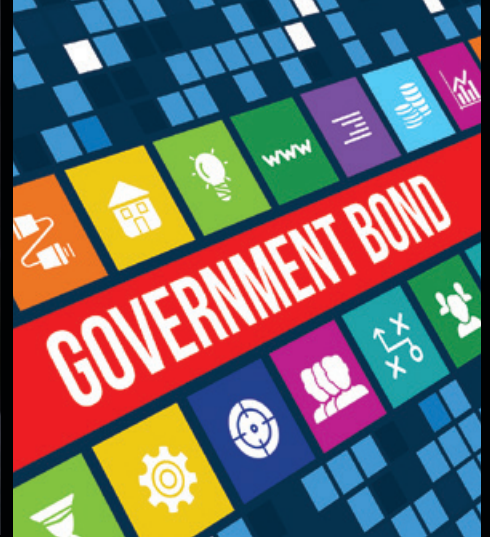


# The Solari Report

BY CATHERINE AUSTIN FITTS / 1ST QUARTER WRAP UP VOLUME 2016 / NUMBER TWO



## WHERE TO STASH CASH IN 2016!



**CRYPTO CURRENCY**  
DIGITAL COIN  
UNIT & MONEY  
NET COIN  
CASH COIN  
WWW TRADE  
CASH COIN  
TRANSACTION  
BANKING  
MONEY  
DIGITAL COIN  
TRANSACTION  
MARKET  
PEER COIN  
BUSINESS  
PROFIT  
EXPERTISE  
MINING  
PROFITABLE  
SECURITY  
BUY SERVICES  
ONLINE MARKET  
ELECTRONIC CURRENCIES  
ORGANIZATION  
MONEY





# The Solari Report 1st Quarter 2016 Wrap Up

## Where to Stash Cash in 2016 by Catherine Austin Fitts

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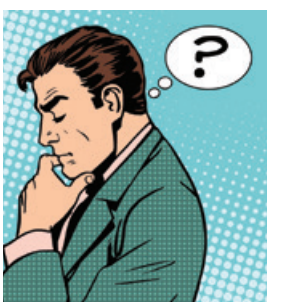
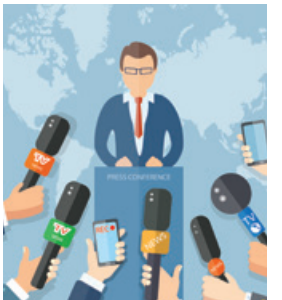


**Disclaimer:** Nothing on the Solari Report should be taken as individual investment advice. Anyone seeking investment advice for his or her personal financial situation is advised to seek out a qualified advisor or advisors and provide as much information as possible to the advisor in order that such advisor can take into account all relevant circumstances, objectives, and risks before rendering an opinion as to the appropriate investment strategy.

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SOURCE: WIKIPEDIA

*“The rules of this world were simply not built for your benefit. And in an era of extreme economic change whose only corollary is the first Industrial Revolution, there are no safe harbours left, only the comparative safety of the ocean. Your goal is not to find a quiet, secure job somewhere near an affordable suburb, settle down and then wait for death. The economy that supported such ambitious goals is ending. The developed world is now in a state of permanent structural instability. Seeking after stability is a recipe for homelessness in your late middle age years. In today’s world, security only comes from embracing opportunity. And opportunity is not randomly distributed in either space or time. It must be pursued and seized.”*  
— GORDON WHITE FROM *THE CHAOS PROTOCOLS*

**By Catherine Austin Fitts**

**A**fter many years of kicking the can on numerous environmental and economic imbalances, we have entered the endgame on the industrial economy (Global 2.0) while experiencing the birth and explosive growth in the postindustrial industries (Global 3.0).

The one thing that is not deflating in the industrial economy is liabilities. Debt. Pension fund obligations. Health care obligations. Rich with reinvestment, Global 3.0 does not share any of these concerns. Fueled by equity and youthful talent, it is engineering and applying new, dazzling technologies.

The 1st Quarter was intense with these changes.

Global leadership struggled to adapt. In the United States, political and business leadership are being downsized. It is increasingly their turn to feel expendable. Power is shifting to a younger generation more comfortable with technology and more adaptable to a multipolar world. The exception was the US presidential primary campaigns in which the candidates over age 70 displayed the courage to break ranks with “official reality.”

Expect the 2d Quarter to be as, if not even more, intense. We are into the endgame and structural changes must accelerate.

This creates instability in the financial system. It is one of the reasons I have been getting a growing number of questions about cash management.

Making sure you have cash and your cash is well positioned adds an important cushion to help you navigate the months ahead. Consequently, we have focused our theme in this 1st Quarter Wrap Up – ***Where to Stash Cash in 2016*** – to help you think through a successful cash management strategy designed to suit your unique needs and situation.

Because the news trends and stories were so explosive in the last three months, the Solari Report team went to extra lengths to review and distill our links to the ones that would most help you master the trends that are driving events. For this 1st Quarter Wrap Up, I asked Dr. Farrell to join me for the initial discussion of ***News Trends & Stories***. This is one of the longer discussions you will find on the Solari Report. However, when you finish it, you will have an outstanding grasp of the world around you and the dynamics impacting your time and money.

Last but not least, our ***Financial Markets Roundup*** walks you through the financial charts that paint an overview of the global flows in equity, fixed income, and commodities markets during the 1st Quarter.

Our goal is to give you a powerful perspective on what has happened in the 1st Quarter that informs the road and opportunities ahead. As Alan Kay once said, “Perspective is worth 80 IQ points.”

On behalf of the entire team at the Solari Report, I wish you good hunting!

*Catherine Austin Fitts*





# I. Options for Stashing Cash

*“I am not so much concerned with the return on capital as I am with the return of capital.” —WILL ROGERS*



I have been receiving more and more questions about cash management from clients, subscribers, and personal friends. There are numerous reasons inspiring interest or concern in this area. It helps to look at the forces placing cash and cash management on people’s radar screens, and to revisit some basic principles of how to think through your cash management options. —CATHERINE AUSTIN FITTS

## WHY FOCUS ON CASH?

First, let’s take a look at the reasons why more people are thinking about cash these days.

### Interest Rates

Interest rates have fallen significantly since 1980:

#### Cash:

<https://en.wikipedia.org/wiki/Cash>

#### Interest Rate:

[https://en.wikipedia.org/wiki/Interest\\_rate](https://en.wikipedia.org/wiki/Interest_rate)

#### Quantitative Easing:

[https://en.wikipedia.org/wiki/Quantitative\\_easing](https://en.wikipedia.org/wiki/Quantitative_easing)

#### Negative Interest Rates:

[https://en.wikipedia.org/wiki/Negative\\_interest\\_on\\_excess\\_reserves](https://en.wikipedia.org/wiki/Negative_interest_on_excess_reserves)

#### Currency:

<https://en.wikipedia.org/wiki/Currency>

#### Debasement:

<https://en.wikipedia.org/wiki/Debasement>

#### Market Liquidity:

[https://en.wikipedia.org/wiki/Market\\_liquidity](https://en.wikipedia.org/wiki/Market_liquidity)

#### Madoff Investment Scandal:

[https://en.wikipedia.org/wiki/Madoff\\_investment\\_scandal](https://en.wikipedia.org/wiki/Madoff_investment_scandal)

#### MF Global:

[https://en.wikipedia.org/wiki/MF\\_Global](https://en.wikipedia.org/wiki/MF_Global)



The long history of long (10-year US treasuries) yields



Source: Global Financial Database, Goldman Sachs Global ECS Research. Special thanks to Jose Ursua.





Investors expected the Federal Reserve Bank to raise interest rates throughout 2016 after years of unprecedented quantitative easing.

As of March 2016, the Fed has reversed course (following a small increase in December) and it continues to support low interest rates.

In 1990, confidence in the banking system and in federal insurance and regulation was high: FDIC-insured bank deposits were generating as much as 8 percent in yield, essentially risk-free. Now yields are 1 percent or less and confidence is much lower.

Investors and savers are looking for risk-free returns on their cash. At such low interest rates, every penny counts.

### Negative Interest Rates

This year, the Bank of Japan followed the ECB and other European central banks by lowering interest rates to below zero on excess reserves. As this has happened, the market for sovereign bonds has gone to negative interest, with approximately \$8 to 10 trillion of European and Japanese sovereign bonds and bills trading at negative interest rates.

Investors in the Americas and Asia want to know how to protect themselves if negative interest rates come their way.

### Currency Values

As central banks around the globe have engaged in quantitative easing in combination with affiliated government deficit

borrowing and spending programs, citizens have experienced a debasement in currency and sovereign credit. In short, purchasing power is falling for funds held in cash with no return. The losses from debasement of currencies have been significant in many areas.

When savers or investors maintain cash at low to no yield, they run the risk of losing purchasing power unless their currency is rising relative to other currencies – or if the price of commodities and hard assets falls in a deflation.

The US dollar has risen since 2014, while commodities have fallen. This means that holding dollars has been relatively more attractive than holding currencies of countries that depend on commodity revenues, such as Norway or Canada.

The value of a currency is dynamic whether it is relative to other fiat currencies, precious metals, or local purchasing power.

### Liquidity

When an asset is liquid, we can access and use it immediately with no questions asked or conditions imposed. And, we can do so without losing value or paying high transaction fees.

One of the reasons we hold cash is that we want liquidity. We need cash to pay ongoing expenses and overhead. With increased government intervention, banks and financial institutions have become much more “sticky” about

facilitating cash withdrawals or transfers. This change is causing savers and investors to think through what kinds of liquidity they really need and how to make sure they get it.

Cash is also one of the basic allocations in investment strategy. We want cash available to invest at the opportune moment. Or, we want to go to cash when it is time to sit on the sidelines. As Jesse Livermore once said, “Every once in a while you must go to cash.”

### Integrity of Digital Systems

If the utilities industry had the integrity of the digital software, media, and communications industries, we would all be dead from electrocution.

It has become obvious that digital systems lack integrity. Frequently, these systems have been designed as “honey traps” to invade privacy and to provide surveillance via consumer functions. Or, they are subject to a world of market manipulation, cybercrime, and cyber-warfare. The fundamental lawlessness of the digital world is a serious challenge to the global financial system.

Our payment and financial transactions flow on train tracks with little privacy and questionable integrity.

One of the results of lower financial transaction fees and online access is that cash is an increasingly digital phenomenon. Consequently, it is essential that when systems crash, our cash does not disappear with them.

Savers are increasingly thinking through what digital lawlessness means to saving and managing cash.

### Integrity of Financial Institutions, Government Regulation, and Enforcement

What’s not to worry about? Rounds of bailouts essentially moved trillions of dollars of bank and private debt onto government balance sheets. Now, both government and private debt are running at very high levels. Major financial institutions are consistently engaging in financial fraud, often in partnership with governments. We have seen numerous instances – such as the Madoff investment scandal and the failure of MF Global to protect investor accounts – that have harmed investors, and federal regulation and insurance programs have failed to protect their rights.

Government enforcement consists increasingly of fining financial institutions, which is beginning to look a lot like a kickback scheme. Government regulators can share in the profits for allowing these schemes to take place.

### Bail-Ins

In response to public fury over bailouts, government regulators in developed markets have been working to create mechanisms where they can resolve the failures of large financial institutions via “bail-ins.” In a bail-in, private creditors must share the burden.







Fear of bail-ins in Europe and the United States is growing. In part, this fear developed because the bail-in process is complex and not well understood. Another reason for these fears is the possibility that governments will fail to keep their word and change the rules in a pinch.

Recently, when asked if it reserved the right to confiscate gold, the US Treasury responded that, in fact, it reserved the right to confiscate all assets!

Regulators have also changed the rules on money market funds so that the funds can adjust to a rise in redemptions with mark-to-market pricing. This change shifts the burden to investors.

### Integrity of Sovereign, Bank, & Corporate Credits

As debt levels continue to grow, so do concerns regarding credit quality. There is significant interdependence between governments, banks, and corporations and, consequently, these concerns transcend individual credits. They are also about general systemic issues.

Cash and cash equivalent assets are highly dependent on sovereign and municipal government guarantees or insurance. And governments typically invest in sovereign and municipal bonds, notes, and bills.

The weakening of sovereign credit weakens trillions of assets and institutions throughout the system.

When Standard & Poor's lowered the US government's credit rating from AAA to AA, it was not surprising to see the US Department of Justice target S&P for an enforcement action. It is not a good sign when the best strategy of the government is to protect its bond rating with terror.

When savers and investors in the US dollar consider their cash options, they want to understand the impact of these changes on the value of the dollar versus the value of other fiat currencies or gold. They will also want to understand what a general deterioration in the US federal credit will mean to their cash management strategies.

### Disinformation & Fear Porn

OK, here goes Catherine on her soapbox.

There is incoherent thinking and disinformation rolling around the Internet and news media. This disinformation is often combined with entrainment and subliminal programming.

The goals vary. There are some who wish to create confusion or to keep their readers in a state of fear. Others want to harm those who remain independent of the system. It is good business for the "deep state" to weaken those who understand and oppose its methods. And the deep state can afford to spend a lot of money doing so.

However, some of this incoherence comes from people who have a limited understanding or are just plain angry. Let's face it: anger is an understandable reaction to the fraud in the system. And some news sources even find that fear helps them sell more products. Others are simply frauds: their antifraud speeches provide air-cover for scams.

Financial risks can be defined and managed without fear. If a news source or financial marketing is putting you into fear, turn it off, delete it, or hang up the phone or the chat box!

Our goal at the Solari Report is to help you think through the primary issues and options so that you can interact with financial institutions and providers with basic intellectual mastery in a state of coherence.

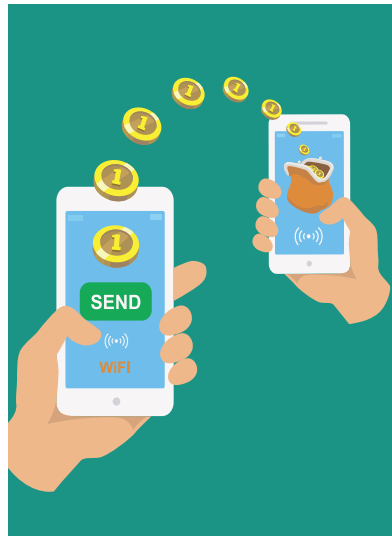
### Going Cashless

If you want to worry about something that is worth worrying about, I suggest that you worry about sovereign governments cancelling physical cash. In this case, all of your fiat currency will be in the data cloud. Your balances and transactions will be accessible in real-time and integrated with all the other government and central bank databases in a manner that can be used to tax, to manage, and to manipulate you. Your money will then be a part of what I have referred to as "the databeast."

The argument to go cashless is all about lowering transaction costs – a goal of particular importance when you are trying to create payment systems in the emerging and frontier markets that can ultimately lead to one or more global digital currencies.

However, the centralization of currency control has been devastating to local economies. Going cashless will do more of the same.

Savers and investors are increasingly asking "how can I keep cash if governments and central banks push for a cashless society?" First and foremost, please push back!



**Read Why We Should Fear a Cashless World here:**  
<https://solari.com/blog/why-we-should-fear-a-cashless-world/>





## WHY ARE YOU HOLDING CASH?

It is essential to understand why you are holding cash before you can determine where and in what form you wish to hold it.

### Legal Tender

[https://en.wikipedia.org/wiki/Legal\\_tender](https://en.wikipedia.org/wiki/Legal_tender)

### Fiat currency

[https://en.wikipedia.org/wiki/Fiat\\_money](https://en.wikipedia.org/wiki/Fiat_money)

### Foreign exchange risk

[https://en.wikipedia.org/wiki/Foreign\\_exchange\\_risk](https://en.wikipedia.org/wiki/Foreign_exchange_risk)

### Market risk

[https://en.wikipedia.org/wiki/Market\\_risk](https://en.wikipedia.org/wiki/Market_risk)

### Interest rate risk

[https://en.wikipedia.org/wiki/Interest\\_rate\\_risk](https://en.wikipedia.org/wiki/Interest_rate_risk)

### Credit risk

[https://en.wikipedia.org/wiki/Credit\\_risk](https://en.wikipedia.org/wiki/Credit_risk)

### Liquidity risk

[https://en.wikipedia.org/wiki/Liquidity\\_risk](https://en.wikipedia.org/wiki/Liquidity_risk)

### Deflation

<https://en.wikipedia.org/wiki/Deflation>

### Principal

[https://en.wikipedia.org/wiki/Bond\\_\(finance\)#Principal](https://en.wikipedia.org/wiki/Bond_(finance)#Principal)

### Return of capital

[https://en.wikipedia.org/wiki/Return\\_of\\_capital](https://en.wikipedia.org/wiki/Return_of_capital)

### Return on capital

[https://en.wikipedia.org/wiki/Return\\_on\\_capital](https://en.wikipedia.org/wiki/Return_on_capital)

### Cash management

[https://en.wikipedia.org/wiki/Cash\\_management](https://en.wikipedia.org/wiki/Cash_management)

### Investment management

[https://en.wikipedia.org/wiki/Investment\\_management](https://en.wikipedia.org/wiki/Investment_management)

## Some Cash You Hold for Liquidity

- **Ongoing Local Transactions and Payments:** You hold cash in checking accounts in banks or credit unions – or in your wallet – to make ongoing payments in your day-to-day lives and businesses. You may pay with legal tender currency, checks, or ATM cards.
- **Ongoing Online and Remote Payments:** You likely hold cash in online accounts in a bank or credit union or in an online payment service such as PayPal to make ongoing payments in your day-to-day lives and business.

## Some Cash You Hold for Financial Stability and Soundness

- **Physical Cash:** Many of us keep physical cash as part of our core position. This can be held at home (often referred to as “under the mattress”), close by or far away depending on what kind of a rainy day or emergency you are prepared to handle – including disaster recovery. If you are concerned about the stability of the financial system, you may want to hold cash outside the banking and brokerage system. If you are concerned about privacy, you may prefer to transact with cash. If you are concerned about the value of the fiat currency in your jurisdiction, this stash may be kept in other fiat currencies or in gold and silver – which may fluctuate in value relative to your home currency. Recent efforts by governments to reduce

the availability of large denomination bills are making it more cumbersome to build and maintain large physical cash holdings.

- **Core Position:** This is cash you hold as working capital for future payments and transactions as well as a “rainy day” reserve. This core position may build up from income or investment income and can be transferred or reserved for the future payment of overhead and expenses. A rainy day reserve would be additional amounts held for emergencies. For most people, the majority of their core position is held in one or more accounts at a bank, credit union, or brokerage firm. It is cumbersome to hold this position in physical cash if it is sizeable or if it must be transferred nationally or globally.

## Some Cash is Held as an Investment Position

- Most investors prefer to maintain some cash balances in anticipation of investment opportunities.
- Cash may be a desirable position when markets are in a bear trend and an investor wishes to “go to the sidelines” to avoid market or interest rate risk.
- Cash may be a desirable position when markets are uncertain and an investor wishes to avoid credit risk or liquidity risk, or simply prefers to keep assets out of the financial system
- Cash may be a desirable position when a currency is increasing in value or there is a deterioration in the value of commodities and hard assets, usually as part of a

general deflation

The amounts that you put into these pots may be impacted by your preferences related to return of principal versus the return on principal and what risks you are willing to take to achieve those returns.

Obviously, there is a relationship between your cash management and your investment management. These issues bleed into one another. So, while we are focused on cash management in this report, be aware that your cash management and investment management also need to be integrated.

Remember, many of the problems raised in a discussion regarding cash management underscore that our problems are political: distrust of the government and the regulatory system is growing. Our financial system depends on the rule of law. The deterioration of the rule of law is a political problem. Ultimately, there is no way to protect assets against people who break the law with impunity. The only way to deal with this problem is to organize in order to make it much more difficult, or even impossible, for people to steal and kill with impunity.

If we continue to donate to, to vote for, and to bank with the people who break the law, we will continue to experience a deterioration in our cash management options – and in all other areas of our lives and finances!

If you are supporting such people or institutions, please stop! You are putting your cash at risk by doing so.



**Our financial system depends on the rule of law. The deterioration of the rule of law is a political problem. Ultimately, there is no way to protect assets against people who steal and kill with impunity.**





## WHO IS YOUR CUSTODIAN?

**B**efore you decide on the form in which you will hold cash, you must first decide on the person or institution you will select as a custodian. The choice of a custodian is your single most important decision.

The custodian is the holder of the cash. This is the person or institution you are looking to for liquidity, safekeeping, and the return of your cash. Excellent custodians and excellent custodial relationships are the backbone of successful cash management.

You may hire a banker, a broker, or an invest-

ment advisor as a custodian. The question is, who really has the cash? If your bank keeps its cash in a correspondent bank, you need to know what that bank is and whether or not it is sound.

If your broker or advisor uses a brokerage firm for custodianship and clearing, you need to know what that firm is and to understand your legal relationship with it. The people who lost money in the MF Global failure were surprised to hear that their broker's broker was MF Global, and that some or all of their gold or money was gone

### *Here are your options for selecting a custodian:*

#### 1. You

You hold cash in your mattress, behind your kitchen cabinet, or in one or more home safes. Storing cash yourself is economic and offers privacy and proximity. However, you run the risk of theft or home invasions, which is why I often recommend more than one safe. You may also run the risk of forgetting where you put your stash (or that your heirs won't know). For a great overview of your home storage options, see

**Solari Report: How to Buy & Install a Safe:**  
<https://solari.com/blog/how-to-buy-and-install-a-safe-with-dan-perkins/>

#### 2. Depository

You can store physical cash and valuables in a depository in or near your jurisdiction or anywhere in the world. A depository is an enterprise that specializes in storing valuables for customers. Some depositories require names. Some will operate with only

numbers (please do not lose your number!).

**Example: Das Safe in Vienna, Austria:**  
[http://www.dassafe.com/e\\_index.html](http://www.dassafe.com/e_index.html)

Some mints that make precious metals coins and bars may also provide depository services. Precious metals dealers sometimes offer depository services, something that I (and Solari Report guests) generally discourage.

Some depositories will permit you to authorize an accounting firm or law firm to act as your agent. Some permit online access and communication. The advantage of a depository is that it is not part of the financial system, although it may have affiliations. You are holding an asset outside the banking and brokerage transaction and settlements systems.

#### 3. Depository Institution

Most people in the United States hold cash in one or more depository institutions that accept and transfer monetary deposits from consumers, including savings banks, commercial banks, savings and loan associations, and credit unions.

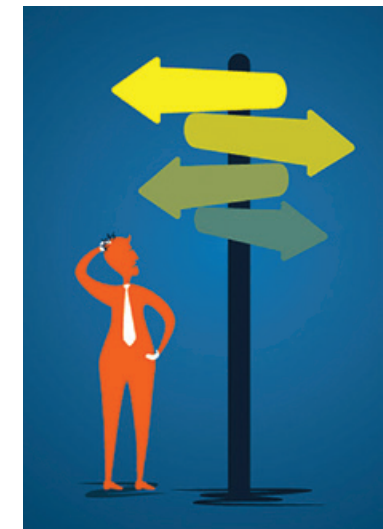
Many depository institutions also offer safe deposit boxes for those who prefer to deposit physical cash and valuables in the same place where they deposit cash in the banking system.

Increased government regulation and control of banks is often cited as a reason why people prefer to store valuables at an independent depository as opposed to a depository institution.

Credit unions are member-owned cooperatives and are another popular form of depository institution.

#### 4. Brokerage Firm (or Broker-Dealer)

You can hold cash and cash equivalents in a brokerage firm that offers access to a wide variety of securities options not available at a bank, although some banks have a brokerage or asset management affiliate. You will want to make sure that you understand who the custodian for your firm is – typically the firm is the custodian if it is a large institution – and that you understand who provides clearance services.



**Custodian Bank**  
[https://en.wikipedia.org/wiki/Custodian\\_bank](https://en.wikipedia.org/wiki/Custodian_bank)

**Mint**  
[https://en.wikipedia.org/wiki/Mint\\_\(facility\)](https://en.wikipedia.org/wiki/Mint_(facility))

**Depository institution**  
[https://en.wikipedia.org/wiki/Depository\\_institution](https://en.wikipedia.org/wiki/Depository_institution)

**Bank**  
<https://en.wikipedia.org/wiki/Bank>

**Bank safe deposit box**  
[https://en.wikipedia.org/wiki/Safe\\_deposit\\_box](https://en.wikipedia.org/wiki/Safe_deposit_box)

**Credit Union**  
[https://en.wikipedia.org/wiki/Credit\\_union](https://en.wikipedia.org/wiki/Credit_union)

**Brokerage firm**  
[https://en.wikipedia.org/wiki/Brokerage\\_firm](https://en.wikipedia.org/wiki/Brokerage_firm)

**Clearing**  
[https://en.wikipedia.org/wiki/Clearing\\_%28finance%29](https://en.wikipedia.org/wiki/Clearing_%28finance%29)

**Depository bank**  
[https://en.wikipedia.org/wiki/Depository\\_bank](https://en.wikipedia.org/wiki/Depository_bank)

**Government**  
<https://en.wikipedia.org/wiki/Government>

**Perth Mint**  
<http://www.perthmint.com.au/?gclid=CLvW6rKGg8w-CFQ6naQodd04BjQ>

**RBC Mint**  
<http://www.mint.ca/store/template/home.jsp>

**Kiwibank**  
<https://en.wikipedia.org/wiki/Kiwibank>

**Western Union**  
[https://en.wikipedia.org/wiki/Western\\_Union](https://en.wikipedia.org/wiki/Western_Union)

**E-commerce Payment Systems**  
[https://en.wikipedia.org/wiki/E-commerce\\_payment\\_system](https://en.wikipedia.org/wiki/E-commerce_payment_system)

**PayPal**  
<https://en.wikipedia.org/wiki/PayPal>

**Gift Card**  
[https://en.wikipedia.org/wiki/Gift\\_card](https://en.wikipedia.org/wiki/Gift_card)

**Payment Cards**  
[https://en.wikipedia.org/wiki/Payment\\_card](https://en.wikipedia.org/wiki/Payment_card)

#### 5. Government

Some governments act as custodians for direct investment in government bills, notes, and bonds. For example: US Treasury Direct Trade:

<https://www.treasurydirect.gov/tdhome.htm>



Governments may also act as custodians for precious metals holdings through an affiliated mint.

Post offices in many countries facilitate money orders and end up serving as custodians for the resulting float. In some countries, post offices may have affiliated banks.

When tax overpayments are rolled over, the government is acting as a custodian for a cash-like instrument. When I ran Hamilton Securities, I insisted that the firm be aggressive in paying estimated taxes. This sum turned out to be a fantastic cash reserve that saved my bacon when the nightmare scenario came true.

### 6. Payment Systems

There are numerous types of payment systems, including e-commerce payment systems that facilitate transactions and issue money orders and travelers checks. In essence, they end up serving as custodians for the resulting “float.”

### 7. Consumer Goods Companies and Vendors

I typically maintain a balance of \$50 to 100 on my Starbucks card. Starbucks has done very well financing itself with prepaid sales through payment and gift cards as part of

their digital and mobile-friendly strategies.

At any given moment, consumer goods companies are responsible (as practical custodians) for an enormous “float” as a result of such payment mechanisms. Whether I stockpile them or use them as Christmas and birthday presents, these cards and online credits are a growing alternative form of cash. If you use them, please make sure that you do so without losing a large “skim” to fees and transaction costs. Numerous phone cards border on the fraudulent with high transaction costs and fees.

Prepaying vendors may be another way to “stockpile” cash. You need to make sure that you limit this practice to vendors who can be trusted to perform even if you prepay. I have always tried to pay vendors as quickly as possible rather than waiting the requisite 30 days. I have found that paying quickly translates into good communication and trust when trouble comes.

### 8. Personal Network

One way to keep cash balances outside the financial systems is to gift or to make loans to trusted family members and friends. Solari Report subscribers have often heard the story of my realizing that I had loaned or given \$250,000 to family and friends. As actions by the federal government cut off my sources of personal and business income and credit, the slow return of those funds kept me afloat for years. Without that capital and goodwill, I would never have made it. These are “cash balances” that ambitious regulators and tax authorities will be hard pressed to seize.

I would add community loan funds and

community-developed financial institutions (CDFIs) under the personal network category. Many of us are comfortable transferring savings to these funds as a result of our personal networks. In my experience, a seasoned, well-managed community loan fund often offers short-term or intermediate-term options and attractive returns relative to the general market.

Numerous groups globally practice savings circles called “partnerships” or “hands.” They meet regularly at a set time, weekly, or monthly. At these meetings, each member puts in an agreed-to amount of cash. For example, they may meet monthly and the “hand” is \$100. Twelve members each put in \$100 in cash and one member takes the full amount of \$1200. Over time, rather than a depository institution getting “the float,” the circle members get it. This is how they save for a deposit on a car or home or help each other get out of debt.

Another example of an informal network that offers money transfer through brokered credits outside the formal banking system is the Islamic Hawala system.

Personal or private networks offer a way to distribute assets into other jurisdictions privately, outside the formal banking (also known as a “surveillance” system).

### 9. Anonymous Internet Servers

There are companies that hold themselves out to be online banks and are able to do so because they are not subject to normal banking laws and regulations. For example, they may be based on an Indian reservation or in

an offshore haven. They do not describe their legal and governance structure. They provide little or no information about their board of directors or managements. They do not provide information regarding their auditors and audits. They do not provide financial statements or any form of third-party verification. They do not have access to governmental deposit insurance. They are, in essence, a complete mystery.

Then, of course, there is cryptocurrency, of which the most popular form is Bitcoin.

These are fiat currencies that do not enjoy the backing and support of a government or a central bank. They offer the ultimate in “fiat.” Deposits of these currencies are not insured and their exchange values vary widely as being relative to the currency in which the majority of your transactions are denominated. Generally, they are not widely accepted, although online acceptance is growing. More than a few holdings have disappeared through the hacks of a Bitcoin exchange, including Mt. Gox. Flexcoin, bitstamp and BTER.

These businesses are the custodial equivalent of the wild west. I do not think of them as cash options. Rather, they are speculative investments. I bring them up here because there is a significant effort to market Bitcoin and other services as a cash option offering anonymity and “safety outside the system.”

My advice is “buyer beware!”

In closing, let me repeat: **excellent custodians and excellent custodial relationships are the backbone of successful cash management.**



**CDFI**  
[https://en.wikipedia.org/wiki/Community\\_development\\_financial\\_institution](https://en.wikipedia.org/wiki/Community_development_financial_institution)

**Hawala**  
<https://en.wikipedia.org/wiki/Hawala>

**Cryptocurrency**  
<https://en.wikipedia.org/wiki/Cryptocurrency>

**Bitcoin**  
<https://en.wikipedia.org/wiki/Bitcoin>





## LOOK FOR EXCELLENCE

A number of steps that will help you determine excellence in a custodian or a financial institution can be found in the Solari article, “How to Find a Local Bank”

<https://solari.com/blog/how-to-find-a-local-bank/>

Let’s go through the basic steps.

### How to Find and Evaluate a Local Bank

[http://solari.com/articles/bank\\_locally/find\\_local\\_banks/](http://solari.com/articles/bank_locally/find_local_banks/)

### Yahoo Finance (10) Year S&P 500 Interactive Chart Comparison

<http://finance.yahoo.com/>

### Governance

<https://en.wikipedia.org/wiki/Governance>

### Management

<https://en.wikipedia.org/wiki/Management>

### EDGAR System

<https://www.sec.gov/edgar/searchedgar/companysearch.html>

### FDIC BankFind

<https://research.fdic.gov/bankfind/>

### Bank Rating Services

<http://www.dfi.wa.gov/consumers/bank-rating-services>

### Credit Rating Agency

[https://en.wikipedia.org/wiki/Credit\\_rating\\_agency](https://en.wikipedia.org/wiki/Credit_rating_agency)

### The Big Three (Credit Rating Agencies)

[https://en.wikipedia.org/wiki/Big\\_Three\\_%28credit\\_rating\\_agencies%29](https://en.wikipedia.org/wiki/Big_Three_%28credit_rating_agencies%29)

### FINRA

[https://en.wikipedia.org/wiki/Financial\\_Industry\\_Regulatory\\_Authority](https://en.wikipedia.org/wiki/Financial_Industry_Regulatory_Authority)

### FINRA BrokerCheck

<http://brokercheck.finra.org/>

### SEC: Check Out Brokers and Investment Advisors

<https://www.sec.gov/investor/brokers.htm>

### SEC: Investment Advisor Public Disclosure

<http://www.adviserinfo.sec.gov/>

### Municipal Securities Rulemaking Board (MSRB)

[https://en.wikipedia.org/wiki/Municipal\\_Securities\\_Rulemaking\\_Board](https://en.wikipedia.org/wiki/Municipal_Securities_Rulemaking_Board)

### MSRB: Electronic Municipal Market Access (EMMA)

<http://emma.msrb.org/>

### PACER: Public Access to Court Electronic Records

<https://www.pacer.gov>

## Intelligence: Collect Information

**1.** Start with the website of the institution. Typically the better the leadership, the greater the disclosure that private companies provide directly through their “About Us” or “Investor” section. You will want to gather as much information as possible about who owns (controls), governs, and manages a private company. Excellence in leadership is what I look for first.

**2.** If the institution has stock that is publicly traded on the US stock markets, you can access the EDGAR system at the US Securities and Exchange Commission (SEC) to view the annual report, proxy, prospectuses, and other filings, including notices of any recent material changes.

Check material changes by reviewing the last 10 to 20 years of stock performance relative to peers and to the general market index. You can use Yahoo Finance’s 10 Year SPY (S&P 500) Interactive Chart Comparison here: <http://finance.yahoo.com/echarts?s=SPY+Interactive>

This may indicate market opinion of the quality or financial performance or both of your institution.

**3.** If an institution is a regulated bank that uses government insurance, you should be able to access reports from the regulator or insurer. For example, you can access the FDIC disclosure and call reports on the banks that use FDIC insurance.

**4.** Check with bank and credit rating services to find third-party analyst assessments of a bank, company, or government

credit worthiness or that of its securities.

**5.** If the institution is a US brokerage firm or if it involves an investment advisor, check the FINRA filings at FINRA or the SEC.

**6.** If the institution is a sovereign national government or a municipal government (or related agency) you should be able to access extensive budget and financial disclosure at their website.

In the United States, municipal bond issues provide extensive documentation that can be found at the online system available from the Municipal Securities Rulemaking Board (MSRB).

Disclosure on corporations, banks, and sovereign and municipal issuers may also be available from brokers, banks, and rating agencies.

**7.** If the institution is a not-for-profit, it is required to make disclosure available as a matter of law in many jurisdictions. For example, not-for-profits in the United States are required to make three years of tax returns publicly available. If these returns are not available on their website, you can request them by mail. If the institution makes it difficult to access them, it should be dropped from consideration.

**8.** Search news services on the Internet for red flags. In the United States, check the Better Business Bureau for complaints and the PACER system to review case and docket information from federal appellate, district, and bankruptcy courts.

Remember, this method will not access court records that have been sealed or “disappeared.”

## Recommendations

Network with friends, family members, trusted professionals, and business people (lawyers, financial advisors, CPAs, asset managers) if doing so does not disclose information you would prefer to keep confidential. Ask for recommendations of custodians whom they use and recommend. Pay particular attention to recommendations that speak to both the integrity and service of a custodian.

I have found that trusted experts save a great deal of time in determining who is the best custodian in a given role or location.

## Personal Phone Calls and Visits

Personal contact and visits can make a big difference. Even when someone insists that he or she is not knowledgeable to determine if an institution is qualified, I find that such a person can learn a great deal by speaking with and then visiting a potential custodian personally.

Financial regulation often stresses the importance of “knowing your customer.” Personal visits and communication go a long way, not simply for successful due diligence but in ensuring smooth communications and trust – including when things go wrong). It is important to ensure that things keep going right!

I have to say it one more time. Taking the time to ensure that you have excellent custodians and that you enjoy excellent relationships with your custodians provides an essential infrastructure for successful cash management.

Don’t worry about financial products and returns until you have first established an excellent infrastructure.





## CASH MANAGEMENT OPTIONS

Now that you have thought through what cash you want for what purposes and what reliable custodians are available to satisfy those purposes, it is time to review the options under the umbrella of the types of custodians.

This is an overview of options, not an exhaustive or detailed list. Consequently, once you have built your framework and you know what you would like to see, it will pay to drill down into the particulars of specific custodian offerings.

### CASH

<https://en.wikipedia.org/wiki/Cash>

### COIN

#### Legal tender

[https://en.wikipedia.org/wiki/Legal\\_tender](https://en.wikipedia.org/wiki/Legal_tender)

#### Jurisdiction

<https://en.wikipedia.org/wiki/Jurisdiction>

#### Banknote

<https://en.wikipedia.org/wiki/Banknote>

#### Precious Metal

[https://en.wikipedia.org/wiki/Precious\\_metal](https://en.wikipedia.org/wiki/Precious_metal)

#### Travelers Check

[https://en.wikipedia.org/wiki/Traveler's\\_cheque](https://en.wikipedia.org/wiki/Traveler's_cheque)

#### Money Order

[https://en.wikipedia.org/wiki/Money\\_order](https://en.wikipedia.org/wiki/Money_order)

#### Time based currency

[https://en.wikipedia.org/wiki/Time-based\\_currency](https://en.wikipedia.org/wiki/Time-based_currency)

#### Barter

<https://en.wikipedia.org/wiki/Barter>

**International Reciprocal Trade Association (IRTA)** [https://en.wikipedia.org/wiki/International\\_Reciprocal\\_Trade\\_Association](https://en.wikipedia.org/wiki/International_Reciprocal_Trade_Association)

#### Sharing economy

[https://en.wikipedia.org/wiki/Sharing\\_economy](https://en.wikipedia.org/wiki/Sharing_economy)

#### Freecycle network

<https://www.freecycle.org>

### The Custodian: You

Where you are your own custodian, you can hold cash in the currency (bills and coin) that is legal tender in your jurisdiction, as well as in currencies from other jurisdictions. Foreign currencies are generally available from large banks and currency exchange businesses in money centers or at international airports.

Because I consider precious metals to be a form of money, I would consider them as cash. As interest rates stay low, or even go negative, precious metals become more attractive relative to fiat currency. If governments shift to cashless, precious metals coins and bars will become even more attractive. You can put them in your pocket and walk down the road to bribe the border guards!

See our Precious Metals Market Reports library at the Solari Report resources area for discussions of the relative merits of holding gold and silver and of using gold and silver coins to provide liquidity. Our online Silver and Gold Payment Exchange Calculator assists you in converting between gold and silver coins and global currencies.

<http://www.silverandgoldaremoney.com>

You can also hold cash in the form of money orders, travelers checks, gift and payment cards, and stamps (particularly if they have “forever” values).

In addition, you can maintain securities certificates at home. However, if you do so, you will limit their liquidity. Getting certificates out of the system and getting them back in is becoming more and more expensive and cumbersome. My preference is to keep securities within the system with rare exception.

If you maintain physical certificates at home, please make sure that they are stored in a fire-proof safe.

To implement a successful cash management strategy, you must reduce your need for cash. That means using your cash to pay off mortgages, car loans, student loans, credit card debt and personal and business loans. It may also mean investing in greater self-sufficiency in a manner that permanently reduces your overhead.

I often tell the story of clients who found that falling yields on investments and rising water bills were squeezing their household budget. The resolution was to sell securities and to reinvest the money in a well for their home. Similar examples involve providing for independent energy systems or gardens, orchards and edible landscapes.

Another way to reduce future cash needs would be to stockpile nonperishable goods. This includes items you are sure you will need, such as office supplies that can be purchased during advantageous sales. It may also include items that are useful for trading purposes. During the collapse of the general economy in Russia during the 1990s, it was reported that vodka served as a much more liquid currency than gold and silver. Personally, I have a stockpile of liquor, including lots of smaller bottles, and other goods that are attractive to barter and trade.

If the banking system or markets go to negative interest rates or go cashless, you will be well served by investing your cash to reduce future cash needs.

Barter, local-time banks, and local sharing and gifting services (such as the Freecycle

Network) are examples of numerous methods used to facilitate local, regional, and even international liquidity of goods and services without paper currencies.

Please make sure that you have thought through all the security issues involved in keeping cash at home and how you will handle some of the fact patterns that contribute to significant losses from a home depository:

- **Theft:** this includes thefts by professionals, including professionals tipped off by family, friends, and service providers such as cleaners, plumbers, electricians and pest control personnel who have access to your home. Unfortunately, thefts by family and personal friends also happen, so think carefully about who knows that you maintain valuables in your home.
- **Home invasions:** the pros expect you to give up the goods under stress.
- **Fire:** make sure you have fire-proof storage solutions.
- **Good records:** don't laugh – some of the greatest losses on home savings occur when people forget where they put the precious metals or cash stash. Or, their heirs do not know and ship the box of gold coins out to the yard sale without realizing it.

One of the most sensitive issues is whether or not you will insure your household holdings or provide disclosure to law firms and CPA firms. I am of the opinion that doing so may increase the risk of theft unless you provide coverage through an umbrella policy. This permits a certain amount of discretion on how you report your home inventory.







## Depository

If you decide to use a professional depository instead of storage at home, you need to consider:

- **The location of your depository** – do you want it within your jurisdiction or far away in an entirely different jurisdiction? You may want your cash, gold, silver, and documents nearby so that you can access them quickly. Or, you may want them in Switzerland or Singapore so that you have assets available to fund your needs globally.

### Transaction Account

[https://en.wikipedia.org/wiki/Transaction\\_account](https://en.wikipedia.org/wiki/Transaction_account)

### Savings Account

[https://en.wikipedia.org/wiki/Savings\\_account](https://en.wikipedia.org/wiki/Savings_account)

### Time Deposit

[https://en.wikipedia.org/wiki/Time\\_deposit](https://en.wikipedia.org/wiki/Time_deposit)

### Certificate of Deposit

[https://en.wikipedia.org/wiki/Certificate\\_of\\_deposit](https://en.wikipedia.org/wiki/Certificate_of_deposit)

### Money Market

[https://en.wikipedia.org/wiki/Money\\_market](https://en.wikipedia.org/wiki/Money_market)

### Deposit insurance

[https://en.wikipedia.org/wiki/Deposit\\_insurance](https://en.wikipedia.org/wiki/Deposit_insurance)

### Federal Deposit Insurance Corporation (FDIC)

[https://en.wikipedia.org/wiki/Federal\\_Deposit\\_Insurance\\_Corporation](https://en.wikipedia.org/wiki/Federal_Deposit_Insurance_Corporation)

### FDIC: Understanding Deposit Insurance

<https://www.fdic.gov/deposit/deposits/>

### Brokered Deposits

[https://en.wikipedia.org/wiki/Bank#Brokered\\_deposits](https://en.wikipedia.org/wiki/Bank#Brokered_deposits)

### FDIC: When a Broker Offers a Bank CD; It Pays to Do Some Research

<https://www.fdic.gov/consumers/consumer/news/cnspr13/cdsfrombrokers.html>

### SEC: High-Yield CDs: Protect Your Money by Checking the Fine Print

<https://www.sec.gov/investor/pubs/certific.htm>

### Federal Financial Institutions Examination Council (FFIEC) Consumer Help Center

<http://www.ffiec.gov/consumercenter/>

- **How much physical space do you need?**

For example, silver bars can add up in terms of volume and that can get expensive.

- **Who will have access to the depository?**

Do you want the registration to be arranged in an anonymous number or name?

- **Insurance:** do you want an insured facility or will you arrange for insurance through your own carrier?

Once you know what you want, you can determine your options in the jurisdictions in which you are interested. Again, a mint or some other precious metals dealer will sometimes serve as a depository for precious metals. There are inherent conflicts-of-interest in these roles and generally I discourage them unless the mint is government-affiliated.

Remember, if your jurisdiction moves to a cashless system or negative interest rates (or both), a cash stash in a depository could become expensive very quickly – especially if you must fly to another jurisdiction to liquidate your stash.

## Banks

Your cash management options at most banks will include checking (demand deposits), savings, money market deposit accounts and time deposits, including certificates of deposit. Sovereign deposit insurance is available on most or all forms of deposits in the developed countries.

Numerous other assets purchased through or held by banks may not be insured, including government bonds, stocks, mutual funds, insurance products and or assets held in safe deposit boxes.

In the United States, bank deposit insurance is provided by the Federal Deposit Insurance Corporation (FDIC), an independent agency of the US government. The FDIC provides a full faith and credit guarantee up to \$250,000 per depositor per insured bank per ownership category.

Ownership categories include single name accounts, joint accounts, certain retirement accounts, corporate, partnership, unincorporated association accounts, revocable trust accounts, irrevocable trust accounts, employee benefit plan accounts and more.

Between different types of accounts and the use of multiple banks, one person or family (particularly if they maintain trusts and businesses) can access a large amount of federal deposit insurance. Significantly greater amounts can be accessed through the use of brokered deposits, which are easily accessible through brokerage accounts. Be careful of brokered deposits unless you are buying through a reputable FINRA-regulated brokerage firm, and consider deposits only in fundamentally sound banks.

If a bank fails, the FDIC as regulator becomes the receiver and the bank (or portions thereof, including customer accounts) may be transferred to a new institution. Under new bail-in procedures, bank resolutions can be financed at the cost of creditors, including uninsured depositors. Consequently, you want to avoid having uninsured deposits.

Even if you have insured deposits, it is best to avoid bank failures by maintaining insured deposits in well-managed, well-capitalized banks. A bank failure can result in short-term unavailability and resulting opportunity costs,

not to mention sleepless nights and lost time.

If you hold a significant amount in bank deposits, you will want to make sure that you do not concentrate these savings in one bank, if possible. In addition, avoid banks that have significant conflicts of interest with proprietary trading and derivative positions, as well as positions and services they are managing for the central bank and federal government. It would be better to focus on banks whose primary business is serving customers like you in which to establish enduring relationships.

In theory, the FDIC insurance fund could be expended if bank failures were to increase. Given the importance to the federal credit system of maintaining bank insurance, in most scenarios I expect the US full faith and credit to stand behind the FDIC as a practical matter – as it did to backstop Fannie Mae and Freddie Mac when mortgage fraud bankrupted them during the bailout period. The only reason not to provide such a backstop would be the intentional political decision to start bank runs. This scenario seems unlikely for the foreseeable future.

I suspect that the effort to shift young people into cryptocurrencies is actually about shifting depositors away from sovereign obligations in order to protect the financial system.

If you bank in multiple jurisdictions, you should determine if sovereign deposit insurance covers foreign banking customers. It may be limited to national citizens. Consequently, you will be better off maintaining sovereign bonds or securities than uninsured deposits in an institution in a foreign jurisdiction.







## Credit Unions

Based on data from the World Council, at the end of 2010 there were 52,945 credit unions in 100 countries around the world. Collectively they served 188 million members and \$1.5 trillion in assets.

In the United States, most commercial bank deposit services are provided to members of credit unions, although their services may be limited by their smaller size.

In the United States, deposit insurance is provided by the National Credit Union Administration (NCUA), an independent federal agency that regulates, charters, and supervises federal credit agencies. The NCUA operates the National Credit Union Share Insurance Fund with the backing of the full faith and credit of the US government. The Fund insures deposits in all federal credit unions and in the overwhelming majority of state-chartered credit unions:

[https://en.wikipedia.org/wiki/National\\_Credit\\_Union\\_Administration](https://en.wikipedia.org/wiki/National_Credit_Union_Administration)

Credit unions may engage in uninsured activities such as brokerage and investment advisory activities. Some maintain credit union service organizations, which are for-profit subsidiaries that provide expanded

services including insurance and investment services.

US credit union insurance generally parallels FDIC deposit insurance: \$250,000 per institution per depositor per ownership account, including single ownership accounts, joint accounts, and certain retirement and trust accounts.

When it comes to making sure that you are covered by deposit insurance, I recommend discussing the available options with a banker at the institution of your choice.

## Brokerage Firm

Accessing securities through a brokerage firm typically offers the widest selection of cash management options.

A brokerage firm may be an affiliate of a bank or credit union. Certain securities, such as sovereign bonds, may be available for purchase through banks.

I like firewalls between financial providers. Consequently, I prefer community banks or credit unions that are not affiliated with brokerage operations and do not have large proprietary securities or servicing operations which may present conflicts of interests.

I prefer brokerage firms for securities and I do not use them for deposit or banking services.

In the United States, brokerage firms have access to Securities Investor Protection Corporation (SIPC) insurance. The SIPC is a federally mandated US corporation, which is not-for-profit corporation and is funded by its members. It has authority to borrow

from the US Treasury. SIPC provides insurance for up to \$500,000 of the net equity value in member customer accounts, including up to \$250,000 of cash. Notes, stocks, and bonds are covered. However, commodities and other holdings are not covered.

In brokerage accounts, the securities most often used for cash management (sometimes called “cash equivalents”) are fixed-income securities (bills, notes, and bonds) of the highest credit quality and with shorter maturities to ensure liquidity and protection of principal.

The highest credit qualities are typically reserved for sovereign governments, which have taxing and enforcement powers and are affiliated with central banks that can print currency in which the notes and bonds are denominated. These securities are typically issued by a government treasury or related agencies. In addition, political subdivisions may also issue notes and bonds with strong credit rating even though they lack the authority to issue currencies. This would include states, counties, and their public benefit corporations and agencies.

Again, using the United States as an example, the US Treasury issues bills, notes, bonds, and inflation protected bonds, or TIPs. Related agencies – for example the mortgage corporations and funds such as FHA, GNMA, Fannie Mae and Freddie Mac – also issue notes and/or bonds and asset backed securities. Some, such as GNMA, offer the full faith and credit of the US government.

**Securities Investor Protection Corporation (SIPC)**  
[https://en.wikipedia.org/wiki/Securities\\_Investor\\_Protection\\_Corporation](https://en.wikipedia.org/wiki/Securities_Investor_Protection_Corporation)

**Fixed income**  
[https://en.wikipedia.org/wiki/Fixed\\_income](https://en.wikipedia.org/wiki/Fixed_income)

**Laddered programs**  
<https://en.wikipedia.org/wiki/Laddering>

**Sovereign Bonds and Bills**  
[https://en.wikipedia.org/wiki/Government\\_bond](https://en.wikipedia.org/wiki/Government_bond)

**Treasury**  
<https://en.wikipedia.org/wiki/Treasury>

**US Treasury**  
[https://en.wikipedia.org/wiki/United\\_States\\_Department\\_of\\_the\\_Treasury](https://en.wikipedia.org/wiki/United_States_Department_of_the_Treasury)

**Government National Mortgage Association (GNMA)**  
[https://en.wikipedia.org/wiki/Government\\_National\\_Mortgage\\_Association](https://en.wikipedia.org/wiki/Government_National_Mortgage_Association)

**Fannie Mae**  
[https://en.wikipedia.org/wiki/Fannie\\_Mae](https://en.wikipedia.org/wiki/Fannie_Mae)

**Freddie Mac**  
[https://en.wikipedia.org/wiki/Freddie\\_Mac](https://en.wikipedia.org/wiki/Freddie_Mac)

**Corporate Bonds and Notes**  
[https://en.wikipedia.org/wiki/Corporate\\_bond](https://en.wikipedia.org/wiki/Corporate_bond)

**Repurchase Agreement**  
[https://en.wikipedia.org/wiki/Repurchase\\_agreement](https://en.wikipedia.org/wiki/Repurchase_agreement)

**Commercial Paper**  
[https://en.wikipedia.org/wiki/Commercial\\_paper](https://en.wikipedia.org/wiki/Commercial_paper)

**Exchange Traded Funds (ETFs)**  
[https://en.wikipedia.org/wiki/Exchange-traded\\_fund](https://en.wikipedia.org/wiki/Exchange-traded_fund)

**Mutual Funds**  
[https://en.wikipedia.org/wiki/Mutual\\_fund](https://en.wikipedia.org/wiki/Mutual_fund)

**Credit Rating**  
[https://en.wikipedia.org/wiki/Credit\\_rating](https://en.wikipedia.org/wiki/Credit_rating)

**Maturity**  
[https://en.wikipedia.org/wiki/Maturity\\_\(finance\)](https://en.wikipedia.org/wiki/Maturity_(finance))

**GLD and SLV: Disclosure in the Precious Metals Puzzle Palace**  
[http://solari.com/archive/Precious\\_Metals\\_Puzzle\\_Palace/](http://solari.com/archive/Precious_Metals_Puzzle_Palace/)



### National Credit Union Administration

[https://en.wikipedia.org/wiki/National\\_Credit\\_Union\\_Administration](https://en.wikipedia.org/wiki/National_Credit_Union_Administration)

### National Credit Union Share Insurance Fund (NCUSIF)

[https://en.wikipedia.org/wiki/National\\_Credit\\_Union\\_Share\\_Insurance\\_Fund](https://en.wikipedia.org/wiki/National_Credit_Union_Share_Insurance_Fund)

### NCUSIF: Share Insurance Coverage

<http://www.mycreditunion.gov/protect/Pages/SI.aspx>





States, counties, and municipalities within the United States often issue short-term notes which may be appropriate for cash management investment, including revenue anticipation notes (RANs), tax anticipation notes (TANS), and bond anticipation notes (BANS). One of their attractions is exemption from federal taxes (and possibly one or more state taxes) depending primarily on issuer and investor residency.

Intergovernmental agencies, both domestically and internationally, may also offer credit-worthy notes and bonds. If you include foreign securities in your cash management accounts, make sure that you understand the relevant reporting requirements if you buy or hold these securities in a foreign account, as well as any foreign tax withholdings and the implications to your domestic taxes.

Finally, financial institutions, corporations, and even large not-for-profits with strong credit ratings or bond insurance issue repurchase agreements, commercial paper and notes, and brokered CDs that may be prudent holdings for cash management.

There are several ways by which an investor can access these securities. One is to buy them individually, typically with a plan to hold them to maturity. Many brokerage firms will set up programs with Treasury bills or with brokered CDs to ladder investments (scale-out by maturities) and automatically roll over funds into new bills or CDs as the old ones mature.

The advantage of owning individual secu-

rities is that the holder does not encounter the risks associated with various pools or funds or the financial soundness of their managers and servicers. You own the bill or the note. It is in your account. It remains there until it matures or you sell it.

Your risk is limited to the credit quality of your holding alone, not to the other holdings in a pool. Your risk includes any variation in price that can result if the holding has a longer maturity and interest rates rise, or if it is denominated in another currency that falls in value against your local currency. You will also need to monitor the issuer and other events that may impact the credit quality of your holding. For example, what will happen if you buy a note issued by a municipality with a very high credit rating and there is a sudden, significant loss in the municipality accounts (it does happen!) that triggers a rating downgrade? You will not know unless you are paying attention and have the time to determine whether you should hold or sell your note.

In other words, holding individual bills, notes, and bonds means that you will need to manage the logistics of buying and monitoring individual holdings; or you can arrange for a broker or investment advisor to help you do so.

To avoid the logistics of buying and monitoring individual securities, many individual investors look for professional management of their securities-related cash management options by investing in money market accounts, mutual funds, or ETFs, or hiring active investment advisors.

While rating agencies rate the credit quality of individual issues, there are special rating services for mutual funds and ETFs. The best known in the United States is Morningstar. Its focus is domestic, although international coverage is growing.

For cash management purposes, you will focus on those mutual funds, ETFs or managers that limit their investments to securities appropriate for cash equivalent status: high-quality, fixed-income securities with short- or shorter-term maturities. For example, ETFs that hold short-term treasuries or mutual funds that specialize in buying GNMA or insured municipal notes rated AAA.

Mutual funds may have redemption fees that limit initial liquidity. They are generally more expensive than ETFs, but they also offer more investor protections. For a good background discussion on the shortcomings of ETF structures, see an article I co-authored on the precious metals ETFs, “GLD and SLV: Disclosure in the Precious Metals Puzzle Palace.”

Not all mutual funds or ETFs are liquid. Unless they have strong sponsors, these investments may come with a variety of risks. First and foremost, what happens if heavy redemptions put stress on the pools? Consequently if you use any fund or pool structure, including money market accounts, you will want to ensure you have chosen one that has strong, liquid credits in the underlying securities and enjoys a strong reputation and market liquidity. Or, you

may want to take the time to buy, hold, and monitor individual bills, notes, and bonds.

Last but not least, when you review cash management options at a brokerage firm – whether with a broker or financial professional, or on your own with a discount brokerage website and its customer support – please make sure that you understand your options. Never invest in something you do not understand.

If you don’t understand an investment, it is not because you are uneducated or lack financial sophistication. It is because the financial services industry and their representatives have made things too complicated or they do not explain things clearly.

Most brokerage firms have very good websites with sufficient detail to help you understand the particulars of an investment if you are willing to take the time to learn and to ask questions.

You can understand. Invest your time in learning the definitions of the terms involved. This is why we have provided so many links in this report. Mastering cash management is, first and foremost, a matter of mastering approximately 100 basic definitions and a few basic financial concepts such as “the higher the credit quality or the shorter the maturity, the less principal risk.”

If you find this process lonely, you can start a Solari circle where you meet by phone or in person each week with friends who will work with you to build your combined skills at successful financial action, including cash management.

MORNINGSTAR





### Government

Sovereign governments sometimes offer ways of investing through the government directly as a custodian. In these cases, you are limited to the options they offer as the issuer.

Treasury Direct Trade is a US Treasury website where you can purchase and redeem securities directly from the US Department of the Treasury in paperless electronic form, including Treasury bills, notes, bonds, TIPS, and savings bonds.

Government mints sell coins and may offer custodian services. Examples include the US Mint, the RBC Mint and the Perth Mint.

### Consumer Goods Companies and Vendors

I covered many of the options in our discussion of consumer good companies and vendors as custodians. Whether gift and payment cards, phone cards, or credits with companies you use or vendors with whom you do business, think of creative ways of keeping your cash working for you without having it in a financial institution. If negative interest rates head your way, a reputable phone card may hold value better than the cash in a financial institution or brokerage account. Good will from a vendor is better than paying a financial tax in the form of negative interest rates.



### Personal Networks

Personal networks have always been one of the most interesting areas of cash management for the families that I have known as subscribers or clients.

I have seen many grandparents and parents gift or transfer funds to children and grandchildren where the funds pay for educations and first-time homes, rather than have to deal with taking responsibility for preserving it in a corrupt financial system. Families and friends also make personal loans. Sometimes these are very successful. However, sometimes they discover that corruption is everywhere – sometimes in untrustworthy family members.

Some of my experience with savings clubs and circles has been with immigrant groups who did not trust the privacy and confidentiality of the banking system, but could trust each other.

One of the most gratifying examples I have seen was a church in Norfolk, Virginia, that counseled the congregation members about

how to manage credit cards and get out of debt. They would then raise special tithes and pay off the debt of a family. Over time the church congregation working together was able to significantly improve its members financial condition.

While we all need to beware the deterioration of ethics in our personal networks, opportunities to financially support our allies as their support us is how we build powerful networks.

I had to laugh during the financial crisis in 2008. I spoke to one investor who was in the process of buying a Swiss sovereign bond but discovered that the interest rates had turned negative on the Swiss bonds, inasmuch as so many investors were seeking safety. I asked her what she had done. She said instead she transferred the money to Kiva.org and proceeded to make interest-free loans to entrepreneurs throughout the emerging and frontier markets. Apparently no interest rates were better than negative interest rates. Besides, she said, she knew the entrepreneurs would pay her back!

### Anonymous Servers

There is a tremendous amount of excitement in many quarters around cryptocurrencies, including Bitcoin.

Cryptocurrencies are not yet candidates for cash management. Their custodian networks depends on digital systems and websites that are insecure, their regulator and tax treatment are typically uncertain and their values can fluctuate, even widely. It is a bit like depositing funds in the middle of a foreign war zone.

As mentioned previously, one of my concerns is that a lot of good-hearted people are spending time and money prototyping and developing Mr. Global's digital currencies for him – one that gets the leadership out of maintaining sovereign deposit insurance and will give then yet again another intelligence advantage in "surveillance capital."

Many of my allies argue that this is where things are going to go anyway, so we might as well jump on board and learn how these digital fiat currencies work. That argument has merit. Just understand that your expenditures on cryptocurrencies are prototypes, and are highly speculative in nature.

Cryptocurrencies are not yet options for cash and cash management.

This concludes our overview of cash management options. If I could remind you of one word you want to focus on, it is "excellence." In a risky environment, caution is advised. You want to seek out the highest quality in custodians, issuers, securities, and service providers.







## WHAT IF?

Let's run through several "what if" scenarios that may impact your cash management options.

### Negative Interest Rates

If negative interest rates move from Europe and Japan to your markets, you may find that rollovers of cash and short-term fixed income run the risk of yielding zero or negative returns. This could impact your bank deposits and CDs, bank and brokerage money markets, and short-term fixed income. If you are depending on funds and ETFs, they will face the same rollover challenge. The question at that point will be, where will you go?

Owning individual notes and bonds (in the intermediate term) or long maturities will protect you from rollover interest risks faced by cash holdings or funds. If interest rates start to rise, however, longer maturities carry principal risk.

If the US Treasury markets go to negative interest rates, there will be so many profound implications for numerous sectors of the domestic and global economy that it is difficult to speculate what might happen.

Policymakers will be hoping that funds will be forced out of cash into lending and investing at the same time that the United States will be facing ongoing budget cuts. Predicting the impact that this change may have on commodities, real estate, and equity markets will be a significant challenge.

Historically, the response to government intervention that taxes savers to subsidize itself is to decrease trust, which decreases investment and liquidity.



### Redemptions or Runs on Money Market Funds

Concerns regarding negative interest rates (or liquidity and credit issues in the short-term markets) could trigger runs on money market funds. In this case, you will want to ensure that you are with the strongest sponsors and custodians and that you lean towards FDIC-insured money markets or money markets that concentrate in the highest possible credits.

### Runs on Banks

You will want to make sure that you are in banks that are fundamentally sound and well managed. Please avoid (or chose with care) banks and custodians that are affiliated with proprietary trading and derivatives operations that may cause financial problems and conflicts-of-interest relative to customer accounts.

If your deposits are covered by FDIC insurance, there is no reason to seriously worry about bail-ins at this time – unless US politics trigger a change in policies or rules. Every indication to date is that the "deep state" and regulators continue to want the FDIC system to work well.

Needless to say, you will want to avoid banks that are likely to experience bail-ins. Your FDIC insurance may work, but you will lose time and sleep if you have to depend on your deposit insurance.

### Runs on ETFs

This one concerns me. The ETF industry is young and it has attracted significant funds because it offers lower expenses and, in many cases, greater liquidity than mutual funds. However, it is untested in periods when

liquidity seizes up. We have seen repeated warnings from regulators about what could go wrong with ETFs.

In assessing preferences between ETFs and other investment options, I recommend that you keep the inexperience of ETFs in mind.

### Runs on Mutual Funds

If interest rates go negative or start to rise, fixed income mutual funds could experience heavy redemptions. Fixed income managers have had the wind at their backs with falling interest rates and a long-term bull market in bonds. This has been a 36-year-long bull market. Managers do not have a lot of experience with rates going negative or rising quickly. As rates have dropped and concerns about the financial system have grown, bond funds have grown. If and when these funds begin to shrink, things could head in the opposite direction quickly.

You will want to be in funds that inspire confidence in investors so that redemptions do not turn into runs.

### Governments Go Cashless

Oppose this one with all your might. If it happens, we are in a zero-privacy world. Local liquidity will diminish further as we are forced into "surveillance capitalism" mechanisms that will use private data in invasive and lawless ways.

This a compelling reason to use your resources to permanently lower overhead and the need for cash (such as retiring debt), to maintain cash in the currency of jurisdictions that remain cash-full, and to maintain a core position in gold and silver coins.

### The Euro Fails

This scenario would be painful, but it would mean new energy for the US dollar market share for the time being.

Do not assume that severe pressure on or the failure of the euro will be positive for gold and silver. Europe is Asia's number 1 customer. If falling imports of Chinese or Indian goods and services in Europe trigger lower growth rates, we could see China and India shift to net sellers of gold and silver.

### My Government Goes Bankrupt

If your government borrows in fiat currency that it can print money out of thin air, please stop worrying that your government is going to go bankrupt. It can't go bankrupt. All of its obligations can be satisfied for free. Instead, start doing scenario designs for dealing with currency debasement, war, and totalitarianism that will result from a weakening economic situation.

However, if your government (or national companies and institutions) borrow in a currency that the government does not print – and it is carrying a heavy debt load – you face some serious cash management risks and may want to consider holding some cash outside your home currency.



### Bank Run

[https://en.wikipedia.org/wiki/Bank\\_run](https://en.wikipedia.org/wiki/Bank_run)





## YIELDS

Fixed income investments continue to perform well as investors seek safety rather than yields. That performance comes at the price of lower yields on reinvestment.

Watching the liquid Treasury ETF's is one of the ways I watch what interest rates are doing. These are included in the charts we post each week for subscribers based on the Friday close the prior week.

Here are yields as of April 11, 2016:

**(SHY) – the iShares 1-3 Year Treasury Bond ETF has returned 0.9% year to date and had a current yield at the end of the 1st quarter of 0.57%.**



**(IEF) – the iShares 7-10 Year Treasury Bond ETF has returned 4.8% year to date and was yielding 1.79% as of the end of the 1st quarter.**



**(TLT) – iShares 20+ Year Treasury Bond ETF has returned 8.73% year to date and had a yield of 2.38% as of the end of the 1st quarter.**



**Yield**  
[https://en.wikipedia.org/wiki/Yield\\_\(finance\)](https://en.wikipedia.org/wiki/Yield_(finance))  
**Rate of Return**  
[https://en.wikipedia.org/wiki/Rate\\_of\\_return](https://en.wikipedia.org/wiki/Rate_of_return)  
**Interest Rate**  
[https://en.wikipedia.org/wiki/Interest\\_rate](https://en.wikipedia.org/wiki/Interest_rate)





For now, the Treasury market is outperforming the high-yield markets. The SPDR Barclays High-Yield Bond ETF (JNK) has returned 2.11% year to date



(AGG) The Core US Bond Aggregate ETF has returned 3.03% year to date and had a current yield of 2.32% as of the end of the 1st quarter.



Most money markets and short-term deposits are yielding little to none. For example, Fidelity's Government Money Market Fund (SPAXX) has a daily yield year to date of 0.0%. Their return for the last 1, 3 and 5 years is 0.01%

Such yields present a significant question – do you forego yields on your cash or increase the risk you take by going to lower credit quality or longer maturities?

Whatever you decide, be prepared for interest rates to go lower or higher. The environment is fluid.

## PLEASE REMEMBER!

Before closing, there are certain principles that I want to recommend to you that can help you determine the optimal cash management strategy for you.

### Diversification

Do not keep your resources, including your cash, in one place. You want to have redundant options and not be dependent on any one custodian to perform. Multiple accounts and relationships may require more time and more paperwork. It is worth your time and effort.

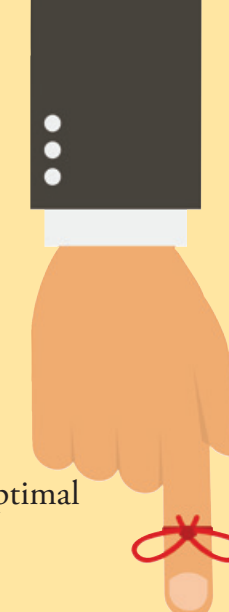
### No Privacy

Privacy is important. You should strive to achieve it. Use passwords on digital documents that contain confidential information. Keep your private financial statements under lock and key so that people coming in and out of your home cannot access them. Learn about how to protect your computer and online accounts from compromise or identity theft, including checking and reconciling your accounts regularly. This includes checking brokerage accounts after trades are executed or deposits and transfers are made.

You need to assume that in the worst case there is no privacy. Do not allow others to get leverage over you because you have broken the law or engaged in illegal or unethical behavior.

### Seek Excellence

Seek excellence in the people and institutions with whom and which you share data and you entrust with your assets. You cannot be too careful. Never compromise on the quality of your relationships and custodians to get yield. Many of us grew up in a world where you could pretty much depend on the regulators and the business community to ensure basic integrity within the system. The world has changed. The person you must depend on to ensure integrity is you.



### Intellectual Mastery

Develop confidence that you can achieve intellectual mastery of any issues related to your cash management or finances. Never do anything you do not understand. Never feel rushed or pressured to make a decision. If someone or something inspires fear on a regular basis, replace them with someone who helps you achieve intellectual mastery.

### Build Relationships

Financial institutions are required to “know your customer.” This is also best practice. You want to know people at the companies you do business with and you want them to know you. First, in person meetings are important due diligence. You will learn a lot by meeting people in person, including that it is whether the an institution that does or does not feel right for you. Second, things go wrong. It helps to have relationships that facilitate effective communication when they do.

### Redundant Archives

Maintain redundant copies of your legal documents, contracts and financial statements in multiple locations, preferably in fireproof safes or storage. Remember, he who archives writes history.

### You are Special

Every person is unique. Your needs, your approach to risk management, your goals, your situation are all unique—you do not fit into a box that can be standardized.

Do not accept advice from people who do not understand the specifics of your situation or imply that “one size fits all.”

That is why the best approach is to take responsibility to understand what you need and insist that the financial providers help you master your financial affairs.

Ultimately, you are the governor – the chairman of the board overseeing your money. Whatever happens to your money, you are responsible for the consequences.

I believe you can and will do a great job for you!



## II. News Stories & Trends



“The problem is not to find the answer, it’s to face the answer.”  
—TERENCE MCKENNA



Here are the trends and stories from the 1st Quarter that will help you stay informed on current events, particularly the ones likely to impact your time and money.

### ECONOMY & FINANCIAL MARKETS

Coming into 2016, the Federal Reserve promoted an expectation that the US economy and employment would grow out of the recession without further quantitative easing. Improving conditions would support quarterly increases in interest rates. Market response to the small interest rate increase of the Fed in late 2015 and the global slowdown was sufficiently unnerving that the Fed backed down on further increases in the 1st Quarter. Concerns about the global economy and the strength and stability of the financial markets grew.

#### 1. Global 3.0

The shift from Global 2.0 (industrial economy) to Global 3.0 (networked economy) is accelerating.

The divergence in economic strength between cities and regions leading in Global 3.0 and other areas is becoming more pronounced. Nothing less than *The Economist* pointed out that the manner and levels of US corporate establishment profits have been unhealthy for the economy. Indeed, consistently above – market profits result from an increasingly lethal combination of advanced technology and political corruption.

Invisible to the average person, continued artificial intelligence and automation is significantly shifting the income and employment landscape. Look for more discussions this year regarding minimum incomes or income guarantees in the developed world, as robotics and other forms of automation reduce employment opportunities.

Expect civil drone use to be approved in the US in 2016, resulting in an explosion of domestic applications in retail, agriculture, real estate, and media for the foreseeable future.

- **Varieties of Inequality: The Great Divergence**
- **Business in America: The Problem with Profits**
- **Elon Musk Says Google Deepmind’s Go Victory Is a 10-Year Jump For A.I.**
- **Domino’s Unleashes Pizza-Delivery-Robot As 2 Out Of 3 Americans Expect Jobs To Be Automated**
- **Canada Plans to Experiment with Giving People Unconditional Free Money**
- **G Plans to Beam 5G from Solar Drones**

#### 2. Surveillance Capitalism

Every day brings another example of lawlessness in the digital space. In March, business professor Shoshana Zuboff published her article on *Surveillance Capital*, coining a term that brilliantly captures the systemic lawlessness contributing to corporate profits.

- **The Secrets of Surveillance Capitalism**

Zuboff is publishing a book on this topic next year. Meantime, we are naming her *Solari Hero for the 1st Quarter*.



**PLEASE NOTE:** The bold text in blue throughout this section indicates a hotlink that will take you to websites, pages or videos, which will provide more detailed information. Visit the [Solari.com](http://Solari.com) site and use the search function to locate the items.







### 3. Financial Hot Potatoes

After years of central bank and government interventions, and a financial coup d'état that switched trillions in assets (leaving the liabilities behind) from Global 2.0 to Global 3.0, a highly centralized economy is showing more than a few distress signs.

#### Negative Interest Rates

In January, the Bank of Japan followed European central banks and lowered its interest rates below zero. Market reports now indicate that approximately \$8 to 10 trillion of European and Japanese sovereign bonds are trading at negative interest rates out to maturities of 10 years.

- **Japan's Negative Interest Rates Are Even Crazier Than They Sound**
- **Fed Scales Back Rate-Rise Forecasts as Global Risks Remain**

#### US Budget Hot Potato

For the 20th year in a row the US government declined to produce audited financial statements as required by law, let alone easy access disclosure to citizens for their Congressional district or local communities. The US budget hot potato is being pushed into 2017 after the presidential election.

- **U.S. Government's Annual Financial Report Unable to Pass GAO Audit**
- **Financial Audit: U.S. Government's Fiscal Years 2015 and 2014 Consolidated Financial Statements**
- **Open Letter to My Congressman**

#### Pension Fund Hot Potato

In a recent Solari Report, Don Coxe said that the underfunding of pension funds would become the number 1 issue for the next US administration. The financial *coup*

*d'état* and negative interest rates have turned a problem into a serious crisis that will become apparent as the developed world continues to age.

- **Social Security Administration Beneficiaries Top 60,000,000**
- **California's pension debt puts it \$175.1 Billion in the Red.**
- **The Theft of the American Pension**

#### Commodities & Oil

After crashing throughout 2015, the oil and commodities prices just kept falling. Imagine what life would have been like for consumers in the developed world without these declines! Fossil fuel companies, however, are hurting, with the US coal companies being driven literally into bankruptcy by US policies.

- **BofA: The Oil Crash Is Kicking Off One of the Largest Wealth Transfers in Human History**

#### Flows

Equity market performance and merger and IPO volumes all signaled continued to slow down. The bright spot was the flow of funds into venture capital as the applications of new technology continued to hold promise to improve productivity in the economy.

- **1st Quarter 2016: IPO Low**
- **Venture Capital Draw a Rush of New Money**
- **US and Global M&A activity down 40% and 25%**
- **Private Equity Backed Buy-Out Deals Decrease Sharply in Q1 2016**

## GEOPOLITICS

The more central banks and governments assert centralized control of economies, the more our attention is drawn to the politics of resource control and allocations.

### 4. The Shift to a Multipolar-World

Saker has agreed to join us on the Solari Report quarterly to help sort out what it means to move to a multipolar world. Signs abound about the transition underway. Tensions between the United States and Russia continue, with the US actively intervening to block Russia from accessing capital in the international bond market. The importance of the South China Sea was underscored as tensions grew. China spent the 1st Quarter on a global shopping spree to lock up long-term access to income and resources. This included winning Swiss Sygenta for \$43 billion, after the Swiss had turned down a US offer – another indication of the market clout of 1.3 billion consumers. Global frustration with events in the Middle East and Ukraine were voiced by no less than President Obama in a tell-all interview in the *Atlantic Monthly*

- **More Banks Steer Clear of Russia's Bond Sale**
- **South China Sea Takes Center Stage at U.S.-ASEAN Summit**
- **BP: The US Will Be Energy Independent in 5 Years**
- **Swiss Sygenta Finally Say Yes to \$43 Billion ChemChina Deal**
- **The Neocon Bog: Turkey, Syria, Saudi Arabia, Israel, Ukraine & Atlantic Monthly's The Obama Doctrine**

### 5. The Silk Road Grows

Despite the global slowdown, the developing world continues to embrace the future. Increased connection is happening at high speed, whether trains between China and Eurasia cut transport times by more than half, hundreds of millions of Indians get online, or China buys into exchanges to improve connection and liquidity between Asia and the global markets.

- **First 'Silk Road' Train Arrives in Iran from China**
- **Online Retailing in India: The Great Race**
- **Marriott wins back Sheraton-owner Starwood with New Offer**
- **Chinese Investor Group to Buy Chicago Stock Exchange**

### 6. EU: What's Next?

While our personal reports are that Europe is as lovely and charming as ever, the news is full of tensions in the European Union and the enormous pressures from immigration. Summer is coming with a British referendum on the EU and with likely increases in potential immigration.

- **Mark Carney: EU Exit is 'Biggest Domestic Risk'**
- **Norway Warns Sweden Will Collapse, PM Will Defy Geneva Convention To Protect Border**

### 7. US Presidential Campaign Rocks the World

When the campaign began, I recommended spending no more than 10 hours paying attention and voting for someone under 60 years of age. As things turned out, I did not





follow my own advice. Trump and Sanders kept creating cracks in the official reality that made for an interesting conversation and gave more people permission to talk about reality. However, the defining quality of the campaign was mind control, inspiring me to name it, “The Kingsman Campaign.” The campaign raised real concerns among investors that America was not in a position to face and address the challenges ahead. One bright spot – Howard Schultz, head of Starbucks, reminded us that what is important is not the decisions we make every four years, but the ones we make every day. Indeed, consumer pressures are bringing positive changes in many areas, including GMO labeling.

- [The Kingsman Campaign](#)
- [Every Day, We Have a Choice](#)

## 8. Assassinations & Covert Operations Get Obvious

Lawlessness is not limited to the digital space. Awareness is growing of the use of covert operations and assassinations to implement centralized control as various cartels and factions compete.

- [Doctors Who Discovered Cancer Enzymes In Vaccines All Found Murdered](#)
- [Accused Kalamazoo Gunman Told Police Uber App ‘Took Over His Mind and Body’](#)
- [April 2016: The Temple Of Baal Will Be Erected In Times Square In New York City](#)
- [Was Justice Scalia murdered? Forget “conspiracy theory.” This is real.](#)



## SCIENCE & TECHNOLOGY

The 1st Quarter was full of indications that the energy model is changing, with projections of renewables growth showing sharp increases over the next five years. Clearly technology is driving the shift from Global 2.0 to Global 3.0.

### 9. The Space-Based Economy

Our theme for the 2015 Annual Wrap Up published in January was “Space, Here We Go.” Sure enough, signs of the space-based economy are everywhere. Lockheed Martin, the leading defense contractor, announced the formation of an energy group. What will be fascinating to see is whether the new energy comes from the oil and gas industry or from the companies, such as Lockheed, that have managed the black budget for decades. A recent Boeing ad indicated that in 100 years our electricity would be supplied by solar power plants in the orbital platform. The implication is that aeronautics and satellites may be more important to our future energy sources than drilling.

- [Boeing Superbowl Ad: Just You Wait](#)
- [Space, The Final Frontier: NASA Establishes Planetary Defense Office](#)
- [Lockheed Martin Forms Energy Group](#)

### 10. Health Freedom

Reality is bursting through the official narrative throughout the health sector, and the centralized team is pushing back hard. Fights over cancer treatments, vaccines, and GMOs are escalating. However, the momentum is gathering behind the truth, helped by the inability of developed economies to fund the pharmaceutical vision. Expect the underfunding of pension funds

and related health care benefits to weigh in heavily for preventive health care and effective natural treatments.

- [Documentary Streams Globally: Truth About Cancer](#)
- [Federal \(Australian\) Government’s ‘No Jab, No Pay’ Law Sparks Run on Vaccines](#)
- [Cheerios Maker General Mills to Label GMOs in U.S. Products](#)

### 11. Zero Integrity Systems

How in the world are we going to depend on digital systems that have zero integrity? Nuts! Someone ought to explain to all the people crowing about the “Internet of things” that they are currently outfitting the world’s most frightening battle zone. This is one of the reasons that productivity has flattened.

- [US Government Hands Cyber-Security to Military](#)
- [New Tech Shows Why You Can’t Trust Anything You See on the News](#)
- [The IRS Says Identity Thieves Hacked Its Systems Again](#)
- [Ethereum: Towards a New Bit Society](#)
- [5 things you need to know about the plan to open source artificial intelligence](#)

## THE BIG QUESTIONS

I keep coming back to the big questions, like who are really in charge and why are they behaving this way?

### 12. What does Richmond Valentine Want?

In the movie *Kingsman: The Secret Service*,

Samuel Jackson plays a technology entrepreneur who hands out free SIM cards that allow him to mind-control individuals and nearby crowds through electromagnetic manipulation delivered through his global satellite system. Whenever anyone asks me what is going to happen in the campaign, my response is, “It depends on what Richmond Valentine wants.” This is what happens when an increasing number of news stories are created by reality TV production companies.

- [The Kingsman Campaign](#)

### 13. The Future of Cash

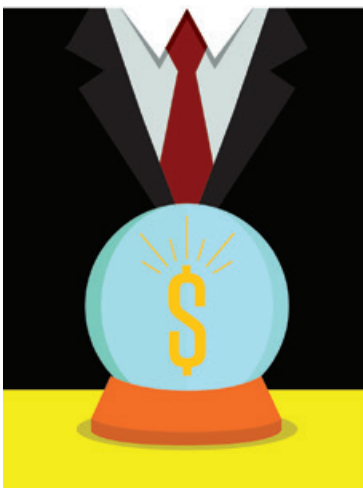
Cash is a form of currency that provides citizens with the ultimate luxury: privacy. Take cash away and all transactions can be monitored and tracked. This also means that negative interest rates can be applied with much greater effect.

One of the many benefits of moving to an all-digital platform is that it eases a shift to cryptocurrencies. If successful, this shift could significantly reduce governmental liabilities for deposit insurance.

- [Norway’s Biggest Bank Calls For Country To Stop Using Cash](#)
- [Central Banks Beat Bitcoin at Own Game with Rival Supercurrency](#)

The 1st Quarter was intense. My prediction: expect the intensity to increase throughout the 2nd Quarter and 2016.

*Thanks to all the subscribers who sent great story suggestions in the 1st Quarter!*





### III. Financial Markets Roundup



*“Financial peace isn’t the acquisition of stuff. It’s learning to live on less than you make, so you can give money back and have money to invest. You can’t win until you do this.” — Dave Ramsey*

#### Overview

The 1st Quarter was choppy at best. We finally got a 15 percent correction in the US equity markets. Although prices recovered by the end of the quarter, investor spirits had not. The Federal Reserve cancelled its anticipated interest rate increase, and bonds outperformed equities as investors worried more about return of their principal rather than return on principal.



	12/31/15	03/31/16	% Change
S&P 500	2,043.94	2,059.74	0.77%
DJIA	17,425.03	17,685.09	1.49%
Russell 2000 (IWM)	112.28	110.63	-1.47%
MSCI EAFE (EFA)	58.72	57.16	-2.66%
MSCI Emerg. Mkts (EEM)	32.19	34.25	6.40%
Barclays Agg Bond (AGG)	107.57	110.82	3.02%
DAX (^GDAXI)	10,743.01	9,965.51	-7.24%
iShares China Large-Cap (FXI)	35.29	33.76	-4.34%
PowerShares India ETF (PIN)	19.41	19.21	-1.03%
Gold (oz.)	1,060.00	1,237.00	16.70%
iShares 20+ Year Treasury Bond (TLT)	120.12	130.61	8.73%
US Dollar Index	98.69	94.64	-4.10%
Commodities-Reuters/Jeffries CRB Index	176.27	170.52	-3.26%
Baltic Dry Index	478.00	429.00	-10.25%
iShares 7-10 Year Treasury Bond (IEF)	105.29	110.34	4.80%

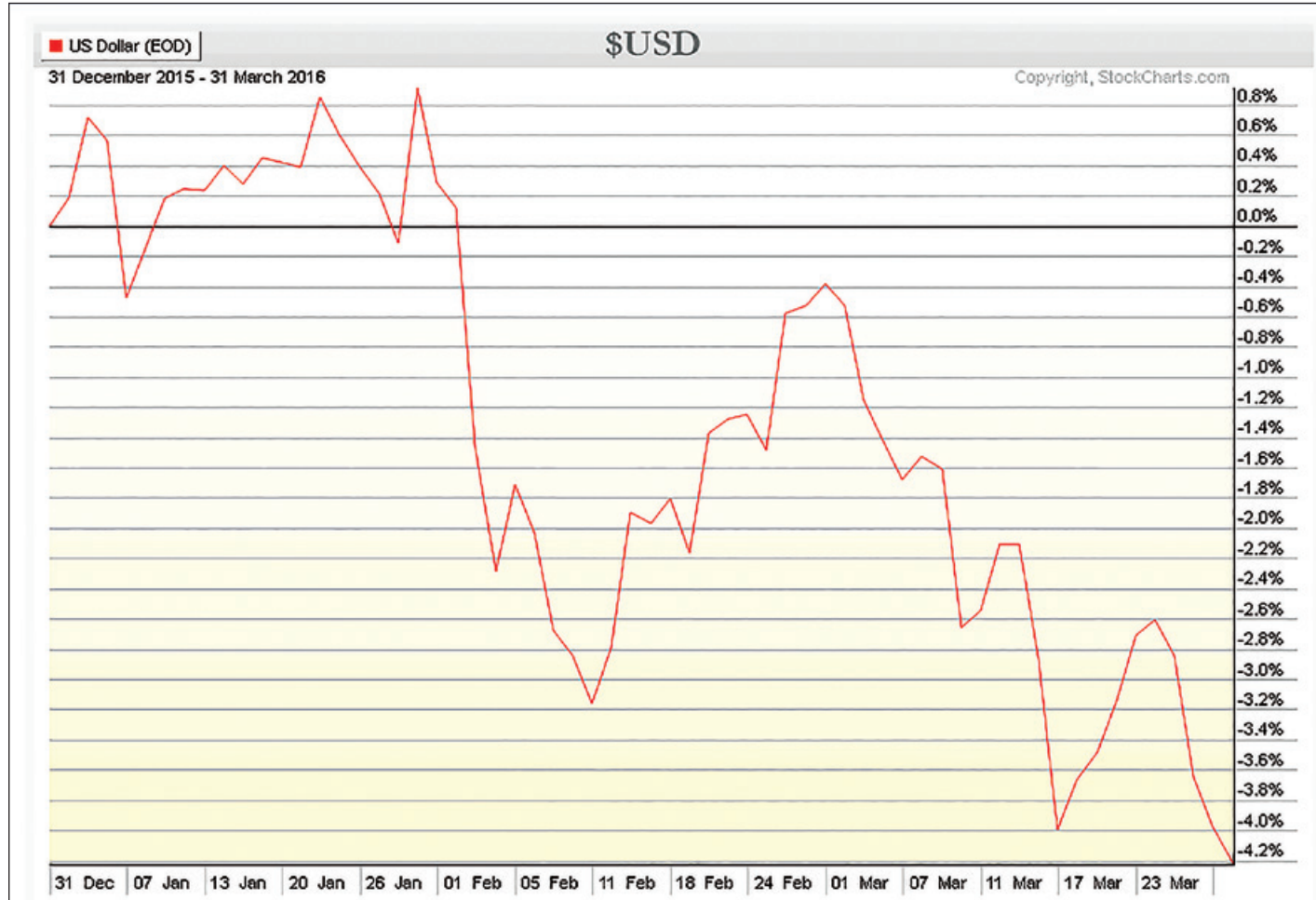
[This chart reflects prices adjusted for dividends; charts below may not.]





### US Dollar Index

After 18 months of a rising US dollar index, prices softened in the 1st Quarter.



### Equities

Emerging markets outperformed the developed equity markets. However, all markets were defined by global corrections and concerns about slowdown in global growth.

### SCHA (US Small Caps), SCHM (US Mid Caps), SCHX (US Large Caps), PKW (Buybacks)



### US Equities: 1, 3, 5 Year Sector Performance

Source: Morningstar

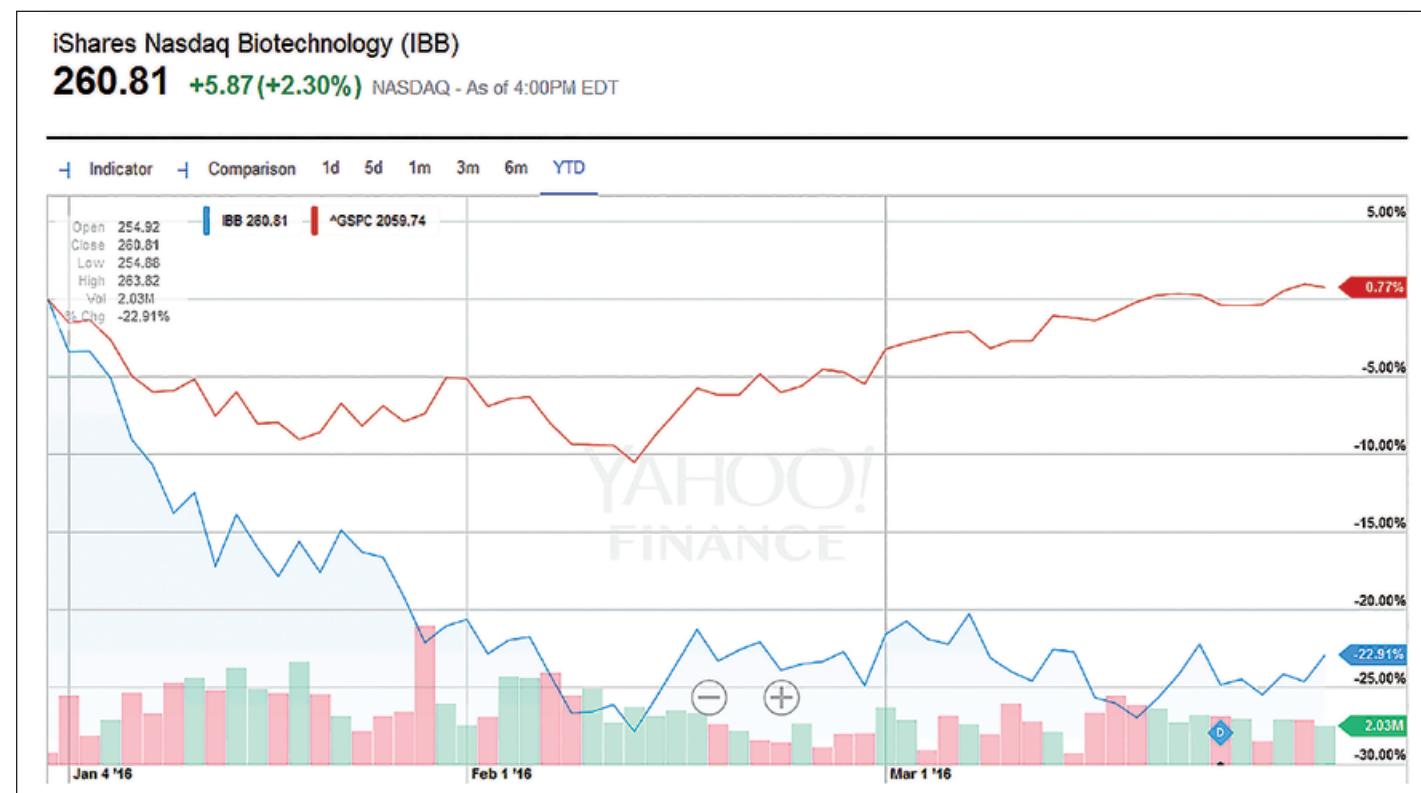
Sector	As of Date	YTD	1-Year	3-Year	5-Year
<b>Cyclical</b>	3/31/2016	-1.37	-1.44	10.83	10.83
— Basic Materials	3/31/2016	4.91	-5.28	5.12	2.26
— Consumer Cyclical	3/31/2016	0.93	2.04	14.16	15.51
— Financial Services	3/31/2016	-6.09	-4.27	9.79	9.47
— Real Estate	3/31/2016	5.11	2.09	8.86	10.58
<b>Defensive</b>	3/31/2016	0.33	1.35	14.25	16.07
— Consumer Defensive	3/31/2016	5.66	10.16	13.29	15.17
— Healthcare	3/31/2016	-5.95	-6.48	16.05	17.85
— Utilities	3/31/2016	15.09	15.07	12.07	13.31
<b>Sensitive</b>	3/31/2016	3.73	0.34	9.86	8.68
— Communication Services	3/31/2016	7.5	11.85	11.74	13.73
— Energy	3/31/2016	3.59	-18.29	-5.88	-2.87
— Industrials	3/31/2016	4.7	1	12.14	10.69
— Technology	3/31/2016	1.67	4.19	15.48	11.89





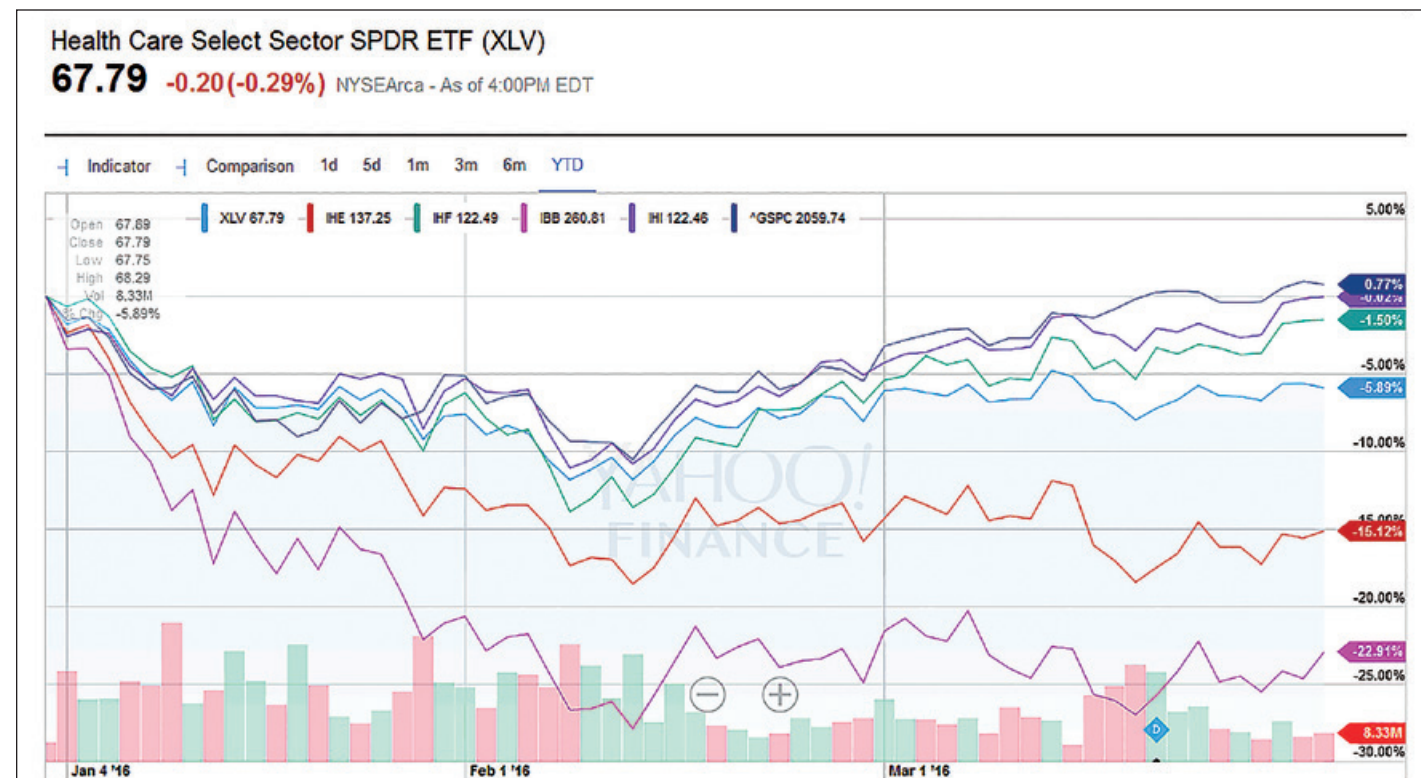
## IBB (Biotech)

Throughout 2015, biotech continued to outperform the general US market.



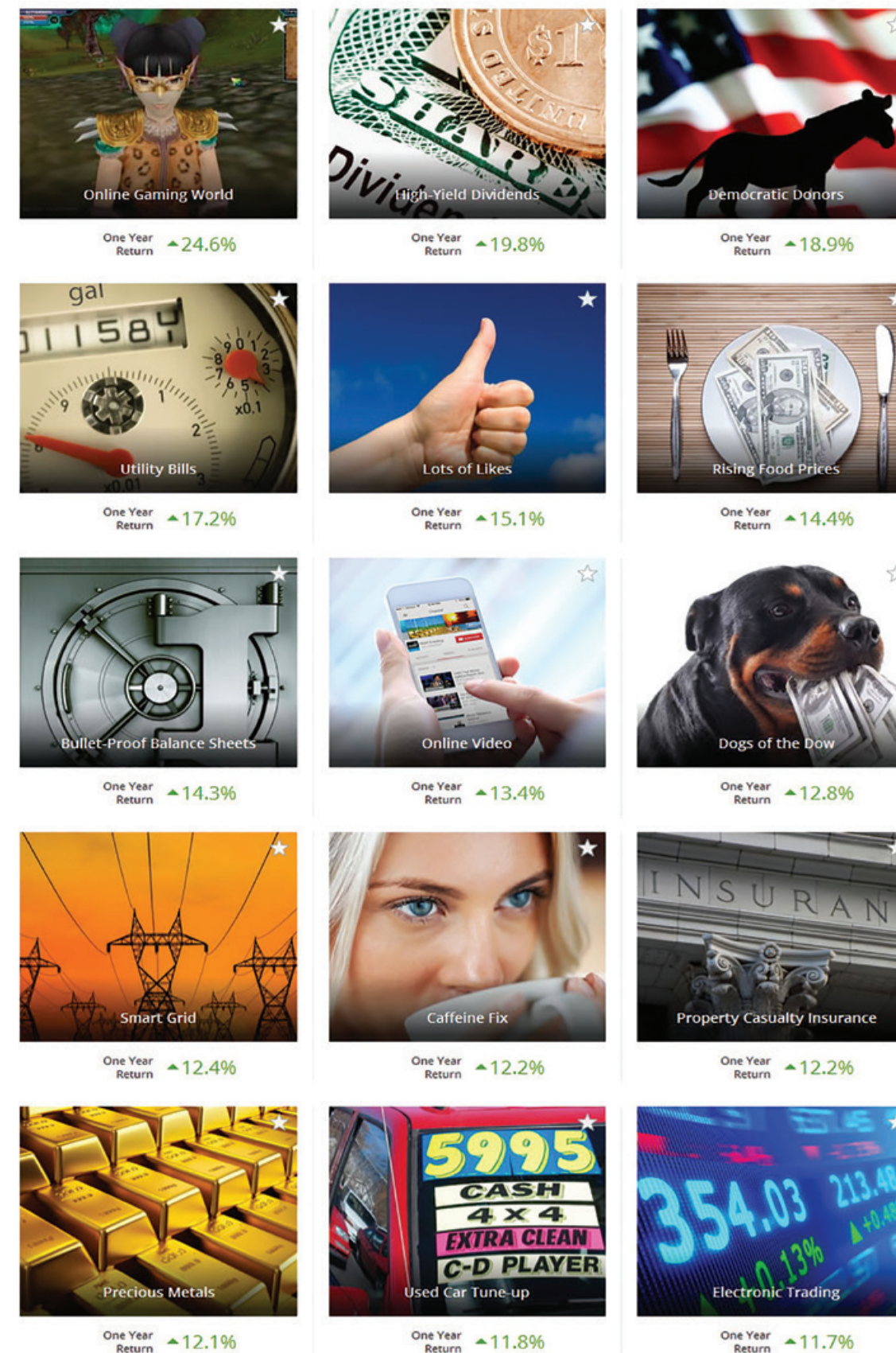
## Obamacare ETFs: XLV(Health Care Select), IHE (US Pharmaceuticals), IHF (Providers), IBB (Biotech), IHI (Medical Devices)

After leading the markets for several years, the price of health care equities took a pause. Biotech took a beating!



## Motif Investing

There is always a bull market somewhere. For the last 12 months, as of the end of the 1st Quarter, virtual gaming, junk securities, and democratic party donors performed the best of all motifs. That is not an inspiring comment on the future of our economy!







### ITB (US Home Construction)

US homebuilders outperformed the markets as the US presidential primaries got underway in 2015, but prices backed off with the market in 2016.



### OIL (Crude Oil)

Sharply lower oil prices deepened in the 1st Quarter, contributing to the drop in equity markets and real concern in the junk bond and bank markets.



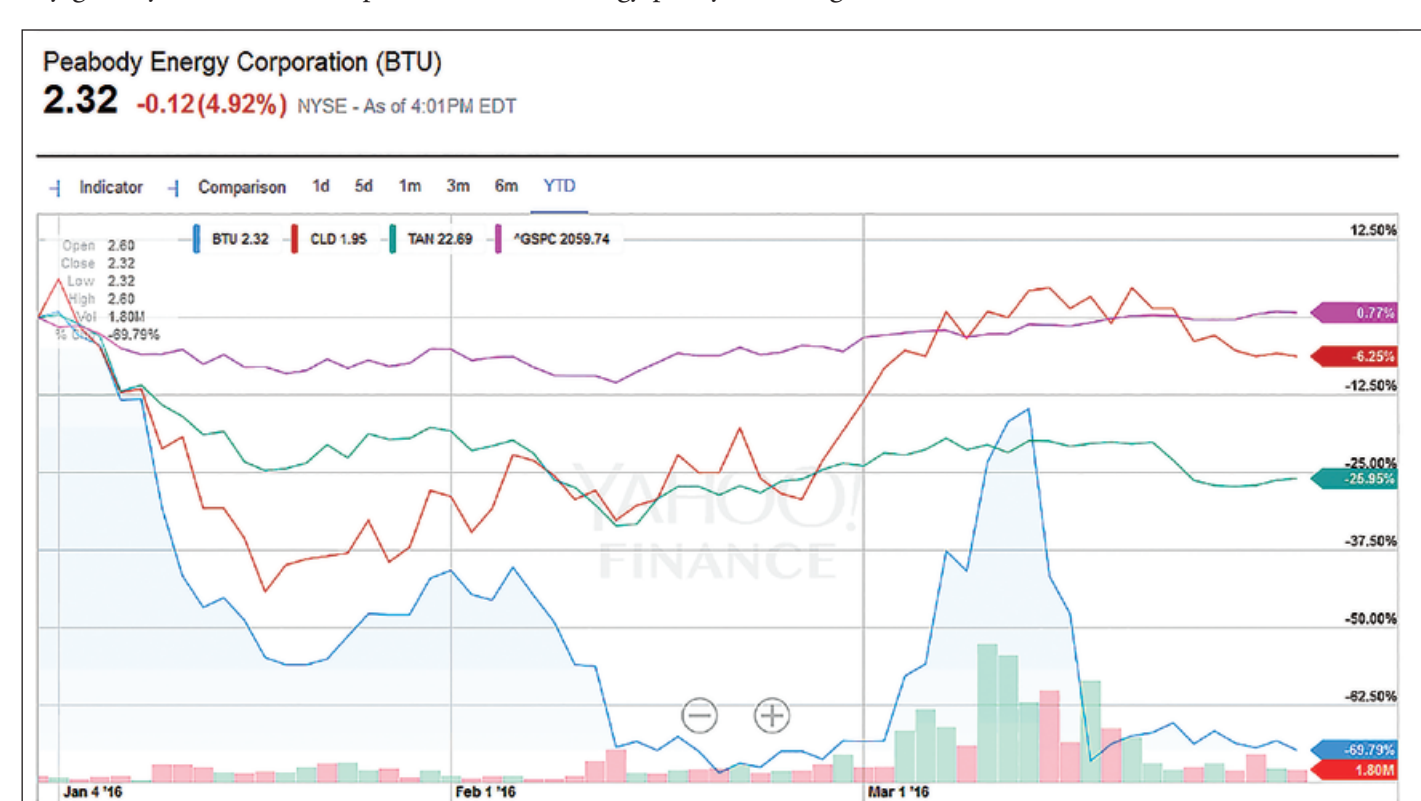
### IYR (US Real Estate)

Real estate held up reasonably well, likely by investors seeking yield.



### US Coal Producers

Say goodbye to the US coal producers as US energy policy favored gas and renewables.

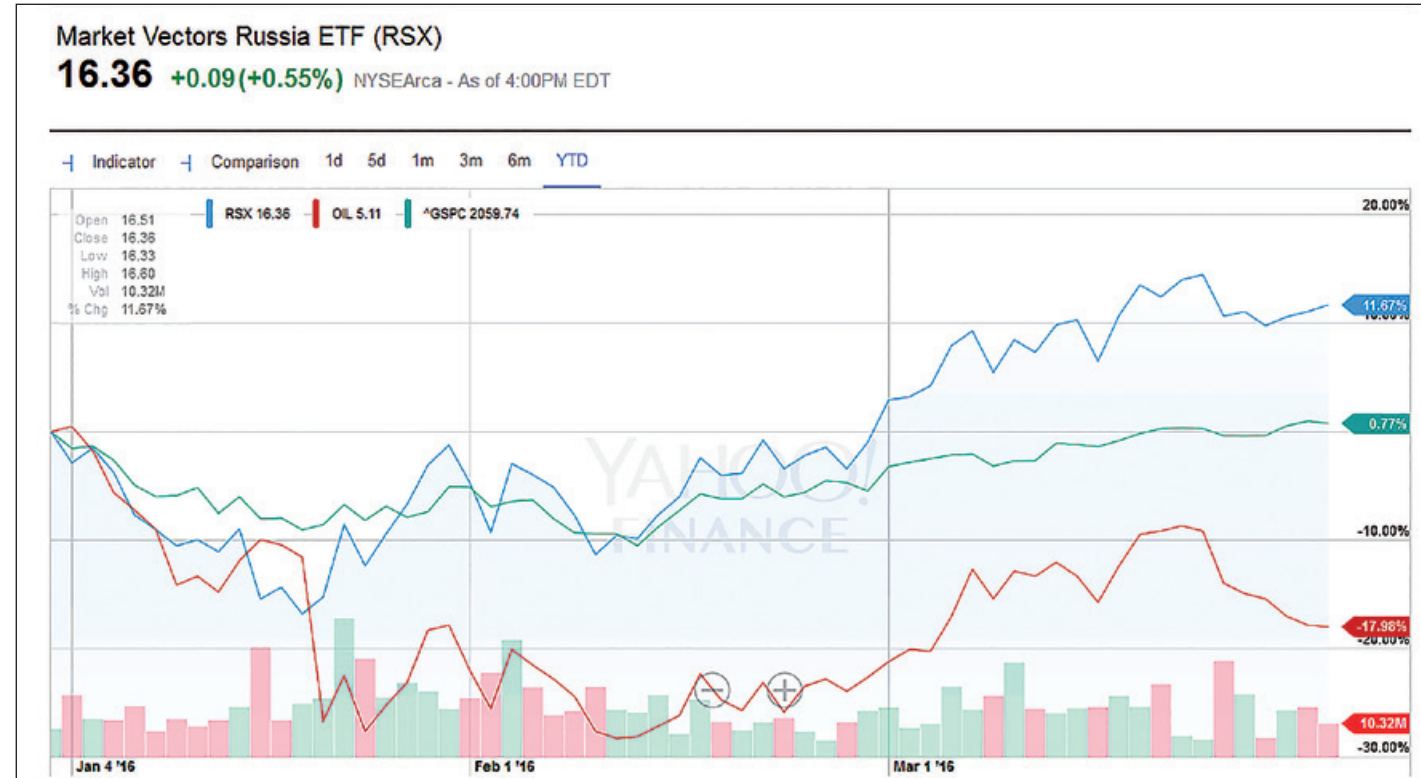






### RSX (Russia), OIL (Crude Oil)

Russia continued to feel the squeeze of G7 sanctions, lower oil prices, and efforts by the United States to keep the Russian government from selling 3 billion dollars in sovereign bonds into Western capital markets. Despite the headwinds, Russian equities outperformed global markets for the 1st Quarter, closing some of the significant divergence.



### DAX (Germany)

Germany continued to struggle with global slowdown, Russian sanctions, a meltdown of Deutsche Bank stock and the politics of the EU and immigration.



### FXI (China Large Caps)

The Chinese economy slowed with rising food prices and falling equity prices.



### PIN (India)

Indian equities corrected and recovered with global markets in the 1st Quarter.



## EEM (Emerging Markets)

Emerging markets were the strongest area of global equity markets.



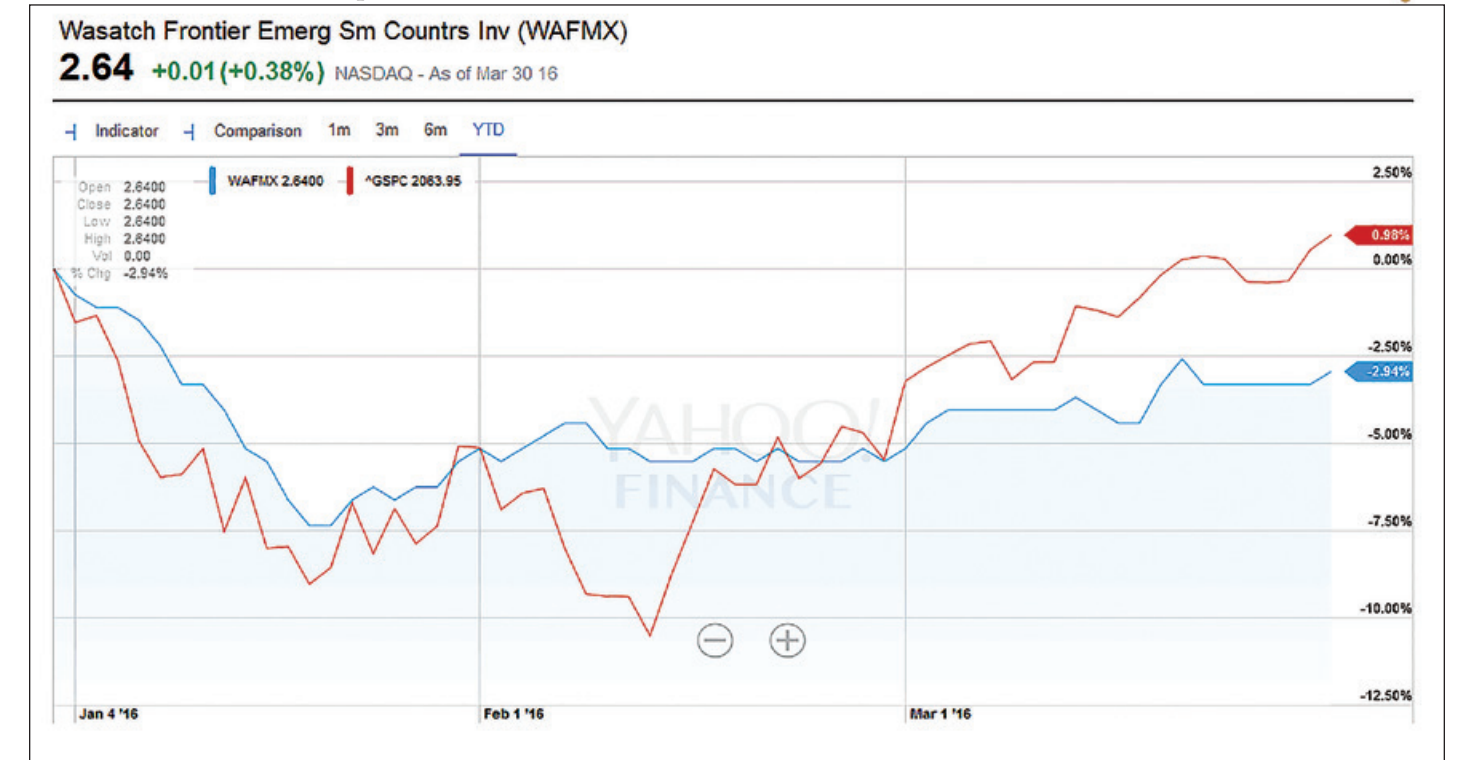
## EFA (International Developed)

International developed equity markets underperformed the US market and emerging markets.



## WAFMX (Frontier Markets)

Frontier markets also underperformed.

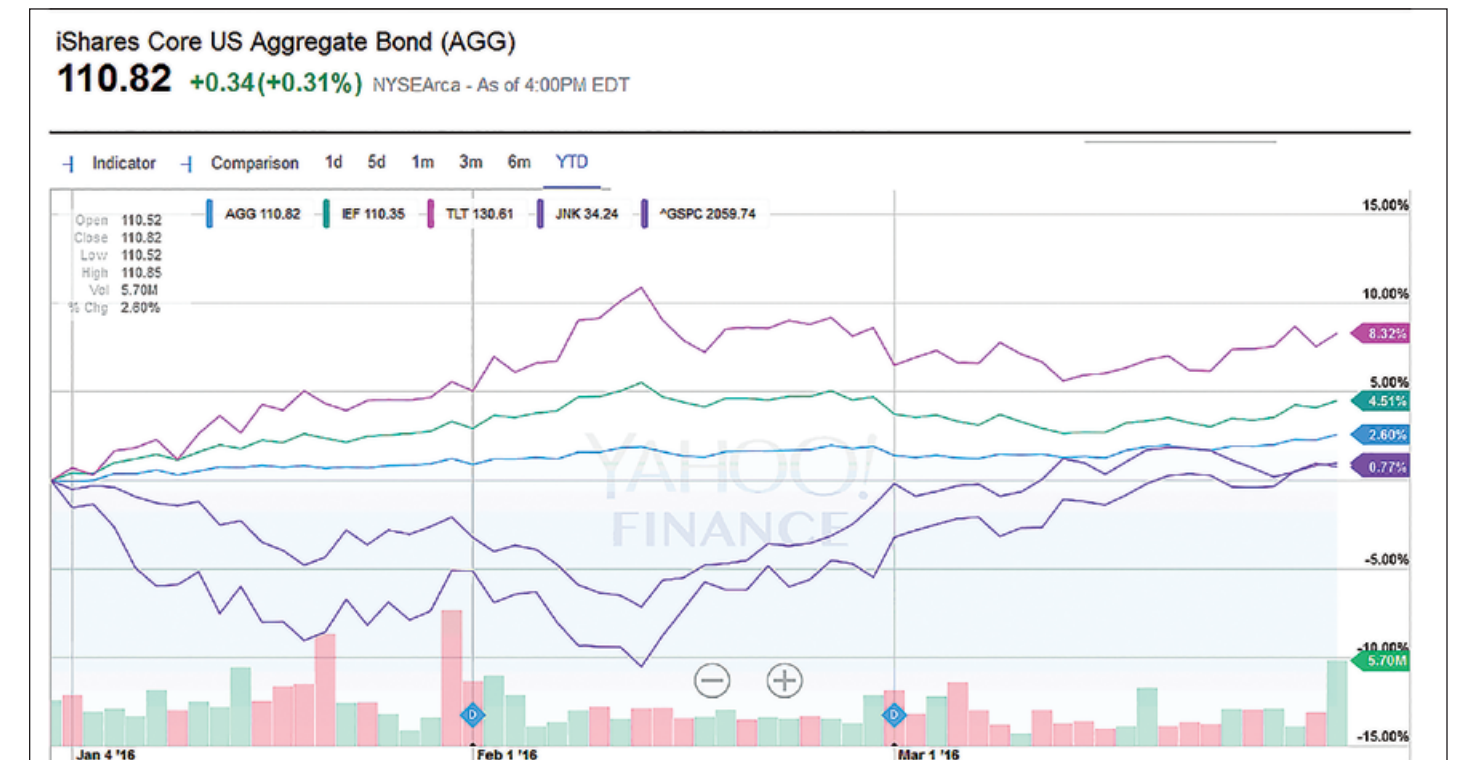


## Fixed Income

So much for thinking that 2016 would finally see the end of the great bond bull! Bonds outperformed equities as interest rates went lower and Europe and Japan sovereign bonds moved to negative interest rates.

## AGG (Bond Aggregate), IEF (5-7yr Treasury), TLT (20yr+ Treasury), JNK (High-Yield)

Long-term treasury bonds outperformed short and intermediate maturities. The high-yield market experienced a serious leg down during the 1st Quarter over concerns regarding lending to and refinancing in the oil and gas sector, but recovered the majority of losses by the end of the 1st Quarter.







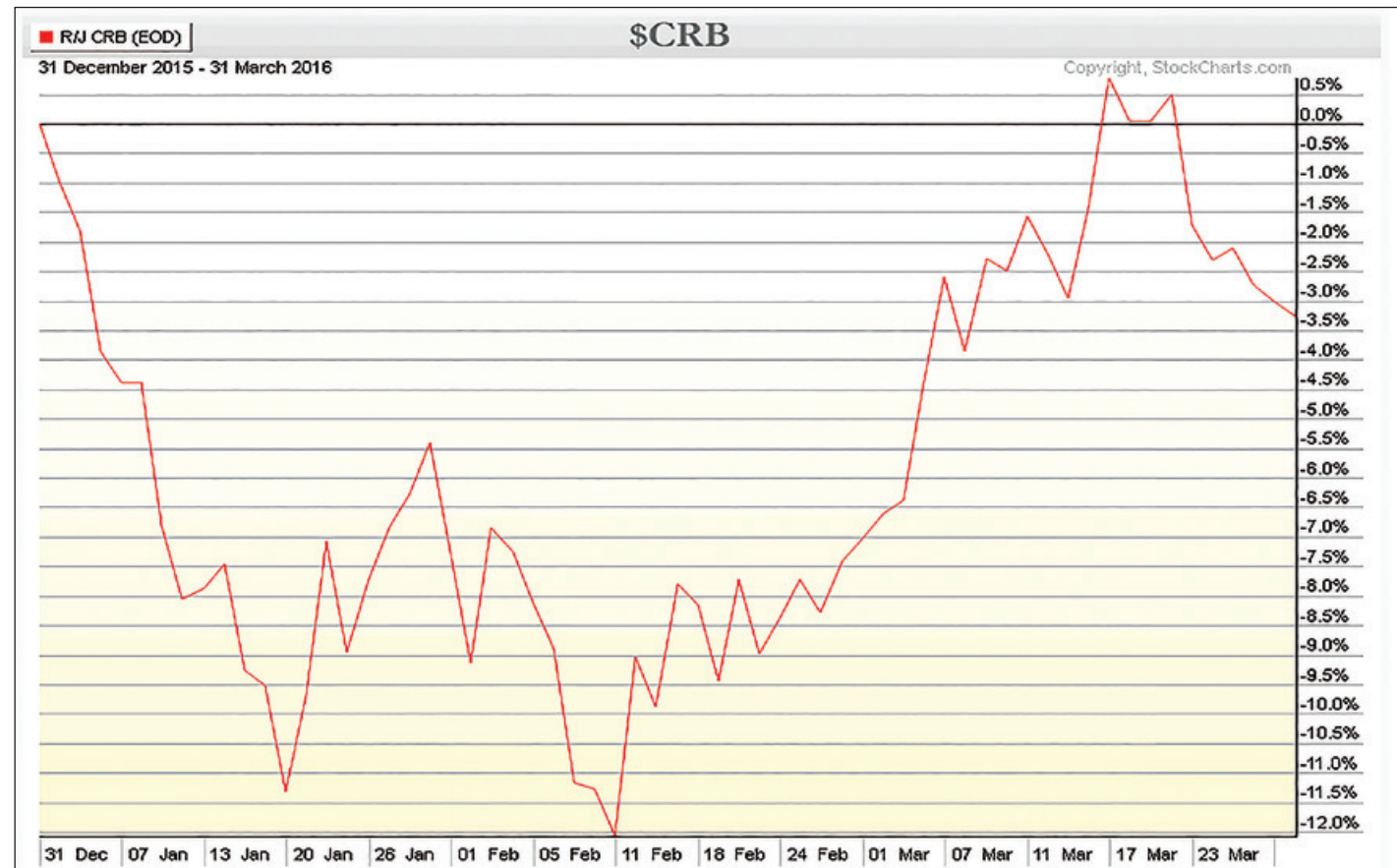
### Commodities GLD (Gold), SLV (Silver)

Gold and silver were the star performers in the 1st Quarter. The big question is whether we have seen the bottom on precious metals or this is a “head fake” like the one that occurred in 1st Quarter 2015.



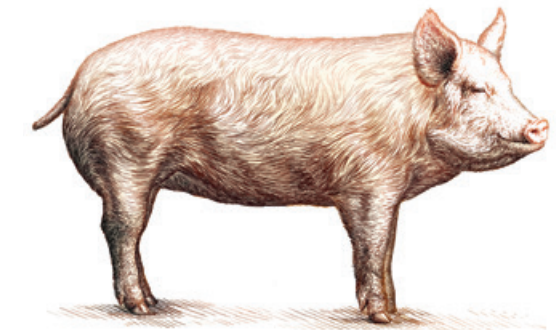
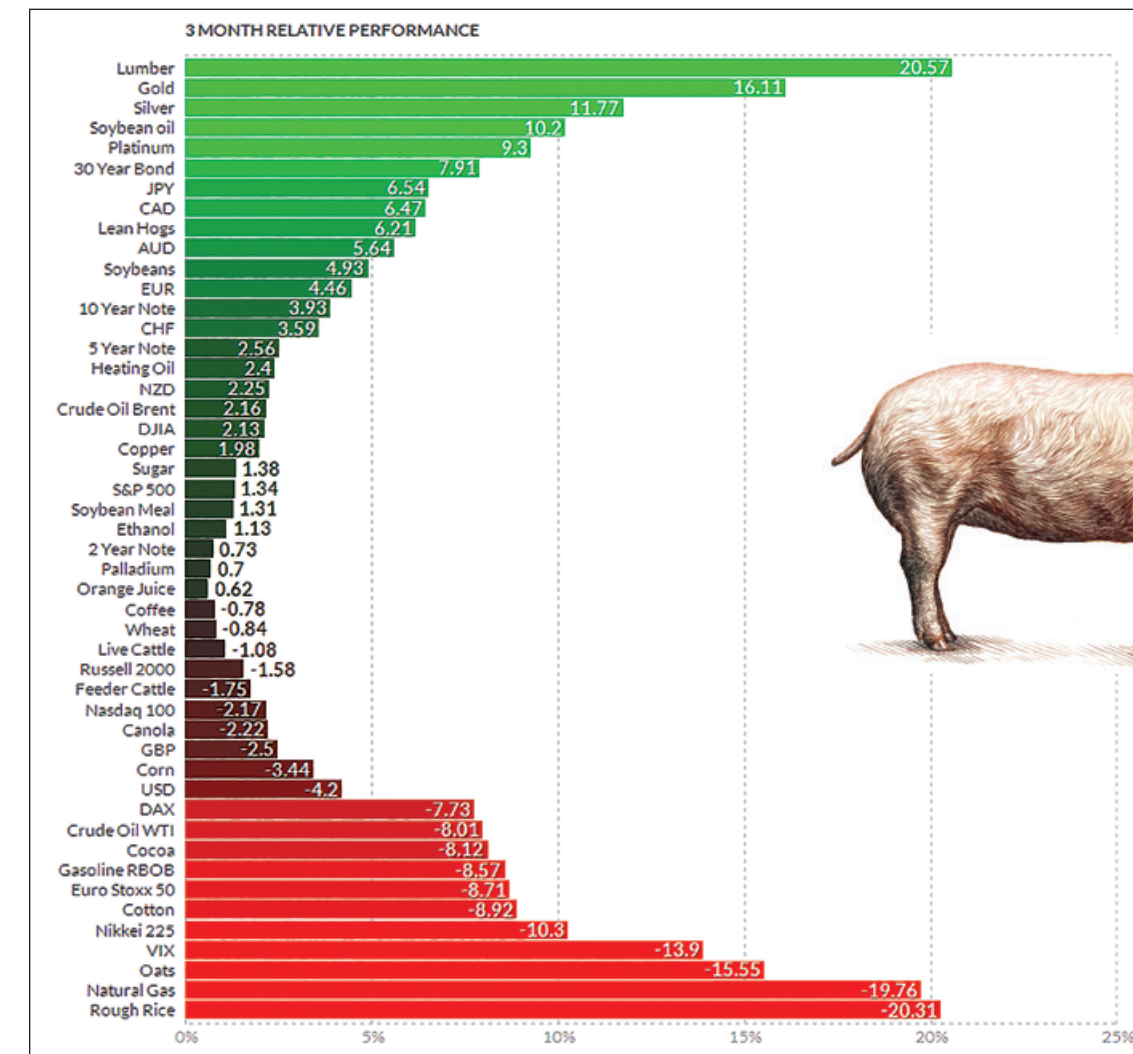
### CRB (Commodities Index)

Read it and weep!

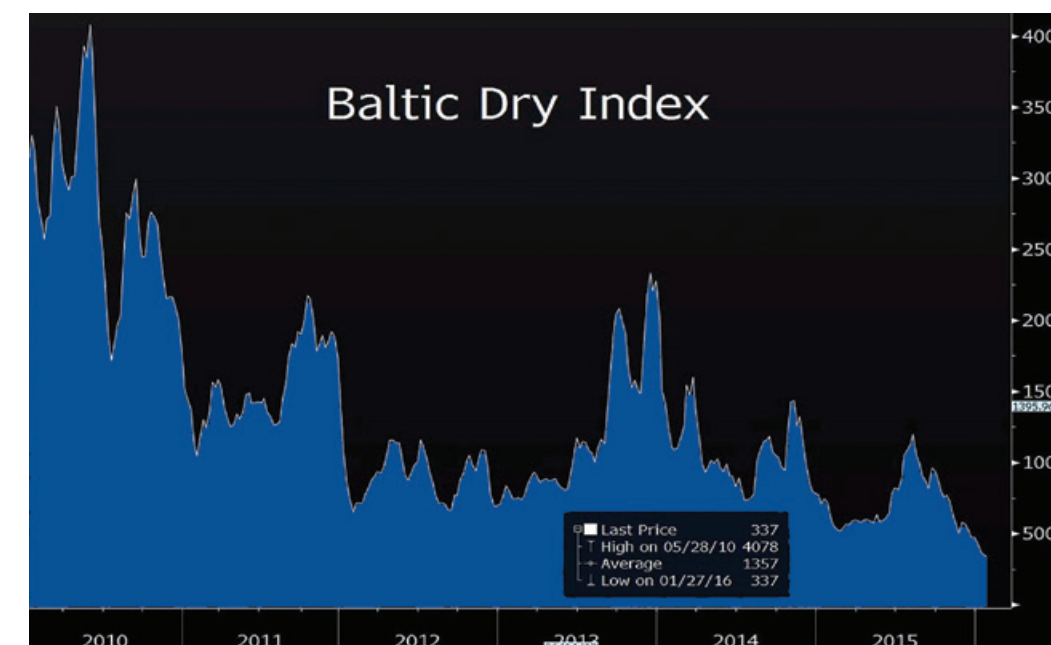


### YTD Commodities Performance

Lumber, hogs, and soybeans got a break. Since I live in a cotton-farming community, I still don't feel much improvement..



### Baltic Dry Index



The shipping indices say that the global slowdown will be with us for a while.

Let's see what 2016 brings!

Looking forward to the 2nd Quarter, my advice is “Get ready to duck!”

(Source: Finviz.com)



