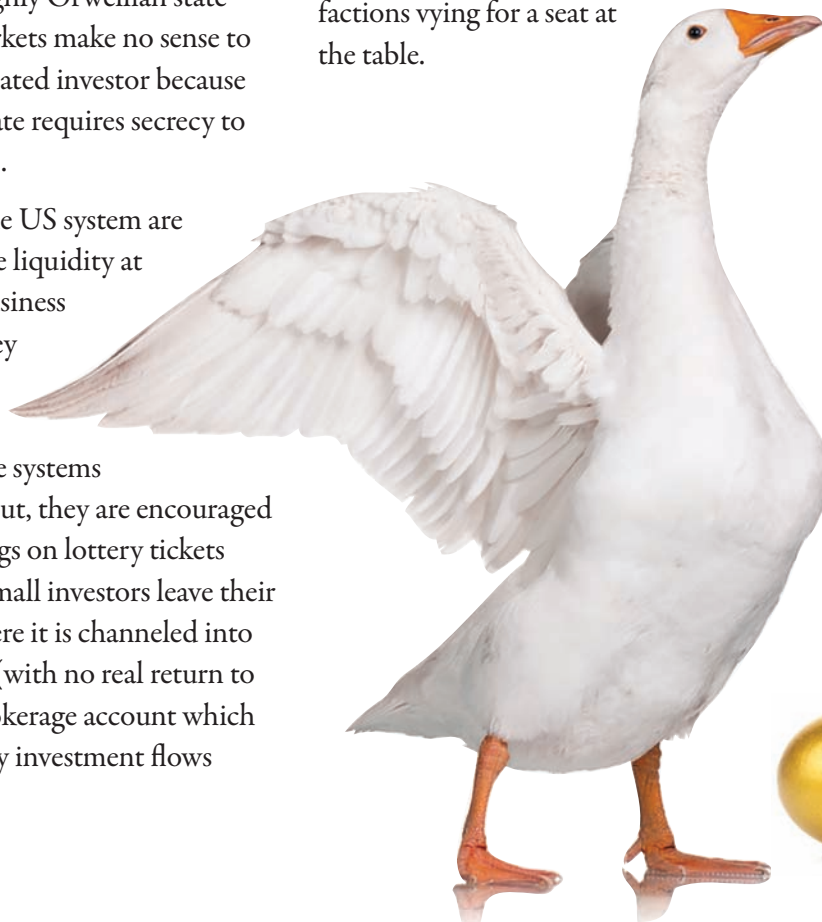
If recent surveys of the Millennials are true, US politicians and bankers have come dangerously close to killing the goose that laid the golden egg. Whether due to lawlessness at home or lawlessness abroad, the US has a credibility problem that cannot be solved with dazzling software and expensive marketing campaigns.

However, a failure of US political and investment leadership will not prevent the growth of the global equity markets. It may simply move the mantle of leadership to the country or international consortium with sufficient integrity and infrastructure to manage it, likely fueled by the demographics of a growing global middle class.

The evolution of leadership in the equity markets is intimately tied to the governance of the global currency. In 2015, there will be no more interesting sport on the planet than the competition between global factions vying for a seat at the table.



The national security state requires secrecy to effect its manipulations.



US politicians and bankers have come dangerously close to killing the goose that laid the golden egg.

IV. News Stories & Trends



Tell me a story. In this century, and moment, of mania, Tell me a story.”—ROBERT PENN WARREN



Alibaba and the growth of Planet Equity are my pick for top story and trend of 2014. Here are my choices for the next twelve top stories and trends.

These are stories that speak to the powerful trends that drove events during 2014 and will be doing so for years to come. They were not the stories that got the most attention—those were often stories crafted to manipulate, mislead and distract you from understanding the real story and the deeper trends.



#1 THE OIL CARD— THE EAST WEST PENDULUM The Story: The US Plays the Oil Card ... Again

“Oil pricing is really not a function of physical supply and demand of crude oil. It’s not. It’s really a geopolitical function. The United States particularly and its allies are able to actually manage oil prices—even a global commodity like oil. We can pull enough levers and manage things in a way that you can actually move that market out of whack, up or down, for protracted periods of time to either help or hurt other countries. The way we broke the Soviet Union

was with low oil prices throughout the 1980’s Oil prices were the key strategic weapon in doing that. The way we did it was just a masterful study in economic warfare.” —Jim Norman, “The Oil Card—What’s Next?” The Solari Report

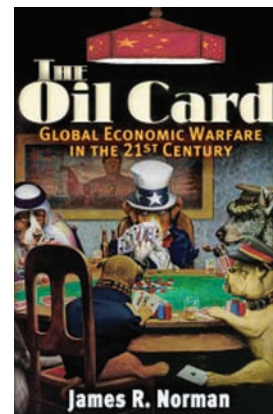
The strategic manipulation of the oil price by the US was a significant factor in the collapse of the Soviet Union and the fall of the Berlin Wall. These events led to the reunification of Germany and the integration of hundreds of millions of people throughout Russia and Eastern Europe into the Western consumer economy.

In 2014, the US decided to play the “Oil Card” against Russia again—this time to accompany sanctions of Russia following the invasion in Crimea. Increasing US oil and gas independence makes it easier to do—which impacts geopolitics in the producing areas, particularly Russia and the OPEC countries. This decision is going to deliver a body blow to the US oil and gas independent producers—but a respite for US consumers.

There was no better coverage of what was really happening in Russia, the Ukraine and the energy markets than the recent Solari Report interviews with Jim Norman and Anne Williamson. Listen to them to understand what’s ahead and why.

The Deeper Trend: The East West Pendulum Swings Back and Forth as the Flow Grows

The current squabble over the Ukraine is part of the pendulum that has been swinging back and forth between the West and the East since the



SOLARI REPORTS

- [The Oil Card Interviews with Jim Norman](#)
- [Russia and the Ukraine Backstory with Anne Williamson](#)

WIKIPEDIA LINKS

- [The Bretton Woods System](#)
- [Eurasia](#)
- [The Silk Road](#)

breakup of the Soviet Union as the real estate and transportation pathways (roads, electrical and power grids, railroads, waterways, pipelines) on the “Silk Road” between a rising Asia and a wealthy Europe grow in importance

Will China and India trade across the Northern routes, leading through Russia and the Ukraine? Or will that trade go through the Southern route, through all the countries the US began attacking after 9-11, shifting its



The terrain between Europe and Russia and China is turning out to be a very dangerous place.

armies abroad along “the Grand Chess-board” and asserting hegemony of Eurasia? The terrain between Europe and Russia and China is turning out to be a very dangerous place. The millions of people who lost their homes in the

Ukraine this year can tell you all about that.

Will the Anglo-American alliance continue to grow closer to continental Europe, particularly to Germany? Or will Germany move closer to Russia and China, perhaps jeopardizing the European Union? Will Russian interests be successful in financing Le Pen’s campaign in France, creating powerful political moves to checkmate the Western coalitions? These questions will be at the heart of valuations in the financial markets during 2015.

Since World War II, global trade has operated through the Bretton Woods system. The United States became dominant not by occupying and controlling territories or colonies so much as by controlling the trade between them. This was accomplished via:

- managing the global reserve currency
- policing the sea lanes
- dominating the communication systems: the satellite systems and ocean cables which they depended on
- controlling (in partnership with the City of London) the flow of banking transactions and capital in the liquid securities markets.

Think of the Bretton Woods system as a flow model as opposed to an occupation model.

After the breakup of the Soviet Union, the G-7 instituted the Uruguay Round of GATT and created the WTO. The result was a mighty roar of capital and labor shifting around the globe as the capital and regulatory dams between the developed and developing worlds diminished. The process was more than organic.

“The trade regime the U.S. pushed through in 1994, creating the World Trade Organization, was so unbalanced that, five years later, when another trade agreement was in the offing, the prospect led to riots in Seattle.” —Joseph E. Stiglitz, “The Chinese Century,” 2014.

Indeed, the new WTO round, the Doha round, has been stuck in the mud for years primarily as a result of objections from India where the insanity of industrializing agriculture and related intellectual property proposals have resulted in widespread political opposition. **No one explained this better than Sir James Goldsmith in 1994 when he tried to prevent the unleashing of the global rebalancing (video).**

As the flow of capital rises and labor grows and the pendulum swings back and forth, the pressures on the Bretton Woods system grow. The ability of the US to maintain a dominant position on the flows is stretched beyond capacity:



US tactics have focused on creating advantages for its multinationals as opposed to maintaining a stable system. It is not surprising that we see the US stock market do so well as the global economy slows. Organizing the global economy to serve US corporate interests has improved profits but related economic warfare has diminished the global operation of trade markets and financial markets.

One of the arguments for unleashing the re-balancing of the global economy was the challenge of maintaining the divergence of living standards between the G-7 nations and the rest of the world. No one has described the challenge more eloquently than George Keenan in 1948:

We must be very careful when we speak of exercising “leadership” in Asia. We are deceiving ourselves and others when we pretend to have answers to the problems, which agitate many of these Asiatic peoples. Furthermore, we have about 50% of the world's wealth but only 6.3% of its population. This disparity is particularly great as between ourselves and the peoples of Asia. In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships, which will permit us to maintain this position of disparity without positive detriment to our national security. To do so we will have to dispense with all sentimentality and daydreaming; and our attention will have to be concentrated everywhere on our immediate national objectives. We need not deceive ourselves that we can afford today the luxury of altruism and world benefaction...—George Keenan, 1948

One of the best descriptions of how we maintained such a remarkable difference in standards of living between East and West came from Samuel Huntington, who was a bit more blunt than Keenan:

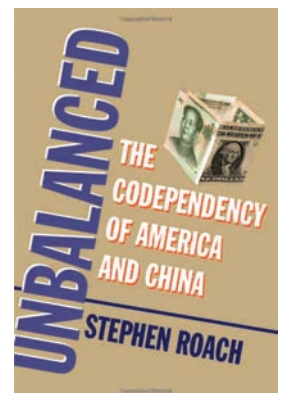
“The West won the world not by the superiority of its ideas or values or religion (to which a few members of other civilizations were converted) but rather by its superiority in applying organized violence. Westerners often forget this fact; non-Westerners never do.” —Samuel P. Huntington, 1993

From an economic standpoint, China is the country that has benefited the most from this process and is on the way to returning to its prior status as the largest economy in the world, as it was prior to the industrial revolution.

Closely related to the current squabbles in Eurasia, the re-balancing of the global trade with China is a key component of the back-and-forth swing of the East-West pendulum. To understand the evolution of the relationship between the United States and China, I strongly recommend listening to our interview with Steve Roach as well as reading his book *Unbalanced*.

*“The United States, with only 4.5 percent of the world's population, spent \$10.7 trillion on personal consumption in 2011, accounting for 17 percent of global consumer demand. U.S. consumption is nearly 35 percent larger than pan-European consumption, even though Europe's population is slightly larger than that of the United States. It is four times that of China and India combined, even though those countries account for close to 40 percent of the world's population, nearly nine times that of the United States.” —Stephen Roach, *Unbalanced: The Codependency of America and China* (p. 10). Yale University Press. 2014*

Until global GDP per capita and market valuations as percentage of GDP move into parity, expect the East-West Pendulum to swing back and forth, with plenty of geopolitical fireworks



SOLARI REPORT

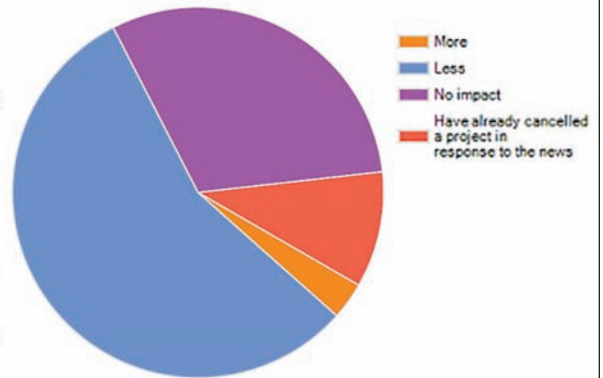
- Solari Report Interview with Steve Roach

Survey Question 1: (For non-US residents only) Does the Snowden Incident make your company more or less likely to use US-based cloud providers?

CSA received 207 responses from self-identified non-US residents.

- 56% less likely to use US-based cloud providers
- 31% no impact on usage of US-based cloud providers
- 10% cancelled a project to use US-based cloud providers
- 3% more likely to use US-based cloud providers

(For non-US residents only) Does the Snowden Incident make your company more or less likely to use US-based cloud providers?



Source: <http://logicclounge.com/2013/07/29/cloud-companies-take-a-hit-following-prism-leaks/>

RELATED NEWS

- **Brazil is Keeping its Promise to Disconnect from the US**
- **PRISM Revelations Result in Lost Business for US Cloud Companies**

CURRENCY CHARTS

- **US dollar to Euro**
- **US dollar to CNY**
- **Ruble to US dollar**

CATHERINE'S COMMENTARIES

- **American Humpty Dumpty**
- **Musings on the News**
- **Digital Colonization**
- **Income Inequality**
- **Hunker Down Times**

to keep life interesting. No matter the fireworks, the re-balancing towards parity will continue. The investment opportunities are too great and the power vacuums created by technology and change are too attractive.

Keep an eye on the efforts to bypass US control of flows in 2015. Many of these efforts were inspired by revelations about the invasive nature of both public and private US digital technology.

Finding a way to bypass US channels is becoming more attractive - the number of constituencies interested in collaborating is growing. If the US pulls its global leash by raising interest rates during 2015 and sending the US dollar index above 100, it may reassert its position. Let's see what happens.

The US Dollar Index and the valuation of the dollar relative to the Euro and other key currencies will help you track what is happening.

#2 THE VATICAN DIGITIZES: GLOBAL 3.0 RISES
The Story: Vatican Digitizes And Opens Its Archives

The Catholic Church is the mother of all Global 2.0 Institutions. However, its new Pope Francis is working at high-speed to lead the institution into Global 3.0. This morning's paper announced that Francis is rebalancing church-leadership with nine new Cardinals in the emerging markets. The story that best underscores the change underway is the effort to digitize the priceless Vatican library and to make it accessible.

Elon Musk's announcement that Tesla was open sourcing its patents was another example of this shift to a radically higher learning metabolism. Increasing the speed of battery innovation into high gear will make a big difference —whether to Tesla's shareholders, the electric car and renewables industries or to the global economy.



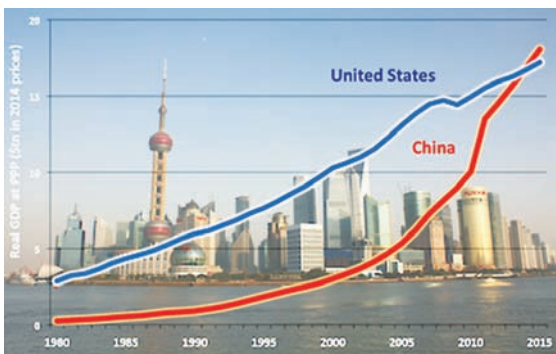


The Trend: Global 3.0 Rises

As global flows shift, they shift towards opportunity. And so the flow moves West to East and North to South. Asia rises. Internet companies and smart phone apps proliferate and grow. Communication and media flows grow.

We have covered these trends in depth in our last four Wrap Ups - including the reorganization of consumer markets. If you have not accessed these reports and want to delve deeper, I encourage you to do so.

One of the most important aspects of this shifting flow is the growth in global equity markets. See the Annual Wrap Up section on the most important trend—Planet Equity.



An important signal is the size of China's GDP surpassing that of the US—which happened in 2014 or is expected to happen in 2015, depending on whose statistics are used.

Another is the growing frustration with the global financial system as a tool of economic warfare. Growing economies need liquid financial markets to facilitate trade and to allocate capital to productive (as opposed to violent) players.

Expect growing discussions during 2015 within the BRICS nations regarding new financial arrangements and models as well as continued moves to improve economic and financial cooperation. Part of this is in response to a short-

term need to keep trade going in the midst of a strong dollar. However, it is also driven by the need to build redundancy in trade mechanisms that serve emerging market consumers and a rising global middle class in addition to exports into the G-7.

Throughout 2014, there were authentic voices coming from the East and South that celebrated the richness and possibilities of humanity. Two examples were Jack Ma of Alibaba and Narendra Damodardas Modi, the new prime minister of India. Both spoke to the importance of building systems that help small producers and distributors succeed - including millions of entrepreneurs and small business people and farmers. These are the people who meet with disdain in Washington or on Wall Street ... which is astonishing when you consider that the vast majority of the world's consumers, taxpayers and investors fit into the "small" category.

One of the biggest challenges across the G-20 in 2015 will be the impact of new Global 3.0 technology on employment. Austerity in Europe has created significant unemployment. China and India, with large populations, will face continuing challenges presented by robotics and other labor-saving technologies.

The rise of Global 3.0 has the potential to work well for the United States domestically as a result of investment in energy self-sufficiency and reinvigorating the industrial base. Again, the Anglo-American alliance is preparing for the unraveling of the Bretton Woods system. However, the US will face the harm to its economy and culture of continuing to direct resources into the black budget and to engineer profits into its largest corporations and corporate real estate to protect its ability to compete globally. Such corporate consolidation has produced a rich flow of contributions into political

ARTICLES

- [Vatican Library to Digitise Archives with Japanese Support](#)

SOLARI REPORTS

- [Solari Report Wrap Up Library](#)
- [Global 3.0—The Scientific Breakthroughs with Dr. Joseph Farrell](#)

2014 GALLUP POLLS

Only 1.3 billion worldwide employed full time for employer. Gallup's global Payroll to Population rate has not grown since dropping in 2012. About one-in-four adults worldwide – or roughly 1.3 billion people – worked full time for an employer in 2013.

BONUS FINDING:

Nearly one in three workers worldwide are self-employed.

ARTICLE

- [The Lockheed Martin Fusion Story, e-Cat, and some High-Octane Speculation](#)

SOLARI REPORTS

- [MegaTrends with Jim Puplava](#)
- [Third Quarter Wrap Up](#)

Proof that the power of positive was at work comes from Kickstarter's 2014 annual report: 3.3 million people from nearly every country on the planet used Kickstarter to fund 22,252 creative projects to the tune of \$529 million. One of them, Karen Diggs of Kraut Source, joined us on the Solari Report. Of the 3.3 million, 2.2 million were participating for the first time. I can't wait to see what happens in 2015!

campaign coffers which makes reversing it and the damage it is doing to the overall economy that much more difficult.

An unanswered question as Global 3.0 rises is the timing of the introduction and application of breakthrough energy technology. We saw an interesting dance of announcements this year from both the Russians and the Americans regarding fusion technology.

The competition between Global 2.0 and 3.0 offers the possibility for greater access to hidden technology and ancient texts (such as those found in the Vatican Library or the looted Iraqi institutions). Indeed, I believe that there is an important connection between the two.



#3 THE UNRAVELING— GLOBAL 2.0 STRUGGLES The Story: The Unraveling

In the November/December issue of *Foreign Affairs*, CFR head Richard Haass described the unraveling of the Bretton Woods system, indicating that the new world order is becoming a new world “disorder” tempered by the interdependence of the largest economies.

Suggesting improvements to US leadership, he closes with the prediction, “The question is not whether the world will continue to unravel but how fast and how far.”

The Trend: Global 2.0 Struggles

With significant assets shifting into Global 3.0 and the liabilities and responsibilities mounting, the symptoms of a struggling Global 2.0 were everywhere during 2014. Expect these struggles to grow in 2015.

United States

The year started with Congressional leadership facing mid-term elections. In unusual deference to the American voters, the Congressional leadership announced early in the year that the Trans Pacific Partnership and European Union Trade deals would not be considered in 2014. Unemployment and American revulsion for national and local laws being overridden by international agreements was too high.

While Congress was running campaigns, the US Treasury was implementing FACTA and enforcing against Swiss and other financial institutions, creating the global infrastructure for financial enforcement and sanctions that kicked into high gear against the Russians later in the year.

What was most noticeable was the blowback congestion from domestic and global opposition to many “pro-centralization” initiatives—from continued opposition to Obamacare, to fury over events in Gaza, questions about who ISIS really is, concerns about immigration and Secretary of Defense Chuck Hagel’s resignation.

The frustration with Washington gridlock and the inability to understand decisions in the face of a growing gap between reality and “official reality,” resulted in greater efforts to bypass Washington:

- As the SEC declined to promulgate regulations to implement crowdfunding with securities, states began to take action.



- An increasing number of counties passed ordinances banning GMOs, fracking and other corporate policies protected by the federal government.
- Concerns about the viability of government and private pension funds grew.

Perhaps the most telling example was WSJ columnist Peggy Noonan describing an unnamed powerful source suggesting the possibility that the United States would cease to exist as a united political entity within a reasonable time period.

Take a look at a recent 2014 Gallup poll regarding American’s concerns: [Cluster of Concerns Vie for Top U.S. Problem in 2014](#)

The challenge America faces is that Congress is trapped by the black budget and the secrets that it holds. I explain this challenge in detail in my article, [“Coming Clean Beyond the Fiscal Cliff.”](#)

As the unraveling continues, there are signs that Americans are growing wiser on numerous issues. For example, Gallup reports that:

- The number of Americans who understand that having a gun in their home makes them safer is growing.
- Americans are resisting efforts to use climate change to gain support for more centralization of political and economic control.
- Support for a new major political party reached a high of 60% during 2014.

Through 2014, this consciousness was demonstrated by numerous events—from the standoff at Bundy Ranch in April to frustration with the militarization of local police throughout the fall and into the New Year.

Expect more of the same in 2015.

THE GALLUP POLL			
<i>Most Important Problem Facing the U.S. in 2014</i>			
Issues averaging 2% or higher			
	Yearly average [^]	Highest monthly result	Lowest monthly result
	%	%	%
Government/Congress/Politicians	18	21	15
Economy in general	17	20	13
Unemployment/Jobs	15	23	8
Healthcare	10	16	5
Immigration	8	17	3
Federal deficit/debt	6	9	3
Ethics/Moral decline	5	7	3
Education	4	6	3
Poverty/Homelessness	4	5	2
Focus overseas/Foreign aid	4	7	1
Gap between rich/poor	3	4	1
Race relations/Racism	3	13	1
Lack of money	3	5	1
Crime/Violence	2	3	1
Judicial system	2	3	1
Lack of respect for each other	2	2	1
Wars/War (non-specific)	2	3	1
Terrorism	2	4	0
Wage issues	2	2	1
National security	2	3	1

[^] Based on average of 12 monthly surveys

The year ended with the *New York Times* calling for the criminal investigation and prosecution of Richard Cheney for his implementation of illegal torture practices.

When the United States decided to launch the creation of a “new world order,” the chances of pulling it off would have been vastly improved if the near-psychopathic arrogance had been left at the door. Why command a global empire when you can pig out on twenty-five years of a global “supermarket sweep” for you and your pals?

Calling Dick Cheney to task would constitute an apology to the people we harmed and to our allies for our contribution to—as Richard Haas describes—a new world disorder.

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ARTICLES

- [Coming Clean Beyond the Fiscal Cliff](#)

SOLARI BLOG POSTS

- [Did Dick Cheney Double Dip?](#)

Europe

Russian sanctions and continued austerity combined to deliver repeated blows to Europe's economy this year.

As a result, the forces of decentralization are tugging at existing ties.

The Scottish Referendum did not unhook Scotland from the UK, but the outcome looked uncertain into the vote. There were serious tensions regarding EU policies and indeed, the EU is at risk in 2015, with UK and Italian polls indicating widespread support for withdrawal.

This year is going to be a very important test of whether the European integration holds or Germany pivots to the East.

Asia

Watch the tensions grow in the South China Sea as the US Navy rebalances to the East. One third of global trade moves through the South China Sea and its undersea potential for oil and gas deposits is significant. As the Asian economy grows, there are going to be numerous tensions rising, some of them long-standing and bitter.

Japan's debt and aging population is threatening one of the world's most powerful economies.

Environmental concerns throughout Asia are growing, including the ongoing management of the nuclear reactors in Fukushima.

G-7

Tax haven targeting was high on the list for the G-7 as the year started. It disappeared from attention as the US won on Swiss enforcement and FACTA went in to effect. Expect it to keep popping back up as the G-7 nations look for revenues to balance budgets.

Another item high on the list was the expulsion

of Russia from G-8 in March, returning the organization to G-7.

The US refused to approve IMF reforms. A Republican-controlled Congress now means that the IMF may give up and go its own way during 2015.

There was no greater sign of the tensions within the G-7 financial systems than the so-called "banker deaths," a continual reminder that the bailouts did not succeed in cleaning up all the financial fraud or extinguishing the criminal and civil liabilities of the financial coup d'état.

G-7 banks paid out settlements to enforcement agencies in amounts larger than the GDP of numerous small nations in 2014. No doubt, the number would have been much bigger without numerous banker deaths reminding the members of the banking community to keep their information and opinions to themselves ... or face being shot with a nail gun or stabbed on a jogging trail. In the United States, bank settlements represented a kick back to governments for their partnership on financial fraud and replenished government coffers for pork to hand out during the fall election.

Andrew Cuomo's shakedown of BNP Paribas for \$2.2 billion to bankroll his largesse during this year's NY gubernatorial set a new record for political hubris.

Middle East

What a mess! Just when we thought there was hope for peace and prosperity, here comes ISIS and back goes the US military and contractors with rising support in US polls.

I don't buy a word of it. It was shocking how many year-end round ups in the corporate media mentioned "the rise of ISIS" as the top story. My guess is ISIS is a fabrication of US defense contractors and/or US and Israeli



intelligence agencies. The US is once again getting bogged down in the Middle East in a manner that leaves it spread dangerously thin. A recent report is that we have spent \$1.6 trillion to-date on wars in Afghanistan and Iraq since 9-11.

In 2015, expect:

- The oil card to create insecurity in the OPEC nations.
- ISIS to continue its gruesome reality TV show.
- Israel to continue to destroy its support in a highly influential global Jewish community by taking harsh steps in the GAZA to ensure control over gas, water and land resources.
- Iran to take advantage of the situation to remain alive, independent and to continue using nuclear energy.

Latin America

The global slow down, particularly in Asia, and falling commodities prices made this a tough year for Brazilians kept busy with the World Cup and elections. A rising dollar means more tough times ahead.

Argentina's bond default was a reminder that there is trouble ahead in the sovereign debt market, particularly if interest rates start to rise.

Frontier Markets

The US exploited ebola to expand its investment interests in Africa and to grow the US-African command. The land area of Africa is bigger than that of the US, China and India combined.

This means that the race to carve up and grow Africa is on. That race will grow in 2015 and for many years to come.

#4 EBOLA SHRIEK-O-METER— UNCIVIL SOCIETY

The Story: The Ebola Shriek-o-Meter Wins an Election

Faced with a series of tight races on their way to returning the Senate to a Republican majority in the mid-term election, the Republicans chose their dirtiest ploy yet. They turned on the Ebola “shriek-o-meter.”

The subliminal message was raw and uncut. Black people (like the Democrat president and the black and brown people he allows into the country) bring disease.

The worst part of the strategy was that it was highly effective. Democrats dropped in the polls and the Republicans won control of the Senate.

Ebola was front page news daily, even with the business press, between late October and the day of the election in November.

The day after the election it dropped back to page 7 and beyond and has stayed there since.

Through this period, the business networks were being quietly assured that Ebola was not going to be a real problem this year—it was an “Africa problem.”

The Trend: Uncivil Society

Society is becoming a lot less civil.

There are numerous causes. One is the steady financial debasement that has squeezed the financial security of many people throughout the developed worlds. This includes harm done by the financial fraud during what I call the financial coup d'etat and the ongoing “slow burn.”

I have often said that the problem with the slow burn is that the can of tunafish costs 10% more each year, there is 10% less tuna in the can and



SOLARI BLOG POSTS

- [Madoff, Morgan, Mass Mutual, Melissa Millan and the O-So-Mysterious Banker Deaths](#)

CATHERINE'S COMMENTARY

- [The Ebola Strategy Worked](#)



SOLARI REPORTS

• Unpacking Divide and Conquer

there is a 10% greater chance that the tuna will make you sick. After many years of rising prices and shrinking quality, the consumer feels like they are running a gauntlet of serious risk.

This risk is compounded by chemtrails and other forms of environmental degradation and pollution. Being sprayed with heavy metals day after day, year after year and living with the resulting side effects to health and environment can make people testy—whether they admit that it is happening or not.

As people lose their financial footing and their health deteriorates, they grow tired and frustrated and civilities break down.

This is compounded by increasing distrust of mass media. From Gallup in 2014:

Trust in Mass Media Returns to All-Time Low —A bleak 40% of Americans told Gallup that they place a “great deal” or “fair amount” of trust and confidence in the mass media, tying the all-time low recorded two years ago. Trust in the media has been edging downward since the late 1990s and early 2000s.

As more media activities shift into smartphones and onto the Internet, mass media is struggling to maintain profits and market share. Hence, as flow shifts on to the mobile platform and social media, the traditional media shrieks ever louder to attract attention as it loses market share and ad revenues.

The hysteria of the media and their ability to generate attention by destroying people (the Cosby crucifixion is only the latest) and promoting disinformation is contributing the debasement of every day life.

One of the most interesting comments on the corruption of media was this year's movie *Kill the Messenger* about the CIA-Washington Post-LA Times conspiracy to destroy Gary Webb



and make America safe for narco dollars.

The movie was distributed by a subsidiary of Comcast as the company was lobbying the Department of Justice to approve its merger with Time Warner. It is still waiting for that approval in 2015. Its subsidiary, however, did cancel its contract with Bill Cosby for a new show.

One of the most irritating aspects of uncivil society this year was the effort to turn us all against each other—men against women, blacks against whites. In response, I wrote a series called “Promoting Women” and did a Solari Report with Junious Ricardo Stanton called *Unpacking Divide and Conquer*.

Another irritating aspect was watching billions paid to well educated scientists, academics and editorial writers to invent bogus excuses for the rise of inequality. Inequality is caused by ... technology (really, technology should support decentralization and make the little guy more productive and competitive) ... semiconductors (really, and who transferred the technology from Area 51 after the taxpayers paid for it?) ... and free markets (as with banks that get bailed-out in amounts greater than it would take to extinguish all residential mortgages in the country by a factor of three)?



The award goes to *Have and Have Nots Yah-Yah: Haves and Have Not's: The Source of Inequality* (Science Journal, May 2014) for one of the most impressive works of intellectual garbage ever produced.

Just in case you know the editors, here is the skinny. The ability to function above the law, including the use of invisible surveillance, mind control, and weaponry, and to develop and hoard the most valuable technology on earth, all at taxpayers expense, and to combine this killing power with the ability to print the world's reserve currency and manipulate the global securities markets while being fully indemnified by the taxpayers, that is the source of inequality.

The intimation that Ebola would be used in 2015 to justify mandating vaccines was of concern. The news on vaccines and their impact grows ever more dire. The news of enforcement actions against health care professionals trying to help people access reliable information on nutrition and health, particularly anything that might interfere with the profits of pharmaceutical companies and the medical establishment continued while the implementation of Obamacare caused job loss and wiped out discretionary income. I was inspired to comment that Obamacare has done to Atlantic City and Las Vegas what generations of preachers moralizing against gambling were never able to do.

If the developments in the health care sector were not bad enough, the news in civil and criminal fines and penalties along with the reliability of enforcement took the cake. More and more Americans were touched in 2014 by the rise of Sheriff of Nottingham type enforcement from ongoing asset forfeiture to a group of policemen choking a man to death in New York for selling cigarettes on the street.

Things have gotten so bad that even *The Economist* warned in late 2014 that the United States economy was being threatened by a disintegration of trust caused by an untrustworthy policing and enforcement system and the *WSJ* opened up in 2015 with an editorial furious over egregious prosecutorial abuse.

During the year, as I finally mastered the art of not taking offense at the steady growth of uncivil discussion on the Internet, I learned from *Wired Magazine* that lack of civility is taken as a sign of intelligence. See [“A Sad Fact—It is Smart to be Mean Online.”](#)

[Please note: Here at the Solari Report, we intend to be gracious and kind, even if that means you think we are stupid.]

Worse yet, we learned that there is a growing source of employment in the Philippines as a result of the need to cleanse Facebook of our uncivil postings: [“The Laborers Who Keep Dick Pics and Beheadings Out of Your Facebook Feed.”](#)

In one of my moments of high frustration with the Ebola shriek-o-meter, I went to look up the statistics on death in America. The leading cause of deaths in the United States according to Wikipedia is heart disease with 596,577 deaths in 2011.

So, let's estimate that in 2014 there were 600,000 deaths from heart disease and a single death from Ebola.

As I further contemplated the numbers, however, I realized that America is dying of a broken heart.

That is what happens in an uncivil society.





#5 COMMON CORE— THE EDUCATION TSUNAMI The Story: The Common Core Death March

There is a major conflict brewing between the impact of central control on intellectual development and learning speeds in the developed nations versus what has been made possible by Internet access to anyone globally who can function in a free and open model.

With an explosion of websites making great curriculum and a wealth of resources available at low cost, the accessibility of education and practical learning that can be organized to serve the needs of the teacher or student is fantastic and growing more so daily.

After studying the Common Core standards in the United States and speaking with parents, teachers and kids about the impact of common core, I concluded during 2014 that common core, other general curriculum requirements and student loans would cost the average American with a college and graduate school education approximately 25,000 hours, most of which would be spent learning things that were not useful or needed to be unlearned.

This is a handicap that cannot ultimately be tolerated. It means that American parents will sit by and spend a great deal of time and money condemning their children to irrelevancy in the global economy.

The question is why there is so much political and corporate support for Common Core? After much study, the only theory I can come up with is that the standardization of education in this manner will permit sufficient reengineering of education with software and information systems that the entire K-12 infrastructure can be privatized and run by private corporations.



The incentives to home school or to send your kids to private school are rising.

Given that the single greatest investment by American counties is the education and raising of children and that an enormous amount of the local GDP revolves around education, school facilities construction, management and financing and school activities, including sports, privatization could permit corporate control of human resources, generate a great deal of corporate wealth, and give private investors greater access of teachers pension funds.

I call the institution of Common Core a “death march” because one way or another it is designed to destroy the US public education system.

The Trend: The Education Tsunami

A group of impoverished children with Internet access in a remote village in Outer Mongolia with an intelligent caring teacher can get a much better education in a much shorter time than American children mandated to sit through years of Common Core followed by taking out student loans to spend years digesting knowledge delivered with large portions of disinformation.

There is a tsunami underway—the wave of millions of children learning at high speeds in an open model made possible by access to everything from the Vatican archives to Kahn Academy to open sourced battery patents. This

CATHERINE'S COMMENTARY

- For the Love of Learning: Beyond Main Core, Common Core and the Databeast
- Common Core: Something's Got to Give

CATHERINE'S COMMENTARIES

- Guard Your Heart
- Staring Down the On-Off Switch
- Income Inequality
- Morpnic Resonance: the Invasive Push for Invisible Control



is the basis of the growing number of stories of 14 year olds trading the stock market, starting companies and writing novels and plays.

The waste and expense of the US educational system cannot stand against this tsunami. How this plays out is anyone's guess - but the fireworks will be profound. This is not unlike the WTO trying to mandate GMO seeds and industrialized agriculture to millions of Indian farmers. It was never going to work.

Between vaccine and drugging policies and curriculum requirements the incentives to home school or to send your kids to private school—even leave the country to ensure an open education—are rising.

One of the best educated Americans I ever met told me that her parents simply moved every six months for many years so that they could home-school with complete independence. By continually moving, the authorities were never able to catch up with them.

More and more people would rather be nomads than see their children fail.

#6 RUSSIA CREATES A NATIONAL PAYMENT SYSTEM—EMERGING THE GLOBAL CURRENCY

The Story: Russia Creates a National Payment System

Some time between now and 2017, Vladimir Putin will be able to buy a coke with a bank card or credit card, without the US intelligence agencies knowing it almost instantaneously.

When 2014 started, Visa and MasterCard processed more than 90% of Russian bank and credit card payments. In a country of almost 150 million people, that's a nice business. However, last March, the US government required that the two credit card companies

stop servicing bankcards for two Russian banks as a part of sanctions imposed in response to developments in the Ukraine.

At the time, Russia was already steamed about the revelations of Edward Snowden who had been granted temporary asylum in Russia the year before. Now furious over the sanctions, the Russians passed a new law requiring the development of a new national payment system.

Among other things, the new law required Visa and MasterCard to post a multi-billion deposit, estimated to be as much as \$2.9 billion.

Although the companies got a reprieve until 2015, on December 26, 2014 they announced that they would stop processing payments on bankcards in Crimea. We have yet to see the backlash from the Russians.

The Russian Central Bank stated in the fall that Visa, MasterCard and other international payment systems had agreed to work on transferring to the new Russian system.

Let's face it. No matter how bad your year was, the guys or gals in charge of Visa and MasterCard's Russian operations probably had it worse.

The Trend: Emerging the Global Currency

As described in my introduction to this Wrap Up, another important development is the continued build-out of the hardware and software infrastructure for a global currency system.

In this system, everyone will need a smart phone. Then they'll need affordable mobile



Last March, the US government required that the two credit card companies stop servicing bankcards for two Russian banks as a part of sanctions imposed in response to developments in the Ukraine.

RELATED READING

- [Russia's Settlement Alternative to the Society for Worldwide Interbank Financial Telecommunication \(SWIFT\)](#)
- [Society for Worldwide Interbank Financial Telecommunication](#)
- [Putin Softens Deadline on Visa, MasterCard Security Deposit Payments](#)



SOLARI REPORT

- [Advanced Technologies of The Breakaway Civilization with Mark McCandlish](#)

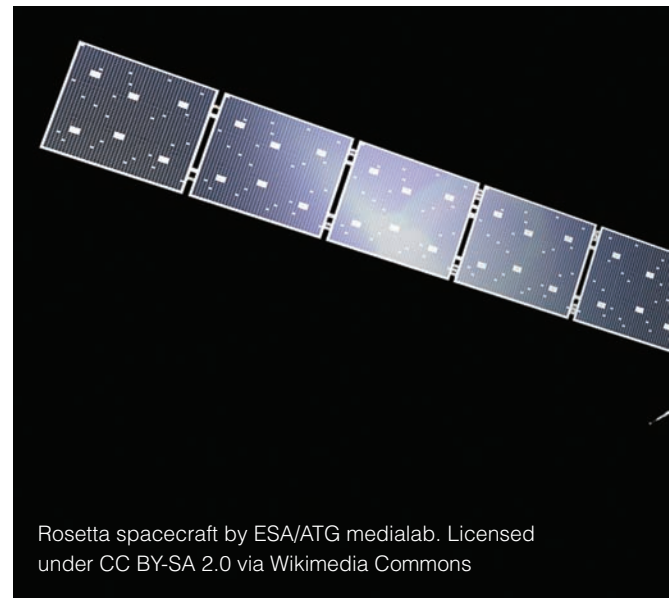
payment systems that they can trust. The transaction costs of Western payment systems are much too high to work on scale in the emerging markets. The costs need to come down. This is one of the reasons that Bitcoin and other virtual currencies are happening. Look at them as prototypes.

Low cost payment systems will need to feed into banking and clearance systems that users trust and which trust each other. And those systems will have to operate across hardware on land, seas and in the skies, which are reliable. Of course, an “internet of things” increases the flows as well.

This is a tall order. The struggle to control the flow and to disrupt that flow—that’s the Cyberhacking story—is creating plenty of challenges. It is amazing to watch the speed, however, with which thousands of companies, entrepreneurs and investors are racing to build the infrastructure out.

The US effort was moving too slowly when the injection of Edward Snowden upon the world stage focused the BRICS nations on their dangerous dependency on US systems. Suddenly, we see Russia, China and Brazil moving to provide for independent Internet, credit cards and settlement systems, to shift into domestic software and cloud companies and to cooperate in a new development bank.

Given the protections that Snowden and Glen Greenwald have enjoyed relative to other whistleblowers and reporters, my assessment is that global forces did not want to depend on the US government, banks and social media companies to build-out the global currency. It appears that Mr. Global wants something more redundant, more powerful, and more innovative and he wants it to happen much faster. The US team needed a little more competition to



Rosetta spacecraft by ESA/ATG medialab. Licensed under CC BY-SA 2.0 via Wikimedia Commons

quicken the pace. This is why I often say that Edward Snowden and Vladimir Putin are the “teaser ponies” of the global currency system.

As the Google wallet has fizzled, the primary bet is now on Apple Pay, which is the payment system to watch this year. Facebook with 1.3 billion users has a population that is still smaller than China’s, but not by much.

#7 ROSETTA LANDS—21st CENTURY SHIFT INTO SPACE The Story: Rosetta Comet Landing

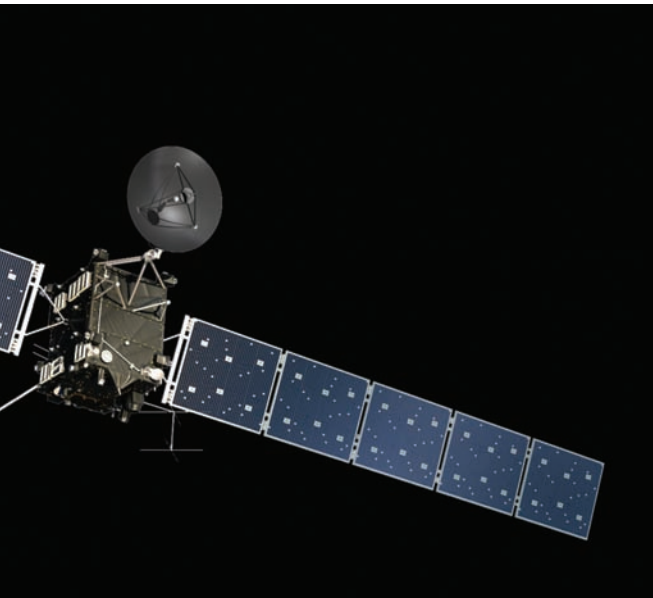
Rosetta was launched by the European Space Agency (ESA) in 2004. It’s mission—the first in history—was to rendezvous with a comet, escort it as it orbits the Sun, and deploy a lander to the surface. It arrived at Comet 67P/Churyumov-Gerasimenko in August 2014 and landed a probe on the comet on November 12, 2014.

The Trend: The 21st Century Shift Into Space

The importance of space exploration and travel is rising - both to our future as a people and to our economy.

This is a large topic—one that can lead to many other large scientific, engineering, political and economic topics. In a sense, space is about everything.

Think about it this way. When you are outdoors, what do you see? Most of what you are



looking at is space. We are a small yet beautiful planet in a much larger solar system in a much larger galaxy, in a much larger universe. Most of what we are looking at when we are outdoors is space - because space is a vastly larger percentage of our location in the universe than our local community, country or planet.

The United States and European Union have made a decision to find other planets which are livable and to build colonies on other planets starting with Mars. Indeed, there are some people who claim we already have colonies on Mars.

The United States is also clearly moving to ensure primacy in space weaponry.

The push to command in space in part relates to the ability to manage and protect the global currency and communication systems. As the global payment systems grow and the global currency system develops, a large percentage of that flow will move through satellites and the sub-orbital platform.

The push also relates to the ability to project power globally at low cost through drones and space weapons that can be managed from within North America, where shielding by two oceans creates national security. I suspect invisible weaponry, including space weaponry, may be one of the reasons that the G-7 hand has been much stronger than many financial commentators understand.

So it is not surprising to see Russia, China and India taking action to expand their space activities as well. Indeed, I often wonder if part of the squabbles in Eurasia is a cover story for the squabbles in space - despite the continued Russian-US cooperation on the International Space Station.

All aspects of space travel and exploration will call for a much more powerful industrial base, particularly in North America and within the G-7. It is one of the reasons I believe that the US industrial base and the internal transportation systems are being revitalized.

If you drive around North America, you can start to see the preparations for this change. More and more places are building Spaceports. Take notice of the closest one to you.

This means private corporations and private investors are getting into the act. Determining the legal frameworks and how the public-private partnerships will work is a complex, sensitive and long-lived process and will dovetail with the numerous intellectual capital legal issues now plaguing global knowledge management and economic competition.

If you want to get a sense of some of these issues, watch Elon Musk's recent presentation at MIT, linked in the following trend.

Don't be surprised if the negotiations on the public-private partnership of space exploration and travel were behind the explosions of several rockets this year.

The financial costs and scientific and engineering challenges of achieving a multiple planet civilization are one of the hidden factors pushing for greater cooperation within the G-20.

The Rosetta mission is an inspiring example of how such cooperation will make a significant difference to all mankind.

RELATED

- [Rosetta Spacecraft](#)
View a video of the Rosetta space probe landing

RELATED READING

- [List of Spaceports](#)





#8 BEWARE AI — TRANSHUMANISM The Story: Musks Warning on Artificial Intelligence

Companies developing the most advanced technologies have done a lot fewer IPOs that might otherwise be expected. Large companies with cash on their hands have been buying them up quickly at very rich valuations.

Throughout 2014, business news was filled with Google, Facebook and numerous other companies scarfing up the innovators in human interface, robotics and artificial intelligence. Expect that trend to continue in 2015.

Exciting? I don't think so. Innovation with novel, risky technology is racing ahead of society's efforts to understand or govern. Corporate innovation in many areas (such as GMO food) is becoming a global experiment with open, out-of-control field trials of invisible technologies and the human race has become non-consenting, freely available guinea pigs.

One of the most frightening areas to contemplate is Artificial Intelligence or "AI."

Kudos to Elon Musk for raising awareness of the risk with his comment about the very serious and significant dangers of AI towards the end of his recent MIT interview. [This video is well worth watching in its entirety: \(video\)](#)

[You can also watch this brief summary as an introduction. \(video\)](#)

AI can make critical systems accessible not only to a variety of unintended consequences, they can make them accessible to organized crime, destructive competitors or hackers as well as inter-dimensional forces.

The Trend: Transhumanism

If you have not already, then 2015 is the year you should familiarize yourself with transhumanism.

Globally, we have a begun a process where we are integrating machinery and man made technology into the human body. If you live in most areas of the world, including the G-7, you have been ingesting chemtrail spray that includes nano-particles (which may increase the impact of entrainment and subliminal on media and communication systems) and you have likely been eating GMO food that changes your DNA.

You and I are being reengineered physically with tiny machines and biotechnology. These machines being integrated inside our body can be directed by artificial intelligence as well as by other humans or inter-dimensional forces without our knowledge and consent.

Transhumanism is the ultimate in environmental pollution.

There are numerous books you can use to educate yourself about Transhumanism.

Good news, Jeroen Van Straten and his team (producers of the Breakthrough Energy and Secret Space Program conferences) are planning a conference on Transhumanism in the United States in 2015. Stay tuned.

One market related phenomenon to keep in mind is the financial performance over the last five years of the biotechnology stocks.

Technology that manipulates life at the root level is very valuable.

ARTIFICIAL INTELLIGENCE

- [Artificial Intelligence](#)

WIKIPEDIA ENTRIES

- [Transhumanism](#)
- [Biotechnology](#)
- [Nanotechnology](#)

TRANSHUMANISM BOOKS

- [Transhumanism: A Grimoire of Alchemical Agendas](#)
- [TransEvolution: The Coming Age of Human Deconstruction](#)



SOLARI REPORT

- Catherine Austin Fitts and Jon Rappaport: Singularity: Creating a Mind in 2013
- Dr. Nick Begich on HAARP
- A Solari Report Special with Clifford Carnicom

SOLARI BLOG POSTS

- Many Interacting Worlds theory: Scientists propose existence and interaction of parallel worlds
- 2 Futures Can Explain Time's Mysterious Past

WIKIPEDIA ENTRY

- Wicked Problem

#9 PARALLEL UNIVERSES- WICKED PROBLEMS

The Story: Physicists Prove Parallel Universes

New scientific knowledge and technology changes investment models and pricing. The introduction of the car, for example, disrupted the valuation of buggy whip and carriage companies.

Watching financial markets each day means I think a lot about what new innovation will do to valuations. What will breakthrough energy do to the valuations of oil and gas companies? Is the drop in oil prices explained entirely by the oil card or is solar energy and new battery technology about to achieve a tipping point in a manner that is impacting market valuations?

Existing economic and financial markets optimizations occur within a framework of consensus reality. That is one of the reasons why so much money is spent on inventing and creating consensus reality.

So while I am trying to get my mind around what is happening to oil and gas valuations, out pops an announcement that scientists believe they have been able to prove that parallel universes do exist.

Trying to develop and manage fundamental and technical analysis for investment and risk management in one universe is hard enough.

Imagine doing it when multiple universes are interacting in dynamic ways.

For an investment advisor, it's a wicked problem.

The Trend: Wicked Problems

Wikipedia defines a wicked problem as a problem that is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize. The use of term "wicked" here has come to denote resistance to resolution, rather than evil. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems.

We are dealing with a growing number of wicked problems, in part as a result of the suppression of knowledge both domestically and globally. It is one of the reasons I get so frustrated with disinformation. We need all our time to address real problems, not to lose more time on false maps that cause us to act in ways that are counter to our own best interests.

Several wicked problems I fret about are how the governance system works on planet earth, how to evolve the planetary investment and financial models (big and small) and how to reduce environmental pollution, including from Fukushima.

#10 OBAMACARE—THE DEMOGRAPHIC DERBY

The Story: The Tea Party Fails to Stop Obamacare

I commented recently on the blog on the failure of the Republicans to stop Obamacare. There is a reason. I am republishing my commentary comments here:

I don't understand why the media keeps saying that Obamacare is not working and has not been good for the Democrats.

Obamacare was signed into law on March 23, 2010 and affirmed by the Supreme Court on June 28, 2012

Between March 22, 2010 and June 27, 2012, the S&P and the following Health Care ETFs rose by the following percentages

- S&P 500 +14.2%
- Health Care Select SPDR (XLV) +15.5%
- iShares US Medical Devices (IHI) +41.4%
- iShares US HealthCare Providers (IHF) +20.1%
- iShares US Pharmaceuticals (IHE) +10.9%

- iShares Nasdaq Biotechnology (IBB) +40.9%

From June 27, 2012 to date, the S&P and these same Health Care ETF's rose by the following percentages:

- S&P 500 +53.1%
- Health Care Select SPDR (XLV) +87.27%
- iShares US Medical Devices (IHI) +76.31%
- iShares US HealthCare Providers (IHF) +79.7%
- iShares US Pharmaceuticals (IHE) +79.5%
- iShares Nasdaq Biotechnology (IBB) +145.0%

As the single largest source of campaign contributions is capital gains, it looks to me like the Democrats should be in fine shape. Certainly, it is easy to see why the Republican house members who tried to stop Obamacare got their heads handed to them.

The Trend: The Demographic Derby

The G-7 population is aging. Indeed, the median age in the United States is young relative to other members such as Japan and Germany.

If you look at the underfunding of pension

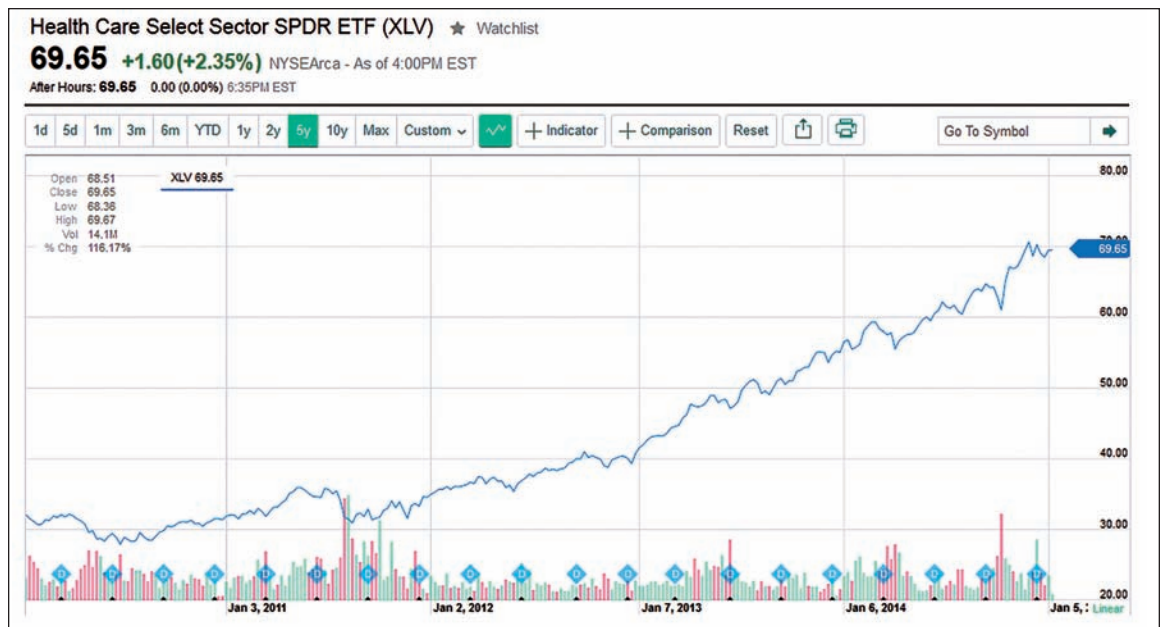
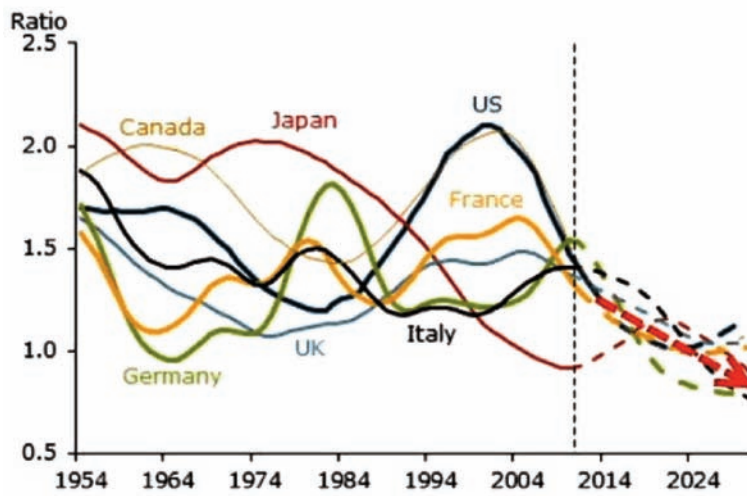




Figure 1
Aging populations in industrialized countries



Source: Haver, United Nations. Dashed lines are UN projections.

have been spoiled. We were an attractor in the largest consumer market in the world. We have been a source of capital for multinational corporations and the US government as we saved—through banks, brokerage accounts, pension plans and the Social Security System. Our consumption is now reduced by age. We are no longer the star consumer as

funds, social security and household retirement savings, the greatest potential financial challenge is likely to be health care. That is why the US government has made so much effort to create a legal and regulatory framework to manage exploding Medicare and Medicaid expenses as the baby boomers retire and to do so in a manner that will ensure profits for health care and insurance companies.

One aspect of this change is that health care records will be digitized, permitting software and IT companies to reengineer more than \$1 trillion of labor costs out of health care costs. We can take our medical tests using an app from home.

Another aspect is that the quality of health care for the wealthy is improving dramatically with biotechnology that keeps one young and energetic, but the quality and accessibility of health care to the general population in North America is deteriorating.

Statistics in the emerging markets indicate that for most people it is improving commensurate with the general rebalancing of the global economy.

The aging of the baby boomers is delivering a few cultural shocks to the boomer group. We

the middle class grows in the emerging markets and the number of online global consumers grows. Perhaps most significant, our need to withdraw assets from the retirement systems increases the pressure on the financial system—we are taking out instead of putting in.

What once attracted attention and support, now makes us financially expendable. This underscores the importance of aging boomers finding ways to serve and support the next generations and their community, even while feeling betrayed by “the system.”



PRIVATIZATION ARTICLE & BLOG POSTS

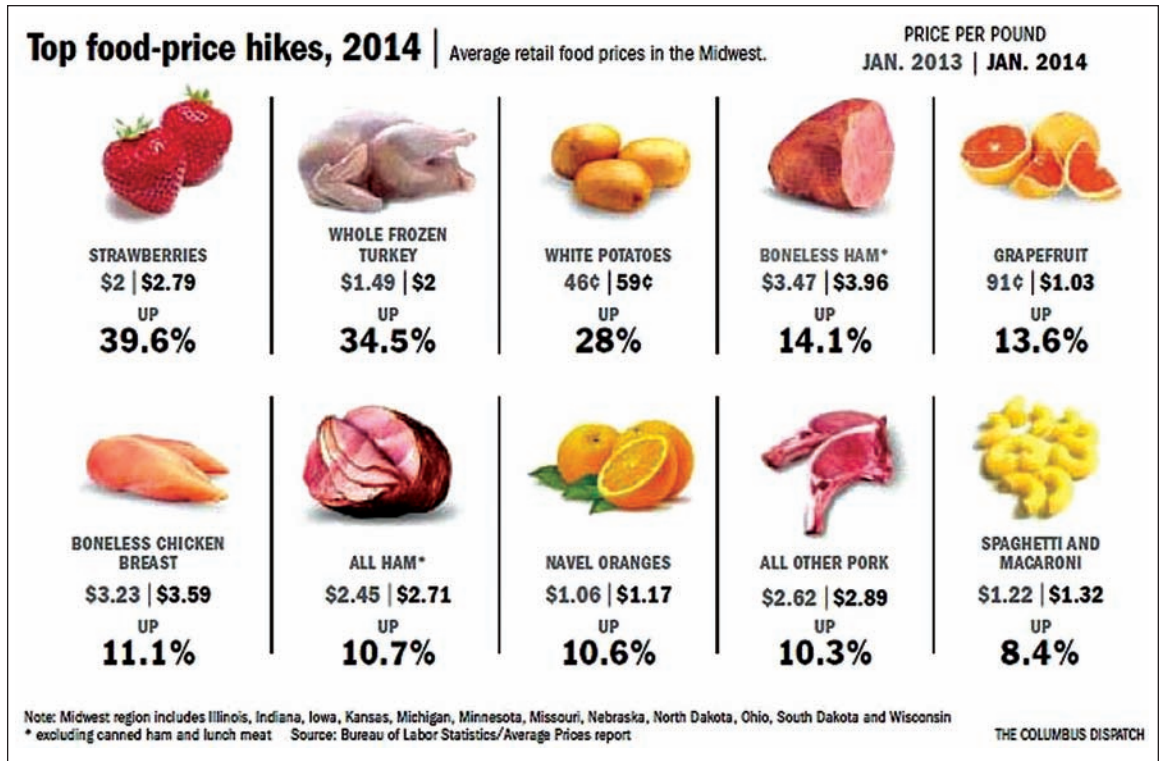
- Privatization: The 9 Trillion Sale
- The Big Shift
- Catherine's Latest Crowdfunding

PREVIOUS SOLARI REPORT WRAP UPS

- 2014 3rd Quarter
- 2014 2nd Quarter
- 2014 1st Quarter
- 2013 Annual Wrap Up
- 2013 3rd Quarter
- 2013 2nd Quarter p
- 2013 1st Quarter

OTHER YEAR-END REVIEWS

- [Kickstarter's 2014 in numbers \(My favorite\)](#)
- [Cornell Professor David Collum's year-in-review published at Peak Prosperity](#)
- [Wall Street Journal](#)
- [John Rubino's 2014 in Review: How Could Gold Bugs Have Been So Wrong?](#)
- [The Economist](#)
- [The Economist: Past and Future Tense](#)
- [The Guardian](#)
- [Social Media Wrap Ups \(lots of Shriek-o-Meter\)](#)



**#11 FOOD PRICES RISE—
FOOD & WATER GROW SCARCE**
The Story: Food Prices Rise

Since you shop for groceries, I don't need to tell you that food prices rose significantly during 2014. With the exception of coffee, most agricultural commodities went down in price. That is not what the retail customer felt.

The Trend: Food & Water Grow Scarce

I say this in every annual Wrap Up. The prices of quality fresh food and meats are likely to continue to rise in real terms in most areas of the developed world and accessibility is going to continue to be challenging in many areas. Please find ways to address this proactively:

- Plant orchards and edible landscapes
- Participate in a wholesale bulk buying club
- Raise chickens
- Join a CSA
- Finance a local aquaponics operation
- Join the local Weston Price club
- Subscribe to your local edible communities magazine

- Donate to the state and local officials who fight for and protect your food and health rights
- Support your local farmers markets
- Frequent restaurants and grocery stores that buy fresh from independent farmers

Do whatever is practical and works for you. Get ahead of this wave. It is going to keep on coming.

Water is also going to be an issue in many areas. If the drought in the West and Southwest areas of the US continue, we could begin to see population migration towards area with greater rainfall. I suspect consolidation of ownership and control of some of the world's most valuable farmland in California behind the scenes.

If you are buying a home in 2015, pay attention to local water systems and what you can do to ensure an independent, high quality water supply, including wells, rain catchment and graywater systems as well as designing your landscape (ideally edible) to work well with the natural amount of rainfall in your area. Depending on your area and local utilities, plan



on the possibility of inflation in your water bill or expense over time.

Remember, weird weather is upon us. Regardless of the cause, weather is likely to continue to get weirder for the foreseeable future. With weird weather comes serious disinformation. This year's most outrageous example was described in my review of Naomi Klein's new book *This Changes Everything*.



#12 HIGH SPEED TRAINS— THE INFRASTRUCTURE OPPORTUNITY

The Story: China proposes high-speed trains to Europe and to USA

One way to create employment, reduce environmental pollution and build greater independence and cooperation is to build infrastructure that achieves these goals.

No story in the infrastructure area was more inspiring this year than the Chinese proposal to build high speed trains to Europe and the USA. If they do, expect immigration into the G-7 to accelerate significantly.

The Trend: The Infrastructure Opportunity

The rebalancing of the global economy means that there is significant activity in the emerging markets that is shifting ahead of the infrastructure. Investment in infrastructure is desirable to address a healthier and more productive economy.

As liberal monetary actions scale back, infrastructure is one of the logical fiscal interventions that create employment and produce positive long term investment returns for both government and private investment. New technology is opening up what is possible. That is one of the reasons we are hearing so much about ideas like the "Internet of Things." The opportunity is to significantly improve the quality of life, particularly for dense urban populations, while significantly reducing the stress on natural resources and the environment.

What is important is to focus on the design and building of new and revitalized infrastructure as opposed to using capital to transfer government assets to private investment at below market valuations. Such transfers I describe as "Piratization." This would just be another windfall to shift assets into the equity markets in a manner that subsidize private investors at the expense of the general population and the common good.

A Round Of Wrap Ups

To prepare the top stories and trends, the Solari Team and I typically review everything we posted at the blog during the year as well as our quarterly wrap ups.

We also read numerous other year-end reviews. This year, I was struck by the shallowness of the data and the promotion of stories which I consider to be "op's" such as ISIS and Ebola in the United States.

BOOK REVIEW

- [This Does Not Change Everything](#)

DOCUMENTARY

[One of my favorite documentaries reminds us why infrastructure is so important:](#)

- [Seven Wonders of the Industrial World](#)

WIKIPEDIA ENTRIES

- [Infrastructure](#)
- [Megacities](#)
- [Autonomous Cars](#)
- [Internet of Things](#)

HIGH-SPEED RAIL LINKS

- [Trans-Asian Railway](#)
- [High-Speed Rail in China](#)
- [China is On Track to Build High-Speed Rail in Just About Every Corner of the World](#)
- [Chinese Experts 'In Discussions' Over Building High-Speed Beijing-US Railway](#)
- [Go West, Young Han: How China and The New Silk Road Threaten American Imperialism](#)

V. Financial Markets Roundup



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‘Markets go up and down. I really don’t worry about it very much.’—US Secretary of the Treasury Nicholas Brady, 1988 (Personally, very wealthy)



*‘We’ve had Brady make several statements early on that have not given the indication that he recognizes or has the judgement to understand that he has a profound impact on the marketplace.’
—A New York Banker, 1988 (Still trying to build his fortune).*



The following charts are reviewed in my audio comments for the Financial Market Round Up.

Let's start with an overview of performance in the financial and commodities markets last year.

Index	12/31/2013	12/31/2014	% Change
S&P 500	1,848.36	2,058.90	11.39%
DJIA	16,576.66	17,823.07	7.52%
Russell 2000 (IWM)	113.88	119.62	5.04%
MSCI EAFE (EFA)	64.86	60.84	-9.33%
MSCI Emerg. Mkts (EEM)	40.88	39.29	-3.89%
Barclays Agg Bond (AGG)	103.89	110.12	6.00%
Barclays H/Y Bond (JNK)	38.32	38.61	0.76%
TLT	98.91	125.92	27.31%
IEF	97.18	105.99	9.07%
Gold (oz.)	1,204.50	1,206.00	0.12%
Silver (oz.)	19.50	15.97	-18.10%
US Dollar Index	80.04	90.28	12.79%
Commodities-Reuters/Jeffries CRB Index - \$CRB	280.17	229.96	-17.92%
Baltic Dry Index	2,277.00	782.00	-65.66%
10 Year Treasury Yield Index - \$TNX	3.03	2.17	-28.38%
30 Year Treasury Yield Index - \$TYX	3.96	2.75	-30.56%

**SOLARI REPORT
TRANSCRIPT**

- Last Year's Annual Wrap Up Transcript

US Dollar Index

I said in September that the US Dollar Index was the indicator to watch. That turned out to be true. The rise of the dollar from late June on was relentless.



SOLARI BLOG POSTS

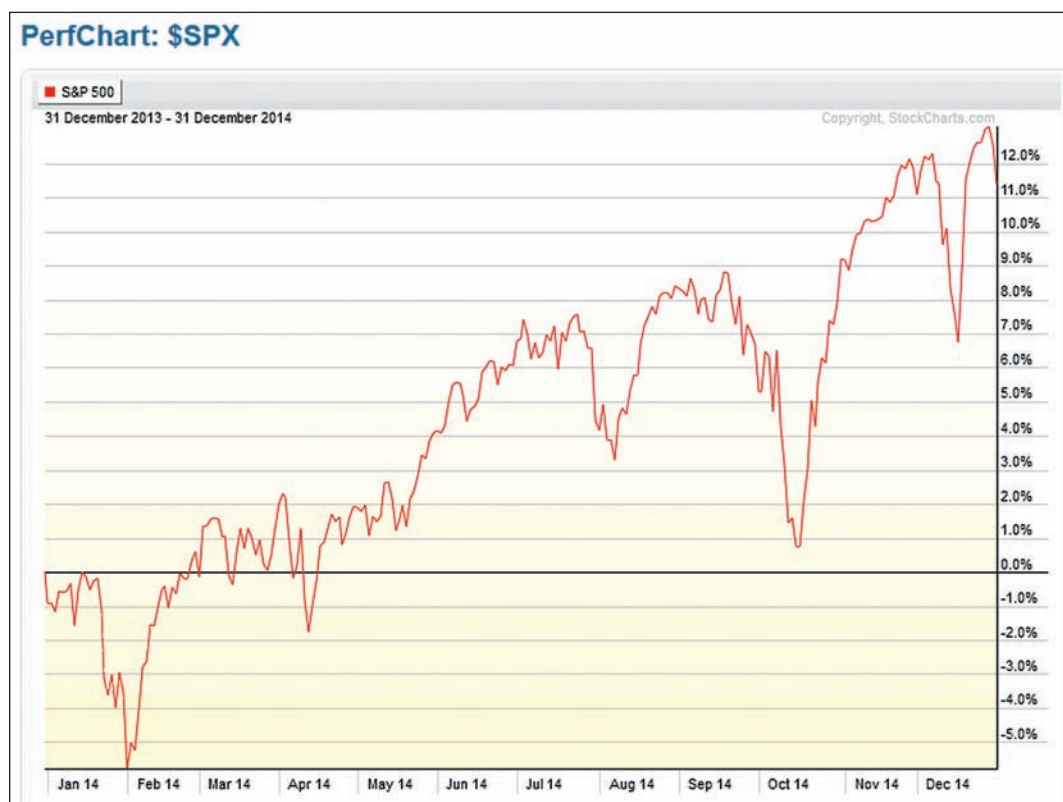
- Watch the US Dollar Index
- US Dollar Index is Rising





Equities

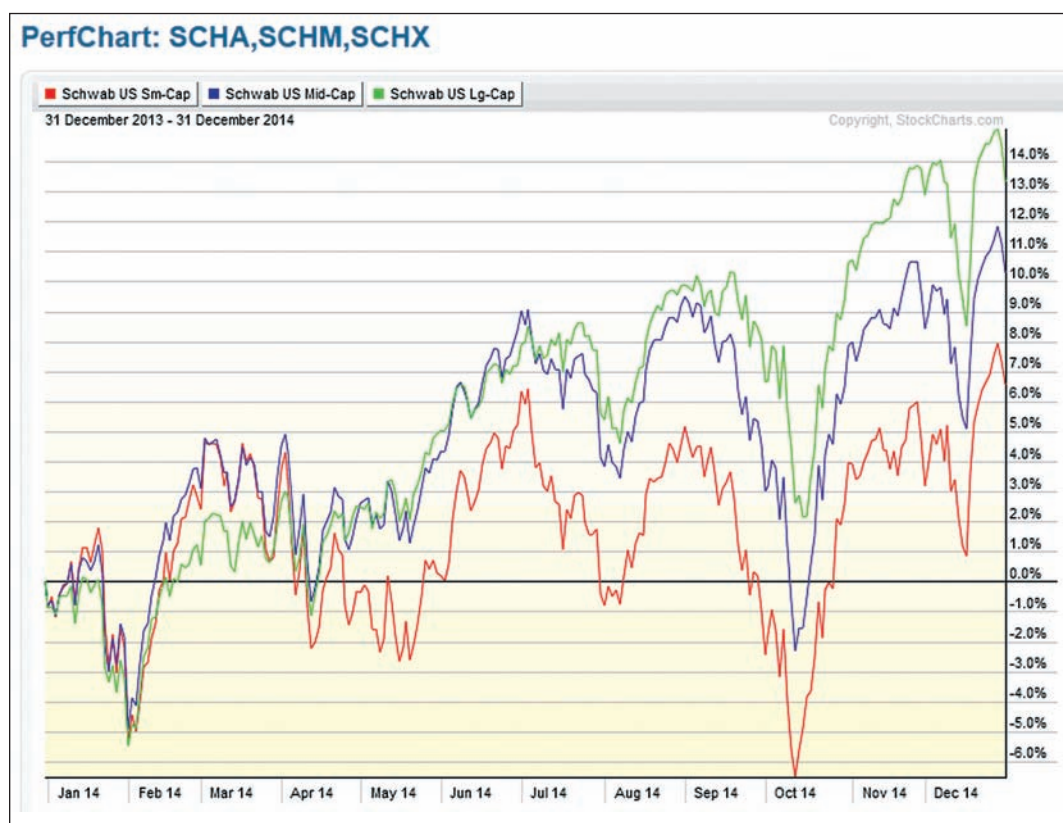
The US equity markets continued to be strong—albeit no where near as strong as 2013. The US equity market is significantly overdue for a 10-25% correction. It's hard to believe that we did not have a deep correction in 2014.



2014 SOLARI REPORT EQUITY OVERVIEWS

- [Equity Overview Report - Jan 30](#)
- [Equity Overview – May 8](#)
- [Megatrends with Jim Puplava](#)
- [Equity Overview – July 31](#)
- [Equity Overview – The Shift to Global 3.0](#)

The large cap companies lead the US markets in 2014.

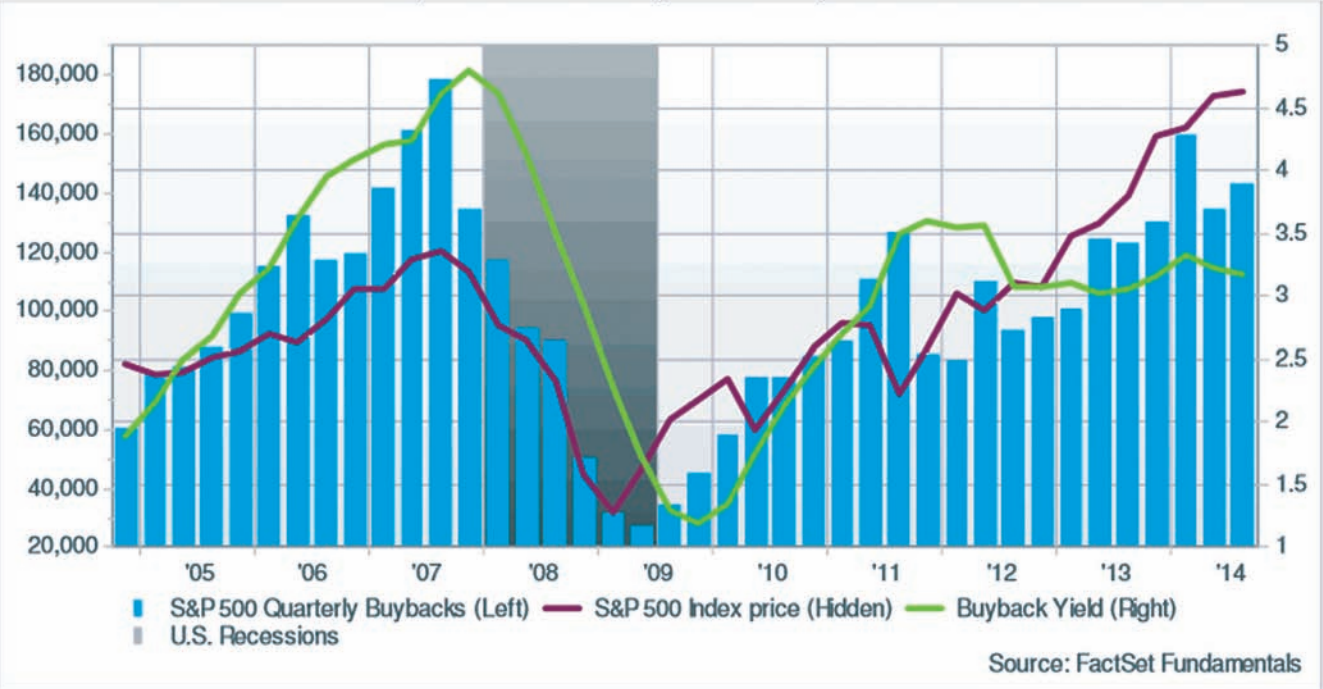


Of great concern looking ahead to 2015, is the extent to which corporate earnings have depended on financial engineering, as opposed to earnings growth. Share buybacks, including buybacks financed with debt, have contributed significantly to the earnings growth fueling US equities.

Quarterly Share Repurchases (\$M) and Buyback Yield (%)



Historical Buyback Yield with Buyback Activity and S&P 500 Price





“Looks like you’re feeling better.”



A review of Morningstar sectors show that healthcare was the strongest sector, followed by technology, utilities and real estate.

Choose a performance list

Stock Sectors: Total Returns (%)

Sector Name	5-Day	YTD	1-Month	3-Month	1-Year	3-Year	5-Year
Basic Materials	0.67	-5.17	-3.86	-5.81	-3.98	4.43	2.96
Communication Services	0.85	4.86	-3.17	-1.30	5.67	16.21	12.02
Consumer Cyclical	1.01	2.49	0.31	4.92	3.38	23.51	18.09
Consumer Defensive	1.00	7.87	-0.90	2.84	9.09	15.66	13.51
Energy	0.71	-6.74	-7.97	-14.88	-5.82	3.57	5.48
Financial Services	1.34	9.45	1.93	3.34	10.13	18.47	8.81
Healthcare	-0.74	21.24	-0.88	3.89	22.06	27.04	18.38
Industrials	1.03	7.20	-0.54	2.56	7.95	18.29	14.94
Real Estate	1.17	18.38	-0.28	5.93	18.48	15.61	12.52
Technology	1.52	19.15	0.29	4.35	20.04	22.94	15.41
Utilities	1.78	18.15	0.55	3.02	19.09	11.51	7.01

SOLARI BLOG POST

- The Stock Profits of Obamacare

PerfChart: IYR,\$SPX

Real Estate iShr S&P 500

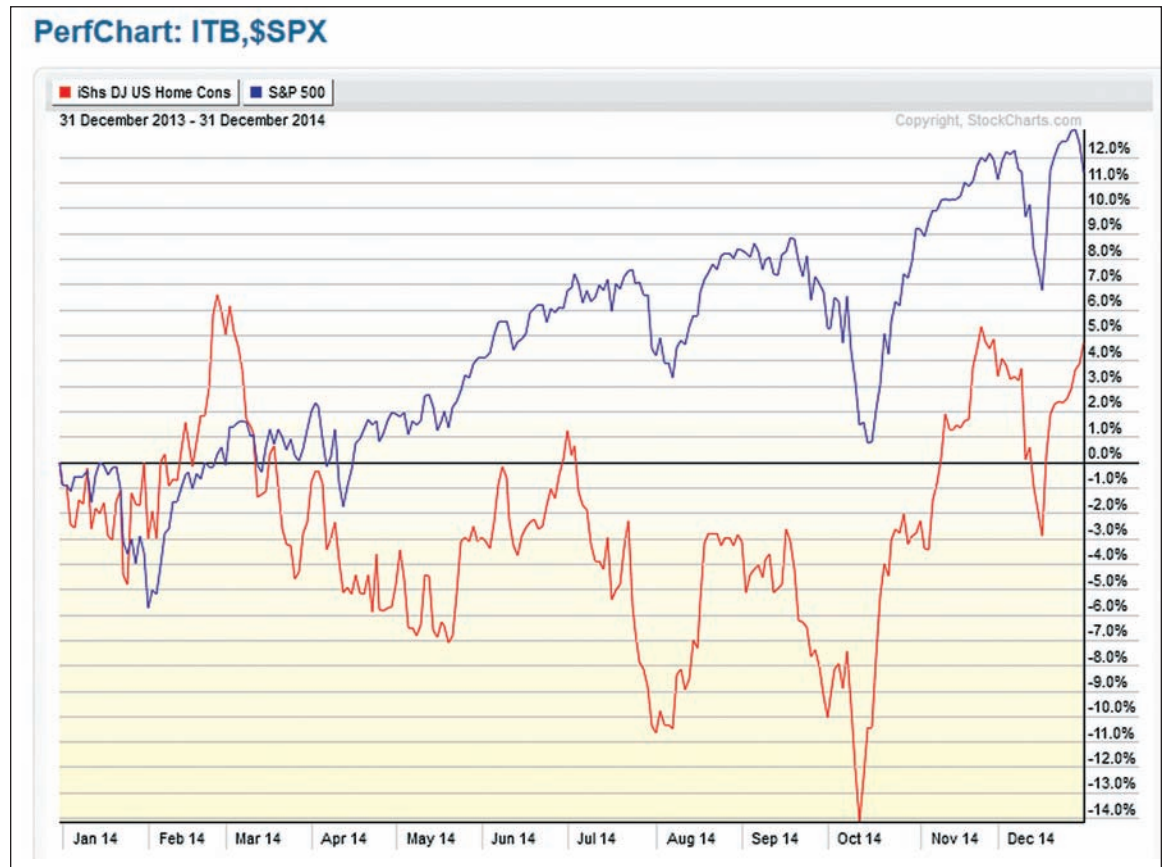
31 December 2013 - 31 December 2014

Copyright, StockCharts.com

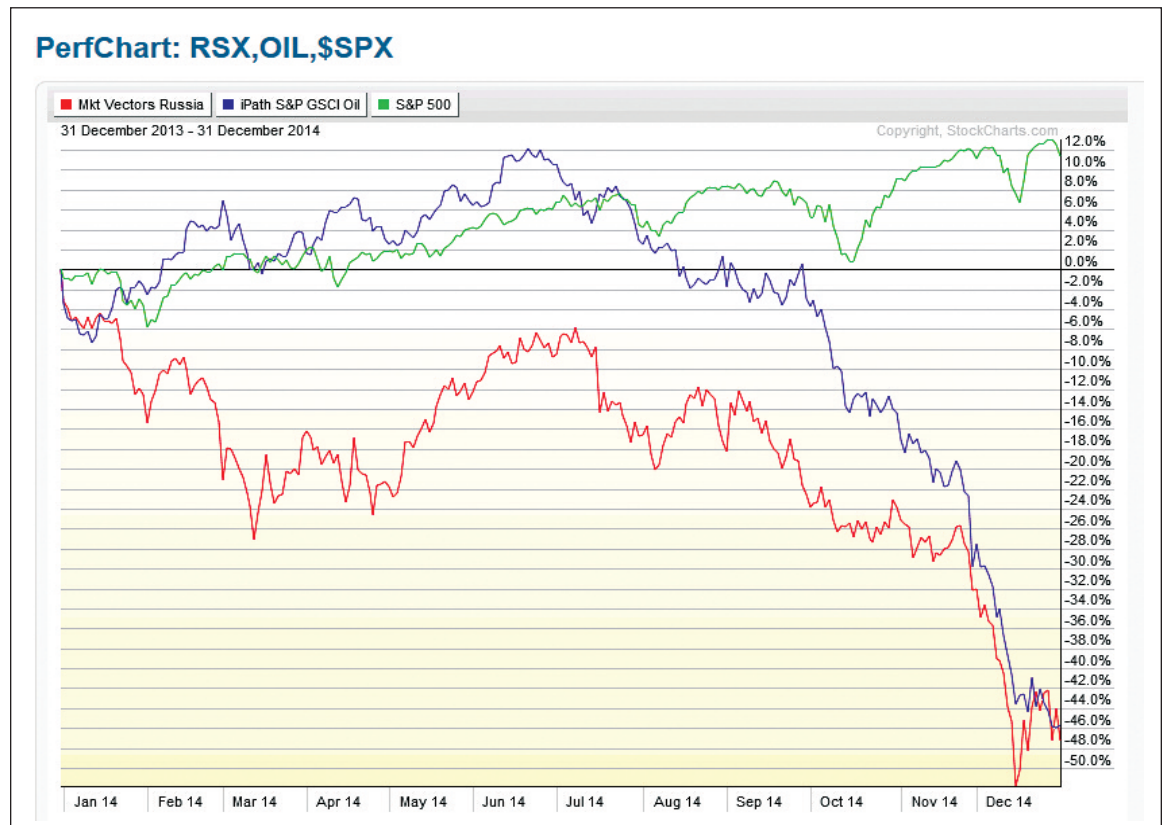


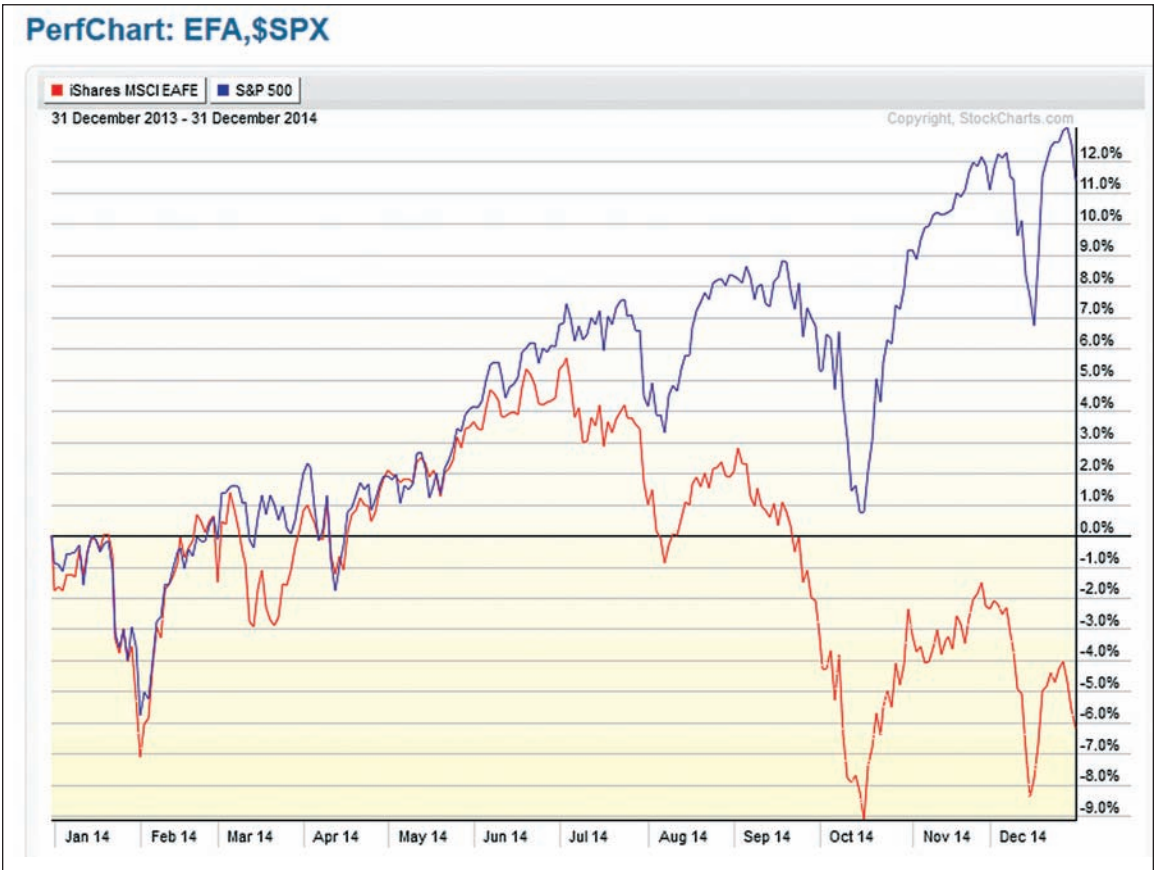


The homebuilders did not do as well as the domestic real estate REIT.



The most dramatic moves of the year resulted from Russian sanctions, the Oil Card and the subsequent drops in the stock price of oil and oil service companies as well as solar and renewables companies.

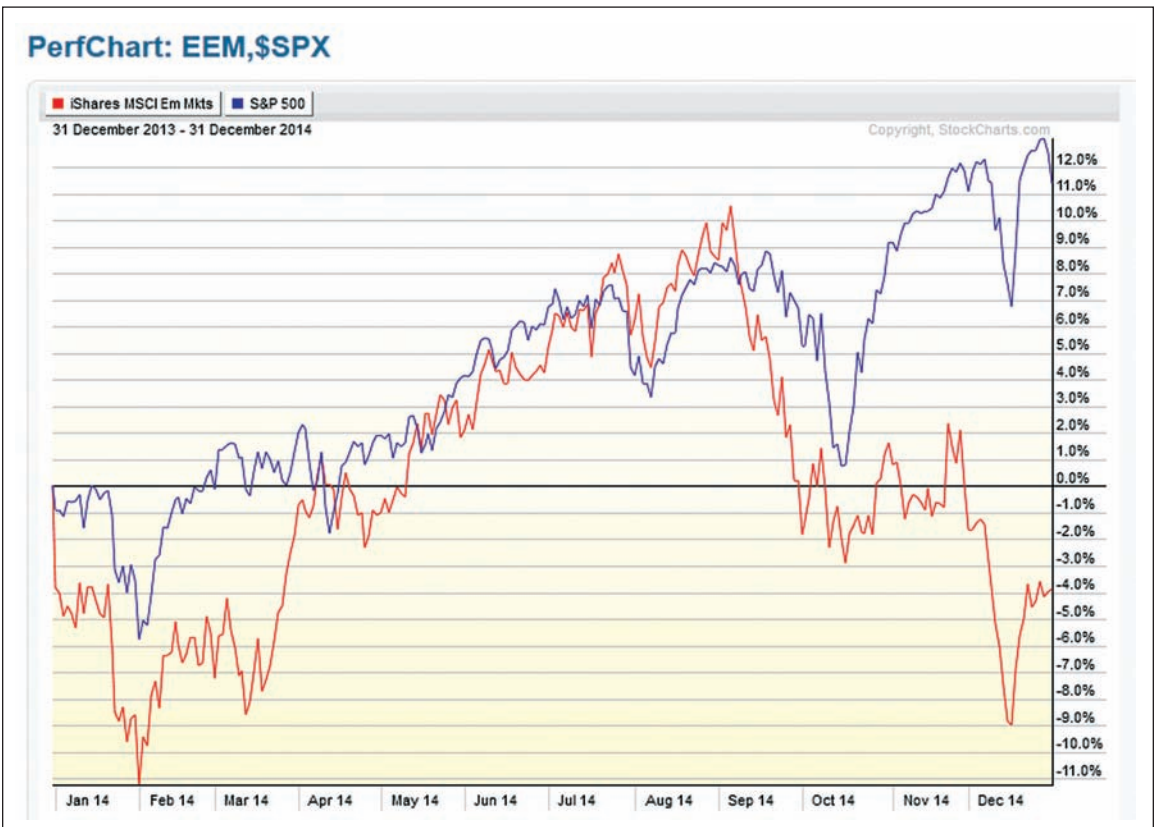




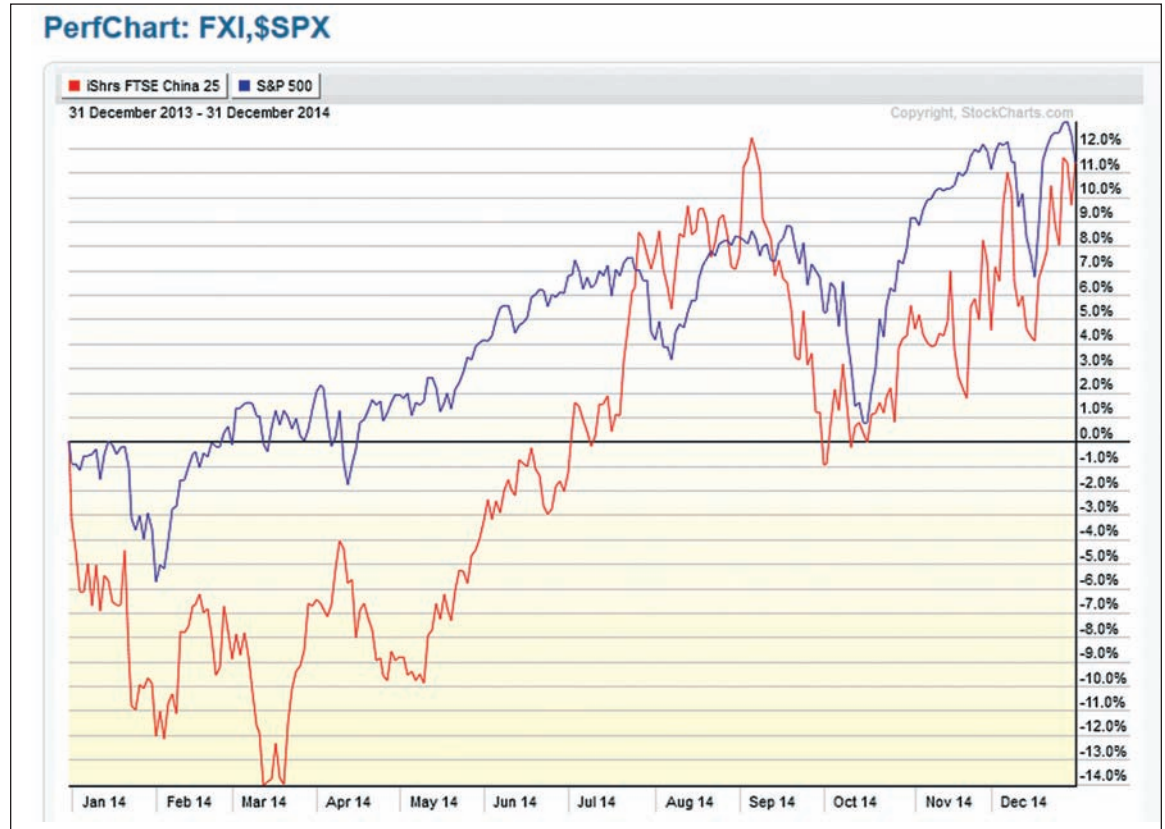
SOLARI REPORT

- The Oil Card – What's Next? Coping with austerity and Russian sanctions, Europe struggled.

The divergence between the emerging and US markets started to close and then reversed, with the emerging markets closing down for the year.



There were, of course, exceptions with Indian markets trading up after Modi's election and the China markets moving up as well after regulatory changes opened up the Chinese markets to foreign investors through a linkage with Hong Kong markets in the fall. Here are two charts on the China markets this year.



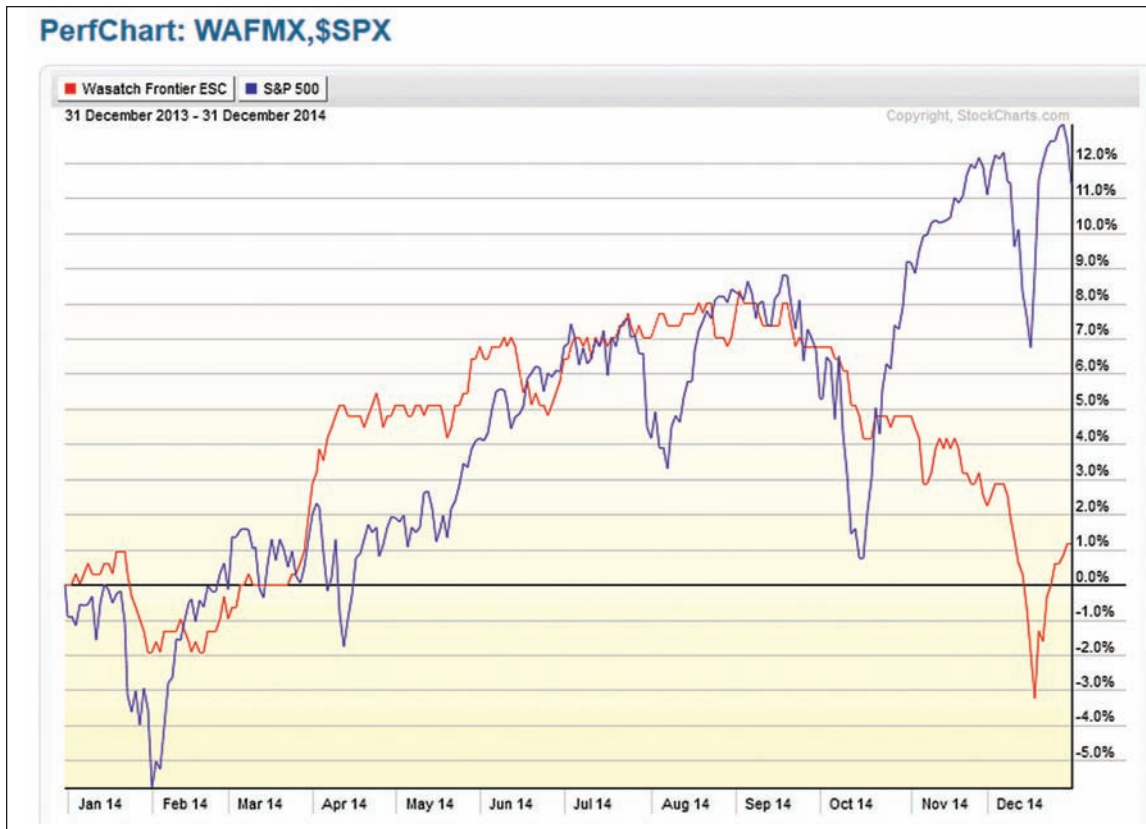
SOLARI REPORT

- Rebalancing the US-China Partnership





The frontier markets were flat for the year, outperforming the emerging markets and Europe.



ARTICLES

- Global Stock Market Valuations and Expected Future Returns

SOLARI BLOG POSTS

- Fitch Downgrades Argentina's Credit Rating Fearing 'Probable Default'
- Celent Report on Electronic Trading in US Corporate Bonds

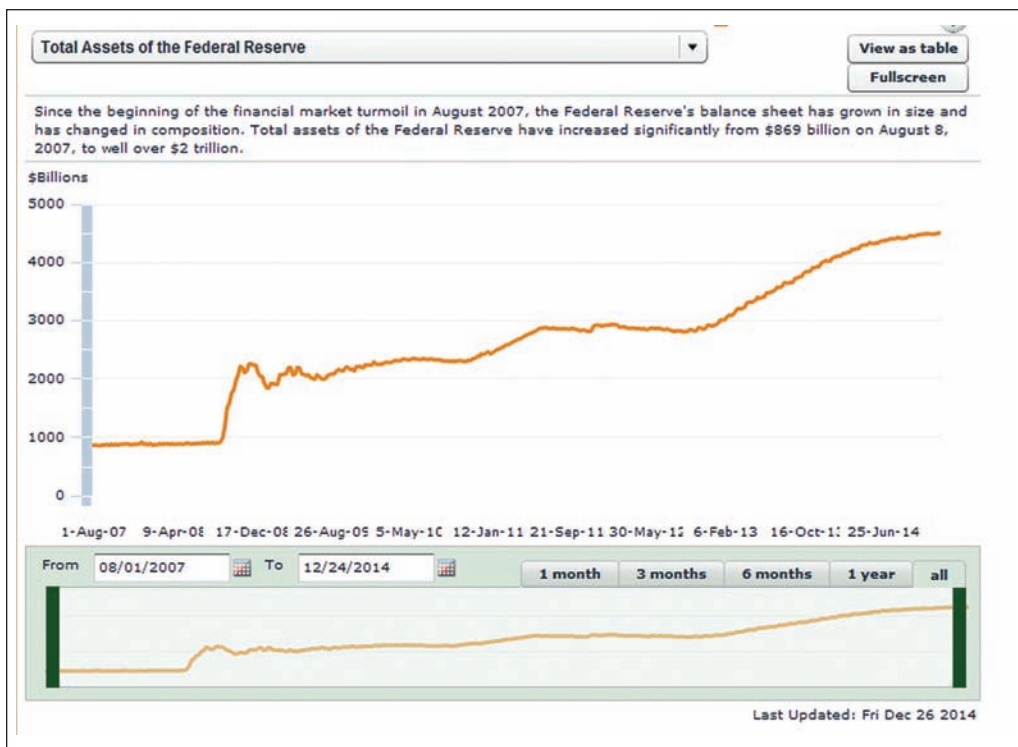
ARTICLES

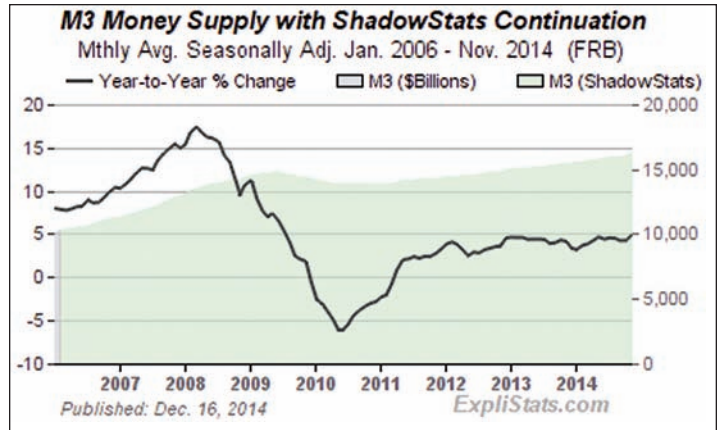
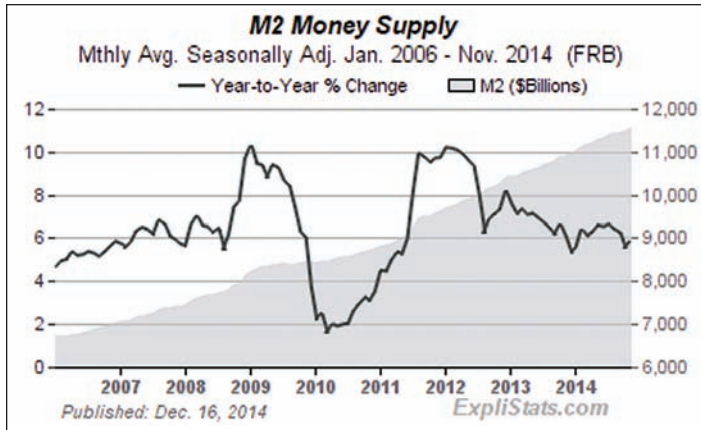
- Gross's Last Defiance Stuns Allianz, Pimco in Janus Move
- What will Franklin Templeton do on Ukraine?

Fixed Income

The big surprise this year came in the bond market as the long term bull in bonds kept roaring along. There was plenty of trouble with real legitimate concerns about liquidity and credit quality. Look for trouble in 2015.

The Fed finished tapering in 2014, but not before all of America had become central bank watchers.





Interest rates continued to fall in the Treasury market.
Can you believe it? I am still shaking my head.



Historical Treasury Rates

Choose a Maturity
30 YEAR NOMINAL

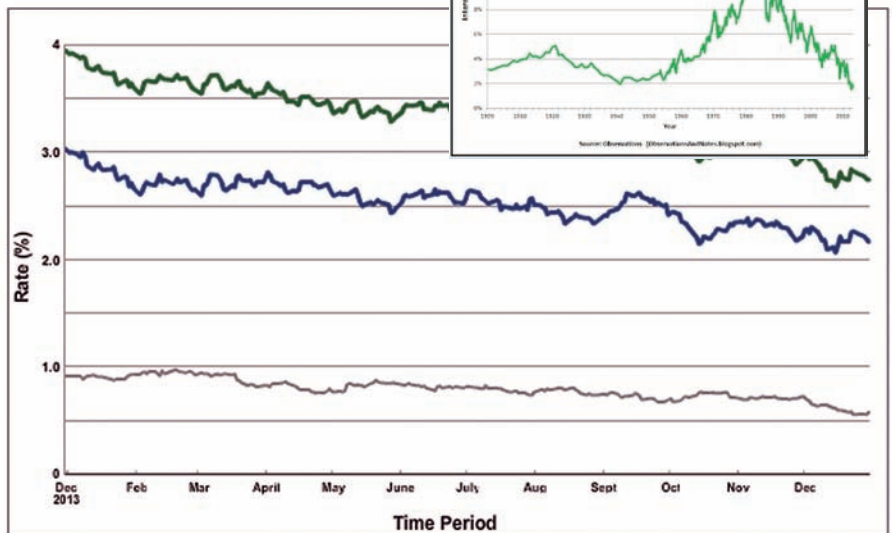
Select to compare

Choose Comparison
10 YEAR NOMINAL

Choose Date Range
2013 DEC 31
TO
2014 DEC 31

Update Chart Go

Key
30 YEAR NOMINAL —
10 YEAR NOMINAL —
DIFFERENCE* —



Historical Treasury Rates

Choose a Maturity
30 YEAR NOMINAL

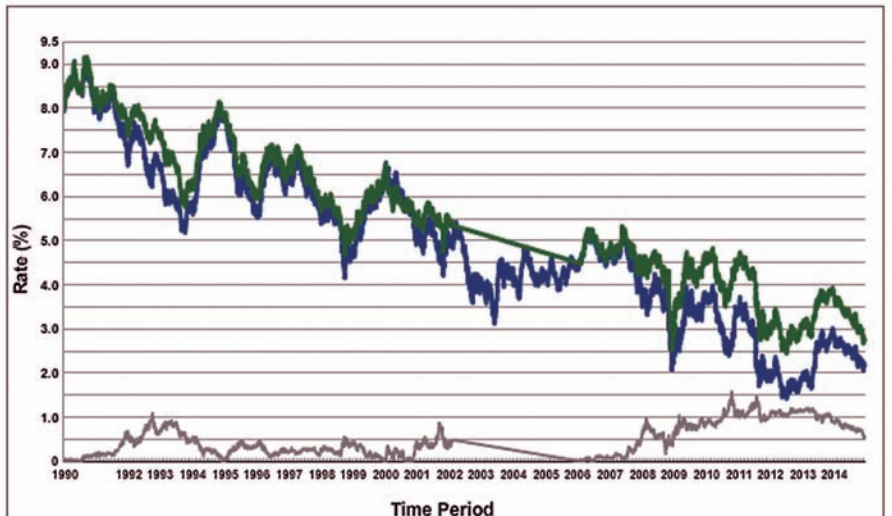
Select to compare

Choose Comparison
10 YEAR NOMINAL

Choose Date Range
1990 JAN 02
TO
2014 DEC 31

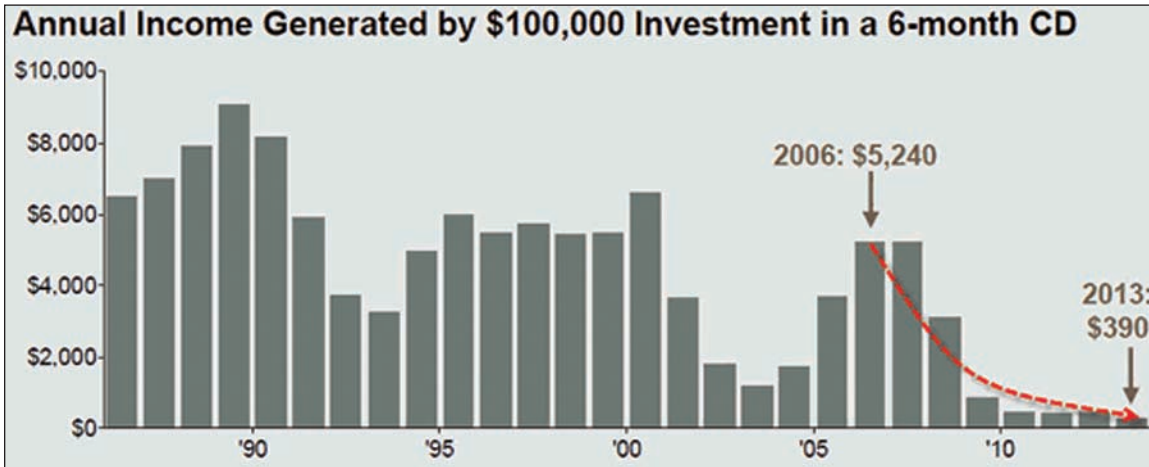
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30 YEAR NOMINAL —
10 YEAR NOMINAL —
DIFFERENCE* —



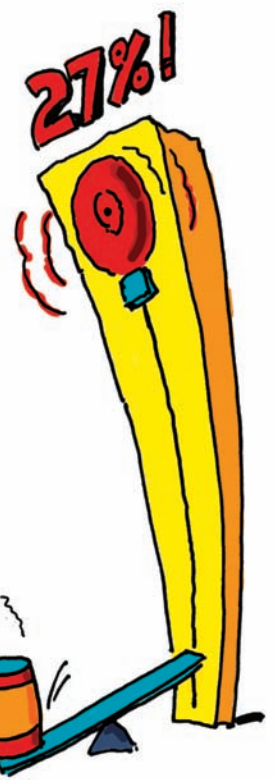
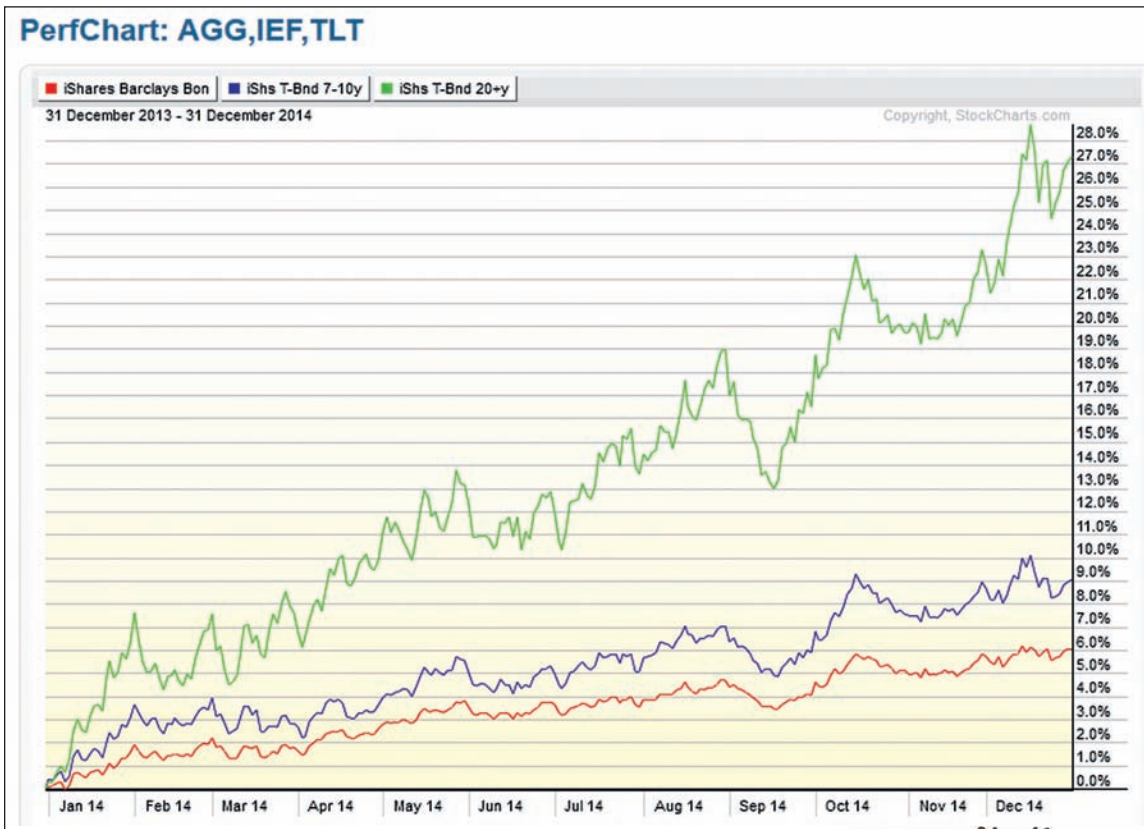


The result is that G-7 governments are financing at no cost while savers get decimated by not being able to achieve any return for their capital.



Source: <http://thepreservation-portfolio.com/?p=248>

Long treasuries were the star investment category for the year with the 20 Year Treasury ETF returning 27%.



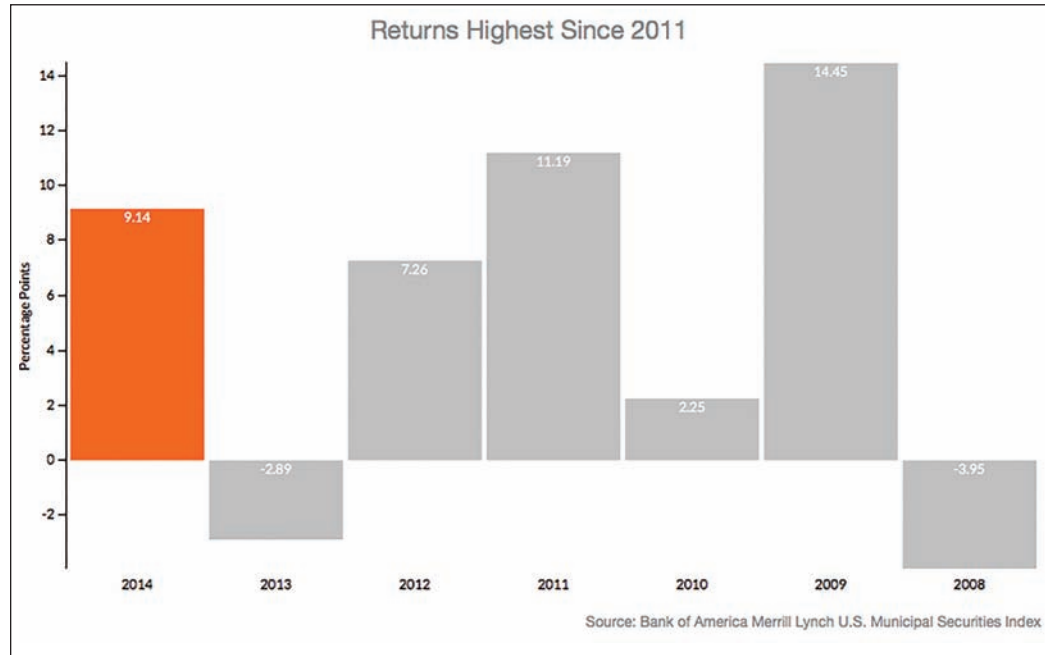
SOLARI REPORT

- **Municipal Market Overview with Joe Mysak**



Source: <http://www.bloomberg-briefs.com/municipal-markets/>

Because of legitimate concerns about credit issues and liquidity, the high-yield bond market did not do well. However, municipals had a solid year, with the best returns since 2011.



Commodities

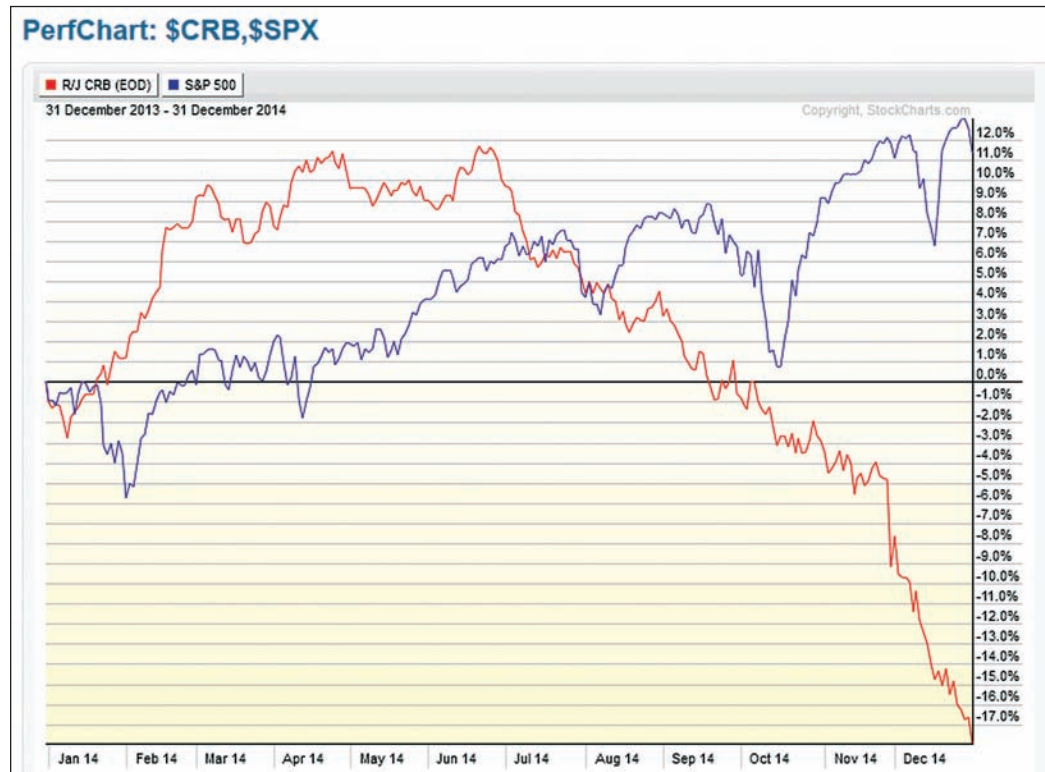
Commodities remained in the dog house, which contributed to G-7 corporate earnings and hurt the emerging markets. The drop in oil in the second half of the year was a significant contributor to drop in the CRB Index for the year.

SOLARI REPORT

- **Fed Taper and Commodities with Don Cox**

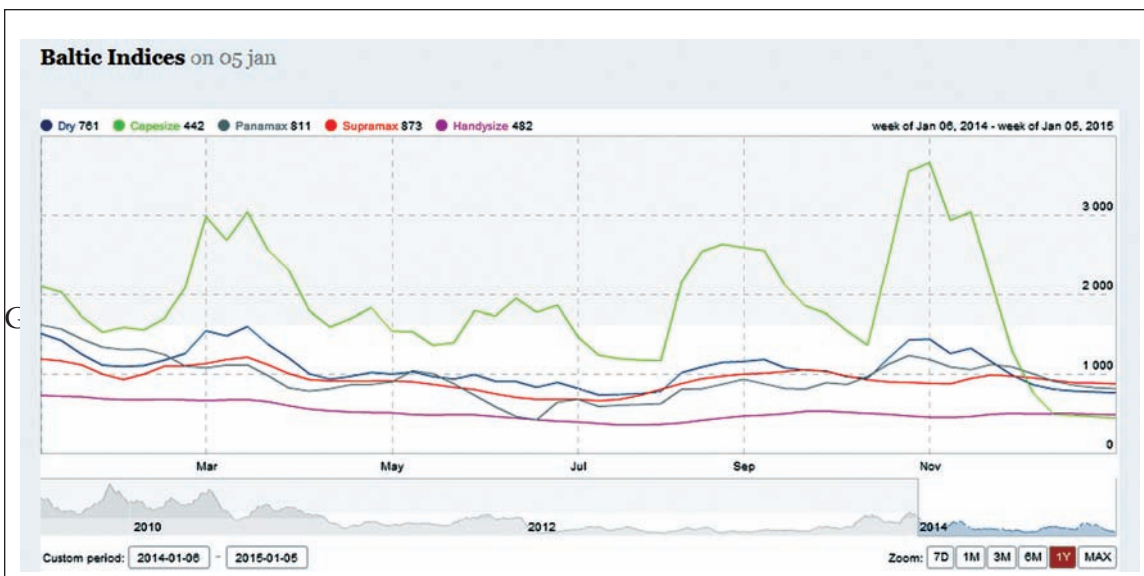
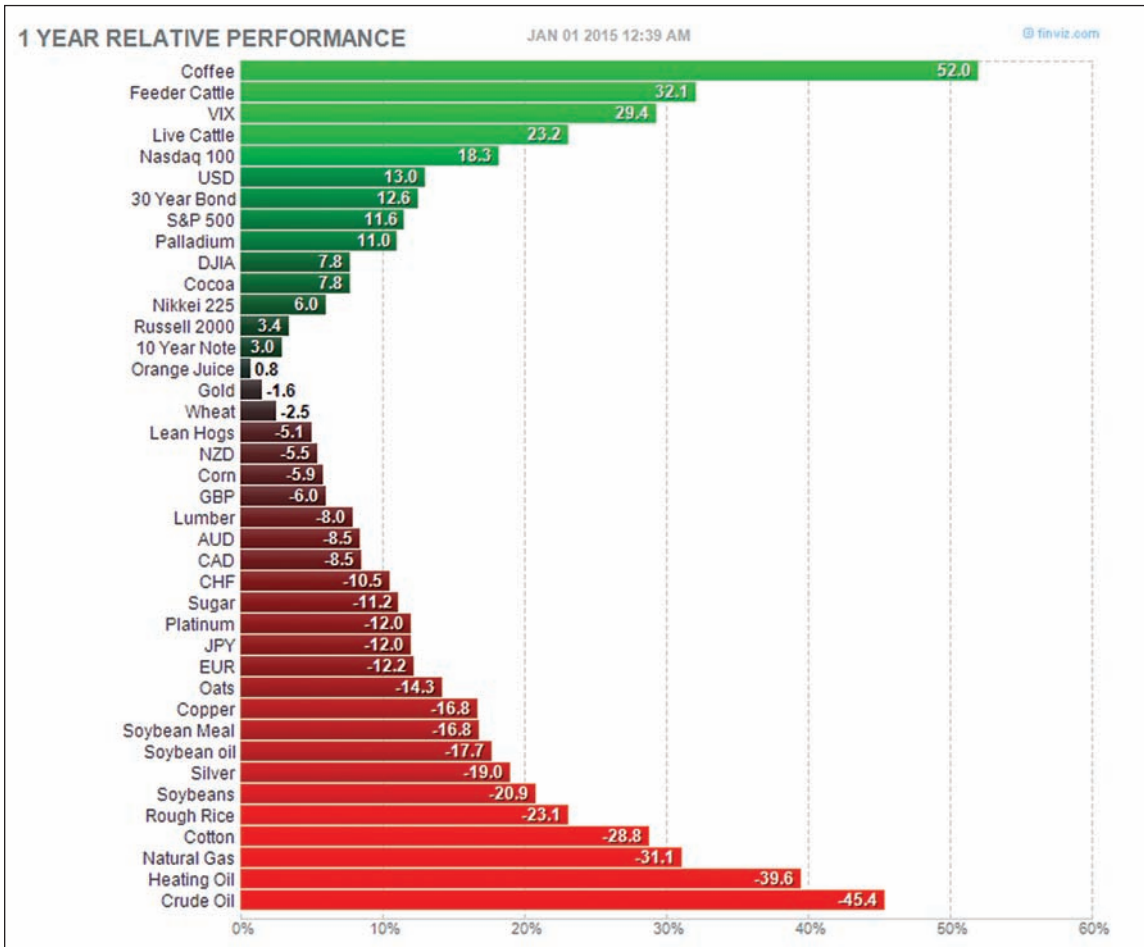


Source: Cox Advisors LLC & Cox Strategy Journal <http://coxadvisors.net/information/>





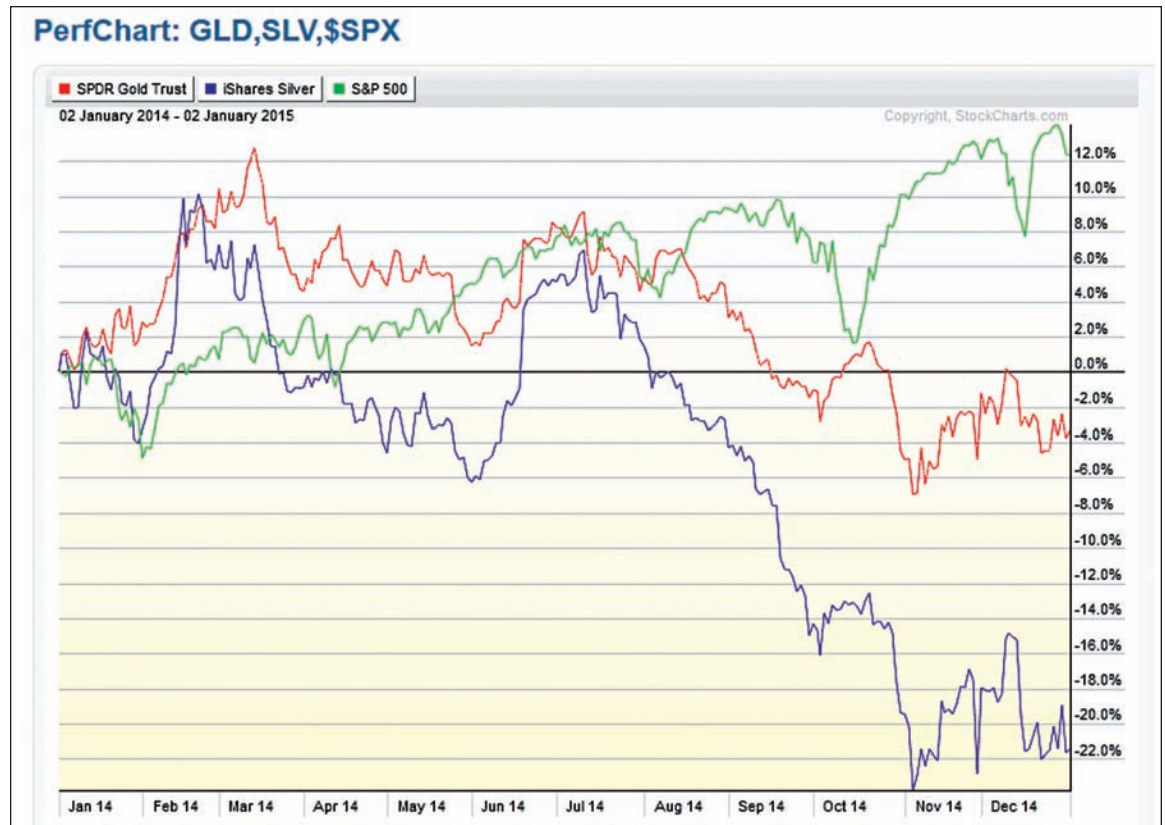
Here is a breakdown of a broad group of commodities futures markets. Coffee was up 52%. Cotton was down 28%. I live across the street from a cotton gin. Not a lot of excitement this year as there was no rush to get the cotton to market.



The Precious Metals were mixed in 2014

SOLARI REPORTS

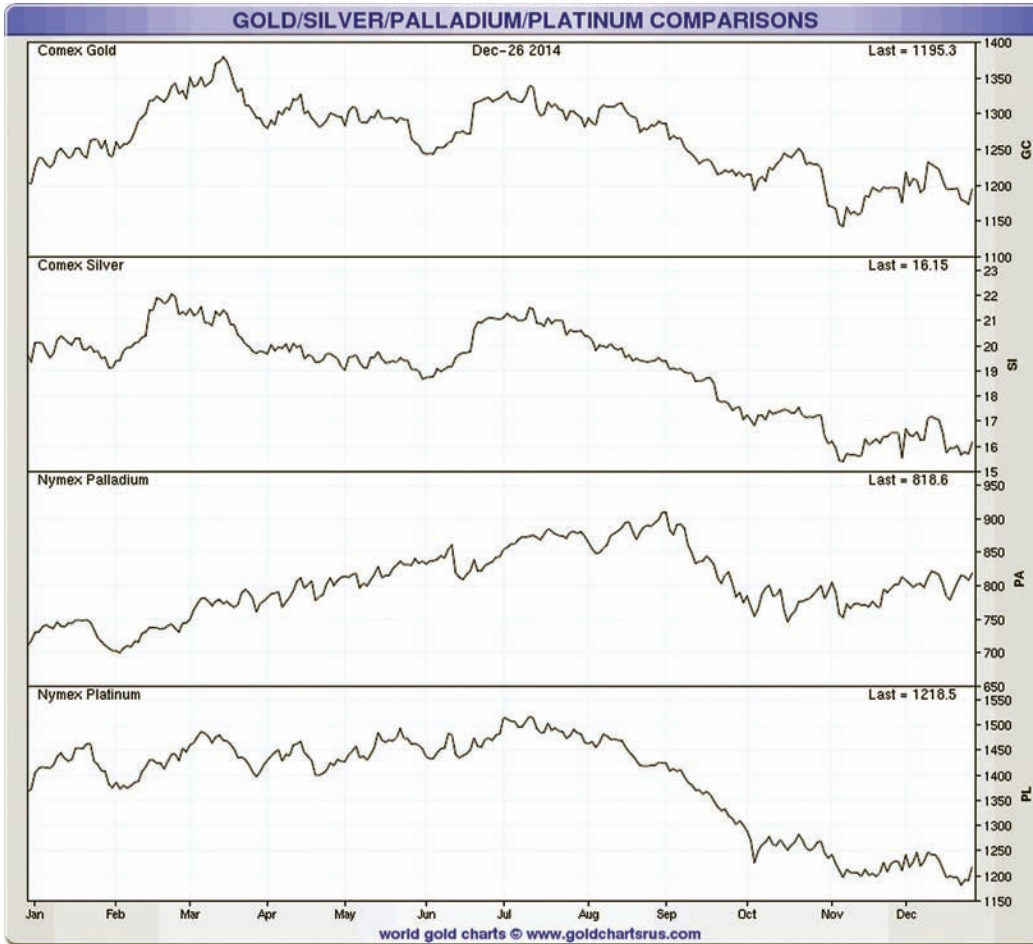
- What Percentage of my Assets Should I Hold in Precious Metals?
- Precious Metals Market Report – Special Report - 2014-01-09
- Precious Metals Market Report – 2014-04-10
- Precious Metals Market Report – 2014-08-14
- Precious Metals Market Report – 2014-12-11



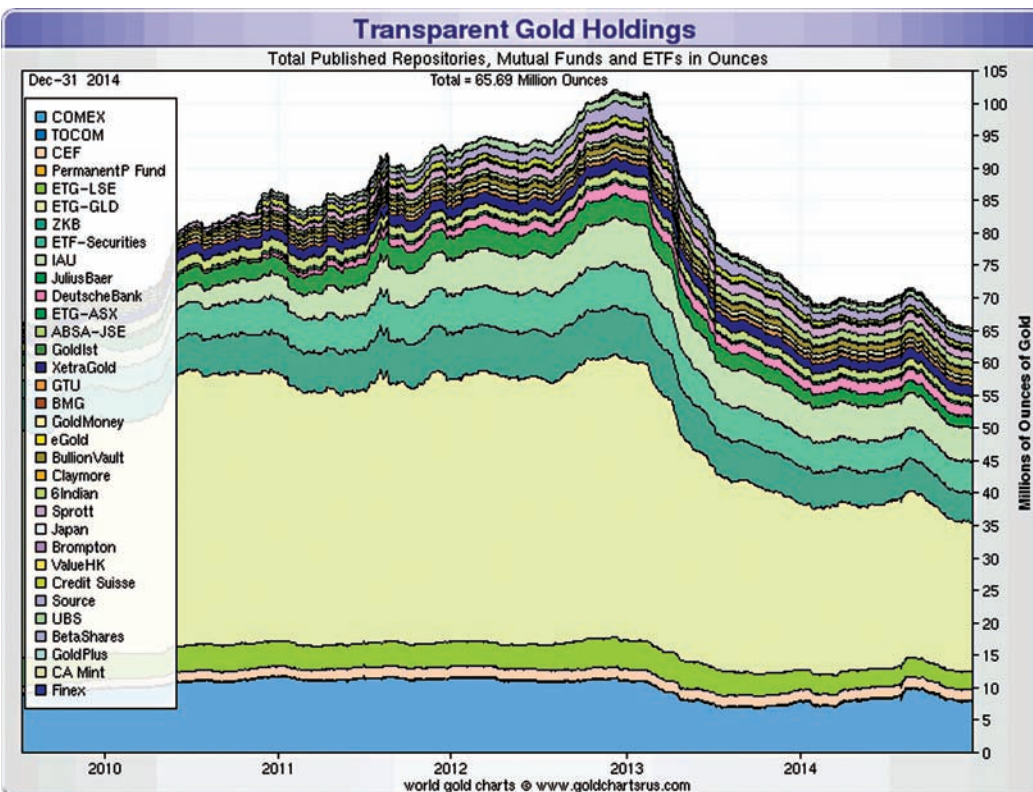
Gold perked up in the first half of the year and then closed down. Ditto for silver except its down was much deeper.

I had said in my special precious metals report last January that gold and silver would not offer an investment opportunity in 2014. That turned out to be correct. However, the support of the \$1,200 line by global physical buying was a good sign in support of a reassertion of the primary trend.





The great mystery of the last two years are the shrinking inventory of gold in GLD. Nothing illegal here, but the run up and sudden swap down with no explanation certainly feels fishy to me. Did someone do a very big trade?



More Foreign Buyers Enter US Housing Market in 2014

SOLARI REPORT

- Successful Homebuying with Dr. Gary W. Eldred



Housing and Real Estate

The housing market is strong in areas of Global 3.0 reinvestment as well as foreign purchases. Expect more flow of foreign capital into US real estate and farmland next year.

Sales of U.S. Real Estate to Foreign Buyers

By country of origin



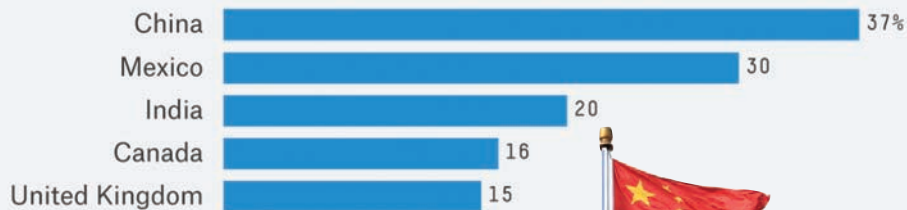
Source: National Association of Realtors

ARTICLES

- Chinese Spend \$22 Billion to Buy U.S. Residential Property
- Realtors encouraged to learn to speak Mandarin in California and Connecticut

Foreign Buyer Preference For Central City/Urban Real Estate

By country of origin, 2014 survey



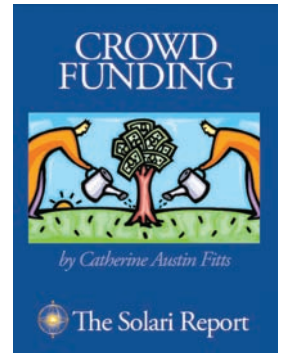
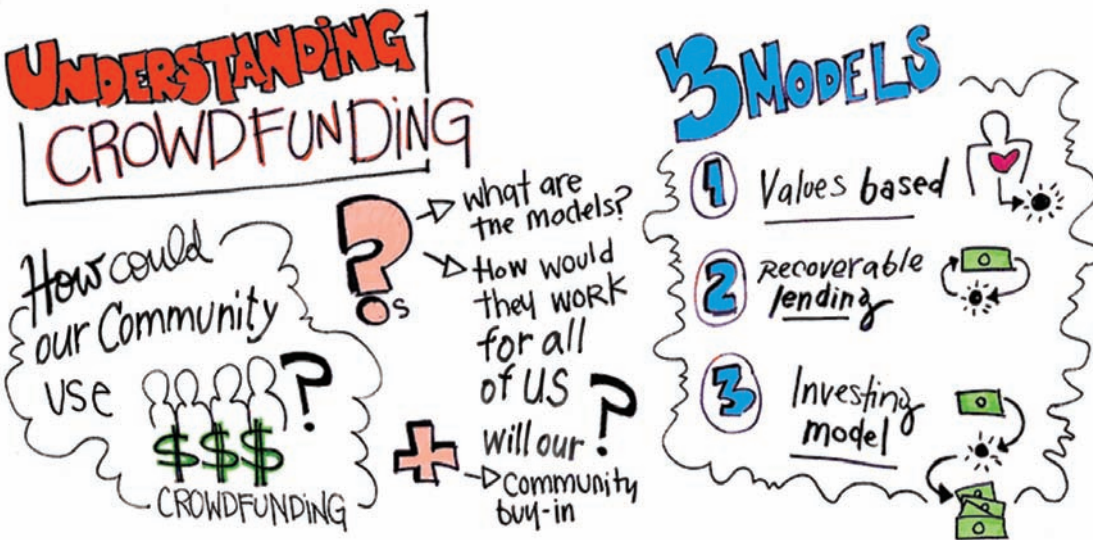
Source: National Association of Realtors





Private Equity

Private equity was very active in 2014 and, along with mergers and acquisitions, should be in 2015. The SEC continues to decline to promulgate regulations for the JOBS Act of 2012, consequently our latest reports are on state legislation to support the use of crowdfunding to sell securities.



Scenarios for 2015

For a discussion of my scenarios for 2015 and outlook for the financial and commodities markets, see the next section, 2015:

Get Ready, Get Ready, Get Ready!



SOLARI REPORTS & BLOG POSTS

- Special Solari Report: In-State Equity Crowdfunding Offerings as an Alternative to Federal Jobs Act
- Special Solari Report: Jump Start Our Business Startups (JOBS) Act of 2012
- Crowdfunding, What It Means To You
- Coming Clean: Does Crowdfunding Ease the Way?
- Successful Kickstarter with Karen Diggs
- Crowdfunding: Growing Fresh Food Entrepreneurs

VI. 2015: Get Ready, Get Ready, Get Ready!





This is going to be a hard year for many and an amazing year for some. Creative destruction will be growing in the economy as Global 3.0 rises and the unraveling and reorganization of the global political order continues.

Once you have had a chance to digest the insights in the first five parts of this Wrap Up, here are some suggestions to energize your path forward.

1. DO A BACKCASTING

A backcasting is a planning approach in which a desirable future is created. Then planning works backwards from the future to identify the actions that connect it to the present. You define how you successfully achieved your goals, inspired by the assumption that you will succeed.

While a map of the world around you is invaluable, the most valuable asset you can have is a coherent picture of your purpose and how you will live the life you wish to create.

The flow of news around us is depressing. The number of people around us who are uncivil or who will waste our time is growing. The right vision attracts—and that attraction is more powerful than the negative things happening.

I found doing a backcasting this year to be invaluable, particularly when I held myself to the standard of a vision for my life that was “free and inspired.” Ultimately, it helped me refresh and reaffirm my existing purpose. To do so, I reduced my commitments so I could focus on producing the Solari Report and serving my investment advisory clients.

For some inspiration, check out Jon Rappaport’s presentation at the Secret Space Program, the audio presentations for the Free & Inspired Workshop and the Solari Report with Jon “2015: Free & Inspired” which we will publish on January 22nd.



“If we can’t find the way forward, let’s find the way back.”

2. SCENARIO PLANNING, PLEASE!

The future emerges in an organic process. We have insufficient information about what is happening and why. In such an uncertain environment, it is essential to keep an open mind about what might happen. Expect the unexpected. Despite what goes wrong, remain willing for the positive to emerge.

For managing my time and money, I use scenarios with estimates of probabilities. (See our Building Wealth collection for more on scenario design).

Ignore gurus and “insiders” with highly specific predictions of the future. Predicting the future is prophecy. There is no more dangerous approach than getting locked into a fixed view of the future. Use planning time to explore primary trends and multiple future scenarios. Prepare emotionally and mentally for a variety of feasible scenarios to come true. Within the resources you have available, prepare financially, too. Identify the opportunities and risks in all of your reasonable scenarios. Think about wildcards.

LINKS

- [Backcasting](#)
- [The Secret Space Program: For Solari Subscribers](#)
- [Workshop Report: How do I Live a Free & Inspired Life?](#)

LINKS

- [The Slow Burn](#)
- [Lorre Explains the Slow Burn](#)

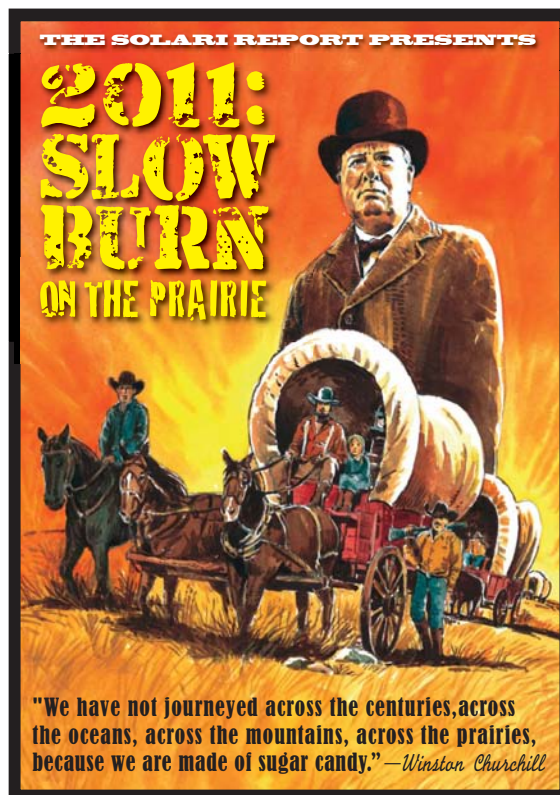
This permits you to respond opportunistically as events in the world and markets evolve. You understand the primary trends. You understand what indicators to watch and why.

My scenarios for 2015 are as follows:

Slow Burn:

In last year's Wrap Up, I said the probability of the slow burn continuing in 2014 was 80%. That is what happened.

This year I am breaking the slow burn into two scenarios. Geopolitical tensions have increased the chances of hiccups in the financial markets. Those hiccups are more likely to provide investment opportunities than losses for investors who stick with the primary trends. However, that will require a long-term perspective—something I hope this Annual Wrap Up helps to provide.



The Volatile & Violent Slow Burn:

The fights over natural resources are growing. Increased covert economic warfare is getting nastier. In this environment, powerful players are way too volatile and violent for life to feel like the slow burn of the last decade. Compounding the volatility, creative destruction is dramatically eroding the value of some companies while producing huge values on others overnight. (Uber, anyone?)

Be prepared for the US Dollar Index to rise by another 10%-25%, putting numerous global dollar borrowers over a barrel. If the Fed raises interest rates, the pressures in the bond market will be extraordinary with liquidity problems and rising defaults (there is a reason why Bill Gross ran away from home, spewing justifications as he ditched the risks of managing the largest bond fund in the world).

The implosion of systems, operations and people around us as the cash flows shift out of Global 2.0 have the potential to waste our time and create operational and financial risk if we are not careful. Example: you run Target and you are hacked—now you are crisis manager rather than building a profitable company.

Events will feel scary, but they will provide opportunities to shift assets into quality global equities as well as some commodities. Successfully defining quality will not be easy—because quality includes Global 3.0 skills and resources.

A lot could fall apart, starting with relationships in the European Union, the Ukraine and the US relationships with a variety of allies in NATO and around the world. US leadership will not inspire confidence at home or abroad. Americans will worry a lot about bank deposit insurance and the reliability of their pension funds and social security, but while individual



corporate and municipal pension funds may experience difficulty (Examples: American Airlines and Detroit) a widespread compromise is unlikely in 2015.

For 2015, I am assuming a 50% likelihood of a Volatile & Violent Slow Burn.

North American Renaissance Slow Burn:

In this scenario, energy self-sufficiency and rebuilding the industrial base in combination with its geographic advantages permit the United States to allow the global unraveling to work to its financial and economic advantage.

Violent covert operations may be engineering events around the world (killing journalists in Paris, downing airplanes leaving Malaysia, Ebola outbreaks in Africa) but these actions will be limited in North America.

Many consumers benefit from deflationary forces—low-cost imports, lower energy prices and continued low commodity prices which delay more price increases of essential goods and services. New technology will add enormous productivity—although the benefits will accrue to shareholders and labor will experience continued unemployment. Immigration will address shortages of skilled labor, replenish intellectual capital and keep the “demographic winter” at bay.

Divergence in the domestic economy will continue. The economy will be strong in areas enjoying Global 3.0 reinvestment and technology and weak elsewhere. The areas left behind will continue to live in an economic depression kept afloat by government subsidies.

US weaponry and military standing will make it possible for the US to manage the Treasury and the derivatives markets without serious public

incident. Where possible, the US government will use its relative financial security to ease up on the domestic and international lawlessness that has so seriously compromised its authority and image.

Financial repression will continue to ensure successful management of retirement liabilities. It will be offset by an endless series of media stories regarding:

- continued strength in the US stock markets (corporate profits will be protected despite the impact of a rising dollar on exports and reporting of foreign income),
- the accomplishments of American technology, and
- the success of young people and immigrants.

There will be no renaissance for the boomer generation and low income Americans. The squeeze will be relentless for those who do not adjust to the new environment. The targeting of low-income people will continue to support a shift of government subsidies and housing to support immigrants and to ensure continued Republican success at the polls.

One of the tensions in this scenario will be between, on one hand, the breakaway civilization and the hidden facilities and governmental operations financed with the black budget and, on the other hand, the overt economy. How will Congress reengineer the federal budget in the face of the secrecy? This is one of the reasons that the long-term continuation of the United States as a unified political entity will continue to be questioned during 2015, renaissance or no renaissance.

Finally, the economies of the US, Mexico and Canada will continue to integrate rapidly,

financed in part by expanding access to US street drug markets by the Mexican drug cartels.

For 2015, I give the North American Renaissance scenario a 40% chance.

While this scenario may feel safer to some, it presents fewer global investment opportunities than the volatile and violent slow burn – which is one of the reasons that volatile and violent is more likely to happen for now.

Don't be surprised if the areas in North America receiving 3.0 investments are in the North American Renaissance Slow Burn while everyone else feels that they are in the Volatile and Violent Slow Burn.

2008 Redux:

The financial coup is over and the majority of the civil and criminal liabilities have been extinguished. This has left a variety of investment interests in a very strong position. There is no reason why we would face a near collapse or collapse unless it is desired or the economic warfare gets out of hand. However, in that case, war is the likely scenario.

Figure a 1% chance of a repeat of the last financial crisis.



World War III or Environmental Disaster:

A globally devastating war is not in anyone's interest. Neither is an environmental disaster that could destroy the viability of a large part of the planet. However, the proliferation of weaponry and the tensions in a world where markets increasingly adjust through violence (banker deaths) rather than price means that a nuclear war or significant EMP attack could happen as unraveling accelerates. While I have no idea what the risks of devastating solar flares, space weather or weird weather are, the fact that there has been a trillion dollar global spraying program since the mid-90's has me concerned.

I give this scenario an 8% probability.

The significant investment in finding viable planets and colonizing Mars indicates that the G-7 leadership appreciates that an 8% chance over a sufficient number of years can grow into an unacceptable risk.

While the probabilities of war or global disaster are not high in 2015, the chances of an interruption in services in local areas is high (power outages, weird weather). So, don't laugh at the preppers. You want to have resiliency in your personal arrangements and disaster recovery plans for your home and business. Whether addressing disaster recovery, cyberhacking, fire and theft or increased regulatory enforcement, please keep excellent, multiple copies of your financial records.





Transformation:

A transformation in global spiritual and cultural consciousness could shift our entire outlook.

I give this scenario a 1% probability in 2015 but its likelihood will rise as the global unraveling of the current order continues.

Keep praying!

I encourage you to invent your own scenarios and welcome you to post at the blog.

How do these scenarios translate into expectations for the financial markets?



US Stock Market:

There is a good chance that the US stock market will continue to be strong, but it is unlikely to match the 2013-4 performance. Corporate profits are stretched thin, and P/E's have received significant support from buybacks and balance sheet engineering's. If the Fed raises interest rates this year, the US equity markets should not have a problem digesting them as long as the rise is gradual. A 10-25% correction is long overdue, so don't be surprised if it appears in 2015.

International Equity Markets:

Opportunities in the other G-7 and emerging markets will likely be spotty until the dollar reaches a top. At that point, there may be significant opportunities to shift to markets with lower P/E's and greater long term earnings and dividend growth potential.

Bank Deposits:

As a practical matter, I am not concerned about the viability of the FDIC system. I think the chances of interest rates rising sufficiently to give savers a reasonable return are still remote in 2015.

Housing:

In areas enjoying foreign investment or Global 3.0 investment, housing prices are going to continue to rise. Make sure you do not get shut out of the market by waiting if you want to own a home.



Precious Metals:

My comments are going to sound just like last year's January Precious Metals Report.

If the dollar rises, gold and silver will continue to be under pressure. If the gold price breaks below the \$1,100 line it could drop as low as \$700. That probably will not happen as physical demand in Asia and geopolitical instability has the gold pricing hugging a \$1,200 floor. This

ARTICLES

- [January 2014: Precious Metals Market Report](#)
- [What Percentage of My Assets Should I Hold in Precious Metals?](#)

physical demand is the reason why I believe the primary trend will reassert—but that could take a while. In the meantime, hold your core position but the chances of attractive investments in 2015 are currently small. If the volatile and violent slow burn gets violent enough, that could change.

3. ADDRESS THE RISKS

For those who live in the United States, we are managing serious risks that need to be addressed now on an ongoing basis. Each person's circumstance is different, so adjust accordingly. Some of these risks will translate to the other G-7 nations.



Education

The US K-12 public education system is not preparing your children to compete in a global marketplace. You need to make alternative arrangements for children and grandchildren. If you can't, you need to aggressively protect them from what you believe to be unnecessary vaccine and other programs while ensuring they receive a real education at night or on weekends. Whenever possible, arrange opportunities for them to travel and live abroad and learn other languages. Also make sure that they learn practical skills: how to fix a car, household repairs, how to make and build things, not to mention financial literacy.

Do whatever it takes to avoid student loans. From the time a child is born, organize Christmas and birthday presents to be contributed to a 529 plan or a savings vehicle. Have children live at home or work part-time. Teach them to save and invest.

Software and Hardware

Trying to create privacy in this world is next to impossible. Nevertheless, appreciate that many information and communication systems are deeply compromised and do the best you can to protect your information and financial account access from identity theft and other forms of compromise.



Health Care

The health care system is diverging in quality and subject to increased regulatory controls that result in the promotion of therapies that may not be cost effective or ideal. You are going to need to be proactive to assume responsibility for your own health, invest in building up your immune system and removing toxicity and ensure that you have relationships with medical providers that you can trust. I continue to research medical tourism for options abroad.



Mobile Payment Systems

Ditto for mobile payment systems: be very careful. It's OK if they steal your Starbuck's card, but not if they gain access to your bank account.

Fresh Food and Water

Check out my list under stories and trends. Get radical about ensuring your access to fresh food and quality food at affordable prices. This is the most important aspect of your health care.

Environmental Pollution

My two cents is that I am on a detox program that never ends.

Wildcards: 1-3 Months without Mr. Global

Have provisions and a plan for living for 1-3 months without power or well-stocked grocery stores. Keep redundant copies of financial records in safe places. Katrina can happen.



places in the world, including ones where you can live at low cost in a healthier environment. They may work for you. But be very careful about assuming foreign lands can solve the problem and do your due diligence of potential destinations carefully. The aspects of Mr. Global's plans that we do not like are, in fact, global and as tensions rise, Americans may not always be welcome.

SOLARI REPORTS

- [Food & Health Report Library](#)



There is No Away

Your problems are not likely to be solved by going far away to a new place where you are a stranger. Yes, there are thousands of lovely

Filter, Filter, Filter

Take greater care with your associations: people, vendors, partners as well as your sources of information. The times require much greater discernment in all things.

VII. Vision 2020



20/100

V

1

20/90

I S

2

20/80

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INSPIRING

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AND HELPING

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20/40

AS MANY PEOPLE

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20/30

AS POSSIBLE TO LIVE

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20/20

A FREE AND INSPIRED LIFE

9

*The Solari Vision for the
Year 2020*



Our workshop resulted in the Solari Report team creating a Vision 2020 to serve our subscribers and readers in the process of living a free and inspired life as they define that to be.

Here are some of the things we are doing this year that we hope will serve you well.

At last! We are launching *our new blog* in the 1st Quarter. Look for upgrades in the ease and performance of subscription software and a more mobile ready platform.

When we launch the new blog, we will also launch a *Solari Report twitter feed*. Subscribers want updates and comments on market developments during the week and a Twitter feed will give you this option.

We will continue our *Crowdfunding Series*, focusing on legal, tax and risk issues. We think that circulating equity capital in small amounts is invaluable to rebuilding an economy that works for all of us.

We will do a greater number of *Lunches and One Day Workshops* this year. We heard the message loud and clear—you want opportunities to meet each other.

I am headed to *Asia in the spring and Europe* in the fall. The demands of Sea Lane Advisory were making it difficult for me to travel abroad. Consequently, I closed the company at year end. To understand Planet Equity, I must see and feel it unfold. This will permit me greater latitude to focus the Solari Report on fundamental analysis and the global due diligence essential for sound investment strategy. The development of sound investment policies and strategies for households and institutional managers alike is critical to the creation of a richer, healthier and happier world.

What I heard from subscribers at our “Free & Inspired” Workshop, is that you want support in understanding and overcoming the obstacles we face:

1. How do you find good information and filter out disinformation?
2. How do you filter people and ensure that your personal and professional relationships are successful?
3. How do you deal with an increasing number of dysfunctional organizations and people?
4. How do you generate an independent cash flow doing something you love?
5. How do you preserve the highest and best parts of Western civilization and ensure that it is available to nurture us and the next generations?

Our challenge is to continue to find the best guests and information sources to help you do so.

We also are committed to helping the younger generations.

As we watch the large financial institutions begin intense marketing campaigns targeted at young people, we believe it is essential that they have access to the knowledge they need to understand the world around them and the “real deal” on the financial system.

Last but not least, we are saving time for the unexpected. Who knows what the new year will bring?



We believe that each individual deserves the opportunity to lead a free and inspired life. The Solari Report’s goal is to help you do that—even when those around you are not doing so.

VIII. Best Books for 2015





Here are my top picks for books that inform you and support your efforts at building health and wealth in 2015.

THE GLOBAL ECONOMY

The Oil Card: Global Economic Warfare in the 21st Century by James R. Norman

Read this book and listen to our interviews with the Jim Norman. You will not understand the economy until you do.

Unbalanced: The Codependency of America and China by Stephen Roach

This is my top pick for understanding the rebalancing of the global economy.

INVESTMENT

The Intelligent Investor: The Definitive Book of Value Investing

by Benjamin Graham and Jason Sweig

This is the classic. If you are going to invest in equities, it's where you should start.

The Little Book of Behavioral Investing

by James Montier

Montier unpacks the facts about what works and what does not and how to keep your emotions from losing you money.

Intermarket Analysis: Profiting from Global Market Relationships by John J. Murphy

It is one thing to monitor a market. It is another thing to watch and understand many markets together. John Murphy helps you understand relationships in the global financial and commodities markets.

BUILDING WEALTH

Family Wealth—Keeping It in the Family

by James E. Hughes

GEOPOLITICS

Covert Wars and Breakaway Civilizations:

The Secret Space Program, Celestial Psyops and Hidden Conflicts

by Dr. Joseph P. Farrell

UFOS for the 21st Century Mind

by Richard Dolan

Who's in charge? Dolan and Farrell are two of the best minds on the planet to help you sort out the unanswered questions of covert finance and operations. Farrell's books will take you back in history as well.

HISTORY

Trading with the Enemy

by Charles Higham

Higham will show you the footprints of Mr. Global back during WWII.

CULTURE

The Secret of Secret Societies by Jon Rappoport

Jon is one of the very few people who understands secret societies—outside of the secret societies.

DEALING WITH REAL TROUBLE

The Art of War

by Sun Tzu (translation by Thomas Cleary)

Deep Survival: Who Lives, Who Dies, and Why

by Lawrence Gonzales

TOWARDS A GLOBAL INVESTMENT MODEL

The Evolution of Cooperation by Robert Axelrod

The Presence of the Past by Ruppert Sheldrake

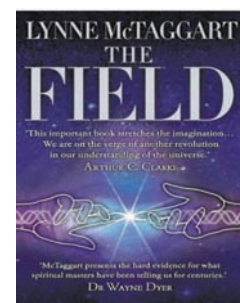
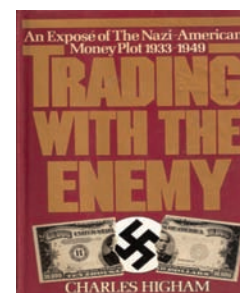
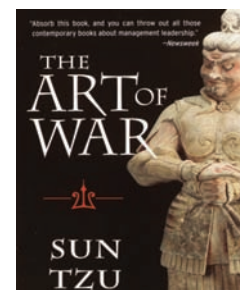
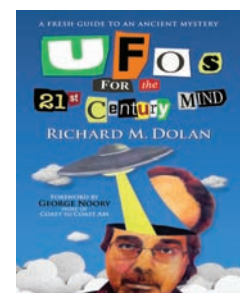
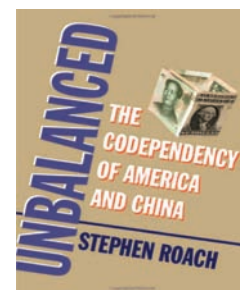
The Field by Lynne McTaggart

UNDERSTANDING YOUR LOCAL COMMUNITY

A Comprehensive Annual Financial Report for your state and local county or municipality; US Budget (or the equivalent in your country)

PERSONAL STRATEGIES

Handbook for a New Paradigm, Embracing the Rainbow, Becoming (all anonymous)



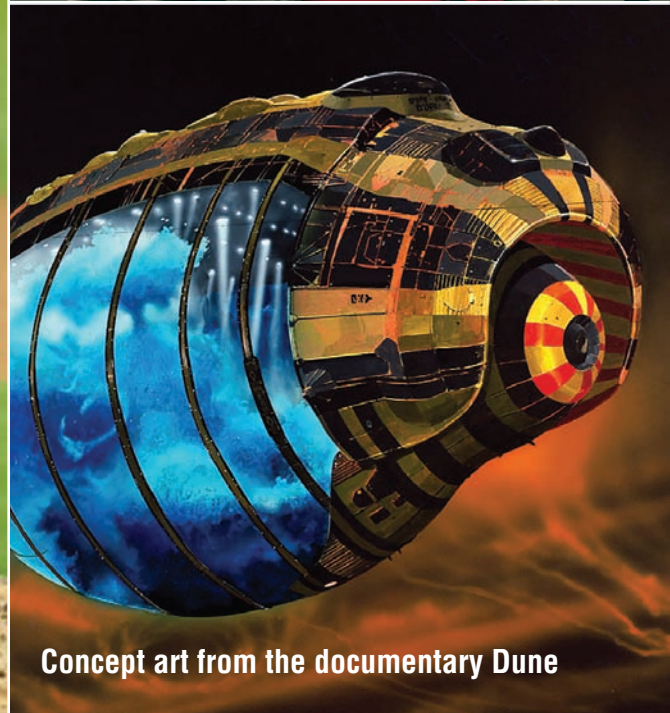
IX. And the Winners Are...



Madison Bumgarner



Florian Henckel von Donnersmarck



Concept art from the documentary Dune



Alejandro Jodorowsky



For all the years that I have enjoyed visiting San Francisco, I never thought I would see the day when the people of that fine city would deeply respect and admire a good ole Southern boy.

Madison Bumgarner has changed all of that with his astonishing performance in this years World Series, helping to lead the San Francisco Giants to his third World Series win as a member of the team. **In addition to being named Hero of the Year on the Solari Report**, he was named the Most Valuable Player of the 2014 World Series, the 2014 Babe Ruth Award winner, the 2014 Sports Illustrated Sportsman of the Year and the 2014 Associated Press Male Athlete of the Year.

Madison has reminded sports fans everywhere that the heartland of America is filled with people of few words and lots of hard work, talent and character. He's our hero!

Movie Of The Year

We choose movies that speak to the times. They were not necessarily published during the year.

In 2014, millions of people around the developed world struggled with the notion that their privacy is gone—invaded by intelligence operations and social media companies armed with super computers and artificial intelligence.

German film director **Florian Maria Georg Christian Graf Henckel von Donnersmarck's** *The Lives of Others* takes us into the world of East Germany in the 1980s and helps us imagine the troubling and human reality of the police state. I have lived a very similar situation in America. This is a brilliant, insightful movie on the politics and tactics of control and manipulation and the power of humanity to overcome the forces of darkness. It has numerous insights to help you understand and navigate the world we live in now.

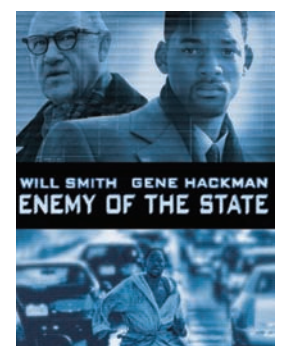
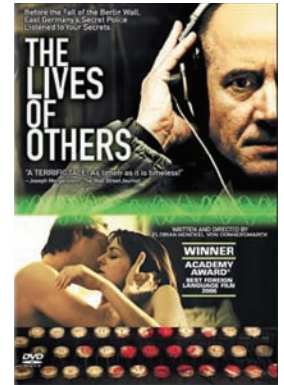
Documentary Of The Year

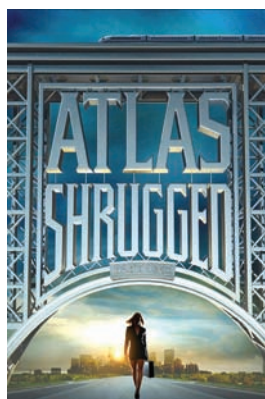
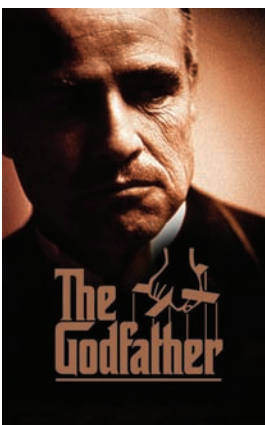
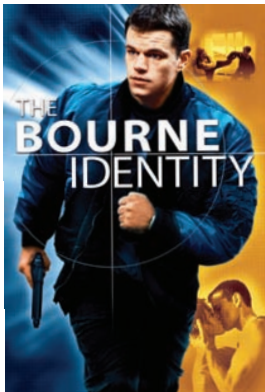
In the 1970s, Chilean-French director **Alejandro Jodorowsky** acquired the film rights to Frank Herbert's science fiction classic *Dune* and invested heavily in the pre-production treatments of a story designed to promote the ideas of the personal power of the individual.

Hollywood balked at the message and the length. However, the materials developed then found their way into a score of Hollywood Sci-Fi classics. This enchanting director and his story will remind you why the Internet, digital technology and the tools they help create, like crowdfunding, Netflix and Vimeo, can open up significant talent that has been kept off line.

Let's Go to the Movies ... A Solari Report History:

DATE	MOVIE
2014-12-18	After the Wedding
2014-12-11	Red Obsession
2014-12-04	If I Were You
2014-11-13	Interstellar
2014-11-06	Herman's House
2014-10-30	Snowpiercer
2014-10-23	Unmistaken Child
2014-10-16	The Art of Asking
2014-10-09	Monsters, Inc.
2014-09-25	To Dance With The White Dog
2014-09-18	Long Way Around
2014-09-11	Mayor Cupcake
2014-09-04	Dinosaur 13
2014-08-28	Zack Taylor Interview
2014-08-21	The Internet's Own Boy: The Story of Aaron Swartz
2014-08-14	Secrets of the Dead: The Man Who Saved the World
2014-08-07	Jodorowsky's Dune
2014-07-31	The Monuments Men

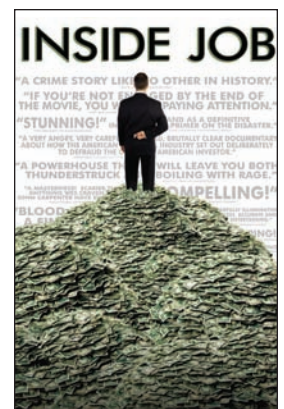
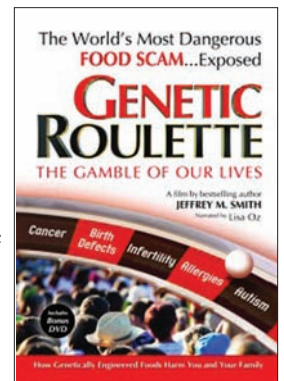




2014-07-24	Salamander	2013-08-08	TED: Open-Source Blueprints for Civilization
2014-07-17	Tim's Vermeer	2013-08-01	Engineering an Empire, The Seven Wonders of the Industrial World
2014-07-10	Taken (Steven Spielberg miniseries)	2013-07-18	Waking Ned Devine
2014-07-03	Mirage Men	2013-07-11	Atlas Shrugged
2014-06-26	The Drugging of Children	2013-07-04	Wallander (TV series)
2014-06-19	TED: Sir Ken Robinson on creativity and education	2013-06-27	American Lives: Frank Lloyd Wright
2014-06-12	Horatio's Drive: America's First Road Trip	2013-06-13	Life of Pi
2014-06-05	Impact of Healthy Food	2013-06-06	The Meaning of Life
2014-05-29	Sam Phillips, The Man who Invented Rock & Roll, The Blues	2013-05-23	Even the Rain
2014-05-22	The Endurance: Shackleton's Legendary Antarctic Expedition	2013-05-16	Water: The Great Mystery
2014-05-08	Warren Buffett Revealed: Bloomberg Game Changers	2013-05-09	The Champagne Safari
2014-05-01	Dangerous Beauty	2013-05-02	Thrive
2014-04-24	They Live	2013-04-18	Charlie Rose Interview of Jeremy Grantham
2014-04-17	The Good Shepherd	2013-04-11	Innocents Betrayed
2014-04-10	Second Opinion	2013-04-04	Unlawful Killing
2014-04-03	The Lives of Others	2013-03-21	Something Ventured
2014-03-20	The Full Monty	2013-03-14	The Naked Brand
2014-03-13	The Never Ending Story	2013-03-07	Searching for Sugar Man
2014-03-06	Music Makes a City	2013-02-21	Millennials: A Profile of the Next Great Generation.
2014-02-27	Sputnik Mania	2013-02-14	House of Cards
2014-02-20	The Day Before Disclosure	2013-01-24	The Greater Good
2014-02-13	The House I Live In	2013-01-17	The Bank
2014-02-06	The Holcroft Covenant	2013-01-10	Baseball (Ken Burns' Documentary)
2014-01-23	Floored	2013-01-03	Dark Knight Rises
2014-01-16	Downton Abbey	2012-12-13	The Queen of Versailles
2014-01-09	The Untold History of the United States	2012-12-06	Being There
2014-01-02	The A-Team	2012-11-15	Shadow Government
2013-12-19	Auntie Mame, Catherine's 20 Funniest Movies	2012-11-08	Who's Counting? Marilyn Waring on Sex, Lies and Global Economics
2013-12-12	Hank: Five Years From the Brink, The Warning	2012-11-01	Temple Grandin and the Horse Boy
2013-12-05	The Name of the Rose	2012-10-18	Arbitrage
2013-11-21	Thirteen Days	2012-10-11	The School: Humanity's New Future
2013-11-14	Terms and Conditions May Apply	2012-10-04	Too Big To Fail
2013-11-07	Ender's Game	2012-09-20	Genetic Roulette
2013-10-31	World War Z	2012-09-13	What / Why in the World Are They Spraying?
2013-10-24	Stock Shock	2012-09-06	The Forgotten
2013-10-10	Will 3D Printing Change the World?	2012-08-23	Other People's Money
2013-10-03	The A-Team	2012-08-16	The Avengers, Men in Black, Prometheus
2013-09-19	The Start Up Kids	2012-08-09	May I Be Frank?
2013-09-12	A Man Named Pearl	2012-08-02	Conspiracy of Silence
2013-09-05	No	2012-07-19	The Intouchables
2013-08-22	The Invisible War	2012-07-12	Fat, Sick and Nearly Dead
2013-08-15	Hidden Messages In The Water	2012-07-05	Caine's Arcade
		2012-06-21	The Name of the Rose



- 2012-06-14 Quants: The Alchemists of Wall Street
- 2012-05-10 Conspiracy
- 2012-05-03 Life and Debt
- 2012-04-19 Hunger Games
- 2012-04-12 GATA Conference Speech
- 2012-03-22 Money As Debt
- 2012-03-15 Shark Tank (TV show)
- 2012-03-08 Under Our Skin, The Tick Slayer
- 2012-03-01 As It Is In Heaven
- 2012-02-16 Hot Coffee
- 2012-02-09 World Peace and Other 4th Grade
Achievements
- 2012-01-19 I Am
- 2012-01-12 Buck
- 2011-12-15 Crack the CIA
- 2011-12-08 Water: the Great Mystery
- 2011-12-01 Thrive
- 2011-11-03 Margin Call
- 2011-10-06 Longitude
- 2011-09-15 Startup.com
- 2011-09-01 Die Hard With A Vengeance
- 2011-08-18 The Femme Nikita
- 2011-08-04 The Oiling of America
- 2011-07-21 We Become Silent: The Last Days of
Health Freedom
- 2011-07-14 Default: The Student Loan
Documentary
- 2011-07-07 They Live
- 2011-06-09 Rogue Trader
- 2011-06-02 Scientists Under Attack
- 2011-05-12 The Truman Show
- 2011-05-05 No End in Sight
- 2011-04-21 Full Signal
- 2011-04-14 The Listening
- 2011-03-24 The Hand That Rocks the Cradle
- 2011-03-10 National Treasure
- 2011-02-17 The Girl With the Dragon Tatoo
- 2011-02-03 The Crash Course
- 2011-01-20 Gasland
- 2011-01-13 Eliot Spitzer: Client 9
- 2010-12-16 Daniel Estulin in EU Parliement
- 2010-12-09 Unstoppable
- 2010-12-02 The Art of the Steal
- 2010-11-11 Buy Local - Surf Global
- 2010-11-04 Inside Job
- 2010-10-21 Century of Self
- 2010-10-14 My Fair Lady
- 2010-10-07 Burzynski: The Movie
- 2010-09-23 Battlestar Galactica
- 2010-09-16 Dr. Robert Lustig on Sugar Addiction
- 2010-09-02 Richard Dolan at Project Camelot
- 2010-08-12 Using Silver and Gold to Build Local
Economies in Indonesia
- 2010-08-05 Democracy Now: Dr. Riki Ott
- 2010-07-22 Angels Don't Play on this HAARP
- 2010-07-01 Spartacus
- 2010-06-17 Oil Spill in Alaska with Rachel Maddow
- 2010-05-20 Aerosol Crimes
- 2010-05-13 Using Hay to Sop Up the Oil Spill
- 2010-04-22 Le Rossignol
- 2010-04-15 Toxic Skies
- 2010-04-08 The Last Days of Lehman Brothers
- 2010-04-01 One Man - One Cow - One Planet
- 2010-03-18 Syriaana
- 2010-03-11 Supersize Me
- 2010-03-04 Eric Toensmeier on Permaculture
- 2010-02-04 The Manchurian Candidate
- 2010-01-14 Shut Up and Sing
- 2009-12-10 The Rise and Fall of a Scientific Genius: The
Forgotten Story of Royal Raymond Rife
- 2009-12-03 The End of Violence
- 2009-11-12 Sir James Goldsmith Interview
- 2009-11-05 Capitalism: A Love Story
- 2009-10-22 Three Days of the Condor
- 2009-10-15 Farmer John
- 2009-10-08 When the Levees Broke
- 2009-08-20 The Phoenix Lights
- 2009-08-13 JFK
- 2009-07-09 Michael Clayton
- 2009-07-02 Intelligence
- 2009-06-18 Welcome to Mooseport
- 2009-06-11 Other People's Money
- 2009-06-04 Maxed Out
- 2009-05-21 Network
- 2009-05-14 Point of No Return
- 2009-05-07 A Very British Coup
- 2009-04-09 The International
- 2009-03-12 Eyes Wide Shut
- 2009-03-05 The Endurance
- 2009-02-12 Trading Places
- 2009-02-05 The Take
- 2009-01-22 The Godfather Series
- 2009-01-08 Syriaana
- 2008-12-18 Enemy of the State
- 2008-12-11 The Bourne Identity



X. Closing & Credits

Thus ends our 2014 Annual Wrap Up. Stay tuned for the 1st Quarter Wrap Up. I am sure we will have a lot to discuss.

CATHERINE AUSTIN FITTS is the president of Solari, Inc., publisher of The Solari Report and managing member of Solari Investment Advisory Services, LLC. She served as managing director and member of the board of directors of the Wall Street investment bank, Dillon, Read & Co., Inc. She also served as Assistant Secretary of Housing/Federal Housing Commissioner at HUD in the first Bush Administration and was president of the Hamilton Securities Group, Inc.

Our greatest resource is your continued financial, intellectual and moral support. On behalf of the entire Solari Report team, I want to thank you for making it possible for us to do what we do. Thank you for the steady stream of feedback and ideas. Let us know your questions and concerns. Let us know how we can do an excellent job of serving you in 2015.

What can we do to help you live a free and inspired life?

Nothing is more important than excellence in information and analysis. In addition to the Solari team we have numerous members of our network who have been generous with their insights, analysis and time. We wish to thank them for their contribution to our understanding and to the 2014 Annual Wrap Up

Carolyn Betts - Carolyn's growing series on crowdfunding is a legal and regulatory tour de force. There is nothing like it online. This series can save entrepreneurs and their attorneys a great deal of time and money sorting out the issues and pathways to raise capital.

Dr. Joseph Farrell - There is a reason why the investment community spends a fortune supporting great scholarship. Intelligence is the edge. Joseph's writings, his website and his many discussions with me have brought all of us an integration of history, science and technology that is breathtaking. Visit Joseph at: www.gizadeathstar.com

Ben Lizardi - Ben Lizardi is one of the most gifted entrepreneurs I have ever known. His strategic insight, integrity keeps me on track and his graphic and artistic skills help us communicate the right things with humor and grace each week.

Jim Norman - To understand the economy, you must understand the Oil Card. Jim is the guy who figured it out and he explains it in a way that anyone can understand.

Rambus - Rambus Chartology has supported me with technical analysis throughout the year and has graciously allowed the Solari Report to republish subscriber only charts.

Jon Rappoport - Jon's intellectual fearlessness keeps the matrix out of my mind all year long. He is the ultimate in New World Order intellectual pest control. The Ebola Shriek-O-Meter fizzles out in his presence. Visit Jon at: www.nomorefakenews.com

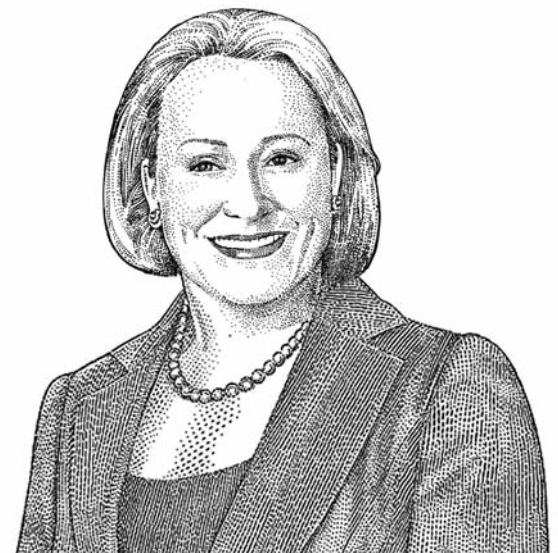
Franklin Sanders - Franklin never gives up making life work outside the matrix—precious metals, farming, community—and helping others—even the poorest and most lost among us—do the same. Visit Franklin at: www.the-moneychanger.com

Court Skinner - I once said that the good thing about corruption in America is that it means the Solari Report has the benefit of Court's insight and analysis, particularly on engineering and technology questions. Without corruption, Court would no doubt be a Senator or running some big company.

Jeroen Van Straten - Jeroen and his team put on the two Breakthrough Energy conferences in 2012 and 2013 and the Secret Space Program this year. These have been invaluable opportunities to hear and speak to some of the most intelligent thinkers I know. Visit Jeron at: www.secretspaceprogram.org

Anne Williamson - Anne's understanding of the Russian economy and experience in the 1990s changed my life and world view in the fall of 2001 (see Catherine's Commentary on Finance with links). She joined us on the Solari Report to provide rich context for what is going on in the Ukraine—and blew more than a few minds.

And of course a word of thanks to the many remarkable guests who have joined us on the Solari Report.



—Catherine Austin Fitts

