

Good Evening

Today is October 26<sup>th</sup>, 2017

This is Catherine Austin Fitts

Tonight is the 3<sup>rd</sup> Quarter Equity Overview

I'm happy you could join me this evening.

## **Excellent People Trip**

### **Washington –**

Rolling in Dough....

Dr. Skidmore  
Congressman Kucinich

### **Baltimore –**

Bill Binney – commissioned special report on 4 lawsuits to enforce the Constitution

### **New York –**

Subscriber – many I would have liked to have seen- and business colleagues

Helen Chaitman  
Lyn Ulbricht – [freeross.org](http://freeross.org)

## Metropolitan Opera

Tales of Hoffman

La Boheme

## EQUITY OVERVIEW

Web presentation – link to financial markets section of 3rd q wrap up web presentation in subscriber links

Rambus Chartology – link in subscriber links

## COMMENTS ON WEB PRESENTATION

Quote -

*Active central bank narrative construction in the service of their policy goals is a permanent change in our market dynamics. The introduction of such a powerful new weapon in the Fed's policy arsenal can no more be removed than mustard gas or tanks could be removed from national arsenals after World War I. Market prices may be mean-reverting, but "innovation" in the service of social control never is.*

*What do the Missionaries get out of this? What's our equivalent of wool and mutton? It's low volatility. It's the transformation of capital markets into a political utility, which is just about the greatest gift that status quo political interests can imagine. When Donald Trump and Steve Mnuchin talk about the stock market being their "report card", they're just saying out loud what every other Administration has known for years. Forget about markets, our entire political system relies on stocks going up. If stocks don't go up, our public pension funds and*

*social insurance programs are busted, driving our current levels of wealth inequality from ridiculously unbalanced to Louis XVI unbalanced. If stocks don't go up, we don't have new collateral for our new debt, and if we can't keep borrowing and borrowing to fuel today's consumption with tomorrow's growth ... well, that's no fun, now is it?*

*The flip side to all this, of course, is that so long as stocks DO go up, nothing big is ever going to change, You say you want a revolution? You're a MAGA guy and you want someone to drain the Swamp? You're a Bernie Bro and you want the rich to "pay their fair share"? Well, good luck with any of that so long as stocks go up. It's a very stable political equilibrium we have today, full of Sturm und Drang to provide a bit of amusement and distraction, but very stable for the Haves.*

~ W. Ben Hunt, "Sheep Logic"

## **DOLLAR INDEX**

-9 <sup>3</sup>/<sub>4</sub>% - held within the channel – did not break the 92 line

tax reform – rising dollar – possibility of bear trap globally in places that have borrowed significant amounts of dollars

## **FIXED INCOME**

Agg +3.12

Jnk + 6.32

TLT + 6.75

IEF + 2.85

Much better performance than expected. Interest rates did not rise significantly, fed backed off

## **EQUITIES**

S&P: +13.99

Large caps +14.26

Medium caps +11.98%

Small caps +10.52

Defense up 27.8%

Massive US military budget increases

Industrial +15.7%

Home Construction 33%

Military

Space

Insourcing

Channeling QE Inflation

Germany & VGK +24%

China Large Caps – FXI – 27.44

China Small Caps HAO +32.26

China PIN 24.18

OIL – 15.01

GLD +10.92

SLV +4.17%

Remarkable given giant sucking sound of money out of precious metals into Bitcoin and cryptocurrencies.

Bitcoin 750 to over 6,000

May 3, 2017 *Solari Report* on Bitcoin

The bitcoin market is tiny by financial market standards – we are still at the early stages of the development of it and other cryptocurrencies. At a market capitalization of approximately **\$35 billion**, the entire cryptocurrency market is approximately one-third of the market capitalization of Starbucks.

The market is growing fast – it grew from \$30 to \$35 billion in the five day since Sarah and I recorded this interview. If [the SEC approves the first Bitcoin ETF](#) capital flow will accelerate. We could also face the [same paper problem we have experienced in precious metals](#).

**Today 173 Billion- Bitcon is 100 billion**

12:31:16 Price – Bitcoin 950

10.26:17 Price – Bitcoin 5960

**Outstanding Gold = \$8 trillion**

Baltic Dry Index = + 45%

## **COMMENTS ON WHATS AHEAD AND RAMBUS**

Excellent piece from Rambus – strongly recommend

Technical Analysis – Wikipedia, Investopedia, TA for Dummies, Stockcharts

What I get – price history and patterns, volumes, momentum relative to what is happening in the fundamentals and comparisons

Compress a lot of market information into graphic form.  
Much easier for me to map what has been happening in the markets.

## **US DOLLAR INDEX**

Very dependent on military, including space

Tax reform – strong for dollar, could put countries with heavy dollar borrowings in a bear trap.

Rambus shows you why the dollar is stronger than you might think

Underscores the importance of the 92-104 channel

Economist - Dangerous, but dominant.

Still has a lot of strength so long as military is successful –  
Lot of weight on Mattis, Kelly and Tillerson given huge military increases to restore military and related performance

Industrials reflect push to rebuild capacity in US

Will continue

Heavy dependency on space – whether unipolar or Fortress America in multipolar – need for high performance

Washington is on pork treadmill, not process – major job to change to performance

## 1<sup>st</sup> Quarter Wrap Up – Space Based Economy

### DEBT GROWTH MODEL

Interest rates are bankers nuclear weapons

Governments now over a barrel with debt and related derivatives

What is going to keep equities rolling?

Compare: Fortune Revenues chart and Missing Money chart

Why pressure is so great for tax reform – budget that would allow them to pass tax reform with simple majority – related to Obamacare making budget go.

Indeed Treasury Secretary Mnuchin stated earlier this month if we did not get tax reform equities would correct.

### EQUITIES

**Rambus makes the bull case – charts support it**

#### **General Stock Market**

Rambus's™ charts have chronicled the market indexes relentlessly powering higher. It's™ a runaway freight train, unstoppable. One prominent newsletter writer from a contrarian newsletter group has even published a guide on how to play what he calls the melt-up market. I often hear people wonder "what can possibly stop this market?" It acts impervious to any threat or bad news. Let's™ take a



look at some measures of vertical extension which the markets have now reached.

Frank Barbara recently published a few market duration statistics that are simply mind boggling. The DJIA has been around for **121** years and we have accurate statistics over that time frame. We are now in the longest interval without a 5% correction in historyâ€¦ by a long shot. We have gone **306** days since a 5% correction. This is off the charts, since the second longest interval in the last 121 years comes in at **265** days back in 1964. The #3 and #4 longest were **229** and **220**. The S&P 500 has similar statistics, however it has not been tracked as long as the DOW.

Similarly, the DOWâ€™s 100 day MA has been in an upward configuration for **333** days. There have been only 2 other times in history where it has even exceeded **250**. It typically takes 18 trading days to turn the MA down so as a minimum 350 seems in the bag. Today's extreme vertical run is simply extraordinary. Since world markets are driven by a sea of liquidity due to QE programs it has characteristics of an engineered outcome. It reminds me of what happens when the US Forest service does not allow any fires to burn. It prevents them for extended periods, but ultimately results in a conflagration later on.

After the Dot-Comm bubble burst FED emergency measures resulted in the housing bubble and after the 2008 financial crisis, emergency money printing (QE) has led us to where we are today...the everything bubble. This is not a rant against FED policies, I am simply chronicling the reality of markets today in an attempt to develop a strategy going

forward. The two previous bubbles, although large, were essentially side-show bubbles, however today's bubble is a money bubble which goes to the heart of money and credit. Once it deflates the FED may not be able to reflate it since they will not be able to increase non-productive credit. It is with this knowledge that we will review the dynamics of a post bubble contraction (PBC) and develop a strategy going forward.

This last chart for the INDU is a 75 year look which puts the Jaws of Life in perspective. Back in the mid 1960's to the end of the 1970's the INDU built out a perfect H&S consolidation pattern which launched the Dow on one of its best bull markets in history. Just like the SPX the first real correction didn't start to form until the 1987 crash which ended up being the first reversal point in the blue bullish rising wedge. Note the similarities between the breaking out and the backtesting process of the massive H&S consolidation pattern and our Jaws of Life expanding triangle. Again, I don't know 100% for sure if our current impulse move we are in will match the initial impulse move above the neckline to the 1987 top, but if it does the INDU could run to the 38,950 area before we see a multi year correction.

Market is seriously overbought right now, but I think that the system wide necessity for a CRASH UP and ability to channel QE is strong.

Bottom line – tax reform will send higher.

ADDED UPDATED SPACE COMPANIES LISTS –  
revised slightly from 2<sup>nd</sup> Q Wrap UP

Annual Wrap Up Pension Funds

1<sup>st</sup> Quarter Space Based Economy

New Morgan Stanley Report on Space

estimates the space industry, worth about \$350 billion today, will grow into an economy worth more than \$1.1 trillion by 2040, a team of analysts wrote in a note Thursday.

I think that is conservative – so we are going to continue to focus attention on the growth of the space economy

One of the growth sectors – problem in market is Global 2.0 down, Global 3.0 up, so some sectors and companies will struggle

EXAMPLE – Amazon licensed pharmacies in several states. Article on Zero Hedge about Pharmaceutical stocks being AMAZONED

FANG off.

Danger – deflation to market cap. One of the reasons that Treasury report on financial regulation was so focused on the shrinking float of # of companies in US markets.

Challenge is no matter how much we juice the markets with government money or organized crime or lower taxes, the

biggest challenge is the absence of the rule of law. Can Jeff Sessions convert DOJ culture?

Bundy Ranch and Uranium One deal is going to exacerbate the anger....

## **WHAT DOES THIS MEAN TO PORTFOLIO STRATEGY**

### **US DOLLAR**

Watch inflection points – stay in channel or break up or down? Critical to watch

Expect stay in channel, but danger with tax reform breaks to the upside

Danger – fragility puts too much pressure for military action

Israel & Neocons are danger – happy to destroy US for their own purposes.

### **PRECIOUS METALS**

Make sure you have your core position. If not, buy into a stronger dollar

No attractive as an investment position unless you want to take the opportunity to buy coins at **low premium** – look for opportunities if tax reform support dollar, stocks and Bitcoin and that is short term negative for precious metals.

Central banks will keep buying.

## **EQUITIES**

Bull

Overweight in 3.0 – real divide growing ala Amazon-ed

If don't want to live through corrections used hedged equity

Hedging for the last few years – protected by big drag.

Turned out we were better long

I have more confidence – lots of good companies that are not corrupt albeit also trying to perform in a system that is increasingly corrupt – but that is true of all assets.

## **US REAL ESTATE**

Bifurcation between 2.0 and 3.0 and winners in shift. Make sure if you live in strong 3.0 area, you don't get shut out by tax reform

In high cost states – keep an eye on state and local deduction outcome.

**Don't get squeezed out by a CRASH UP in asset values whether stocks or real estate.**

## **BITCOIN**

Hard to predict because it is very political. So this is a political guess, not a financial. Listen to Bitcoin the Op with Harry Blazer for complete analysis.

I think prices and market size have plenty of room to grow. At the same time, I am staying out – fraud and risks are things I don't want to be bothered with. If ETFs become available, risks levels will go down – no legal or tax problems. Still major risks.

**BEST INVESTMENT CONTINUES TO BE IN YOU  
– YOUR HEALTH,  
DISINTERMEDIATION/REDUCTION OF  
OVERHEAD AND YOUR BUSINESS AND  
FINANCIAL INDEPENDENCE**

**4<sup>th</sup> Q Story both domestic and global will be US Tax Reform. Big implications for global markets and citizens and domestic.**

**Paul Ryan says that the Republicans plan to have done by the November 28<sup>th</sup>. I give it an 80% that they do get it done – chances are increasing as multiple efforts are underway to organize Republicans in support of an Administration agenda.**

**Dollar and economy is too fragile to brook any more opposition. The refusal of so many people to cooperate in achieving the Administrations goals has resulted in a very significant effort underway to enforce. Whatever factions want to return resources and rebuild in the US are on the move and they are on the move forcefully.**

**We will be covering this on Money & Markets throughout November.**

We live in interesting times.

Ladies and Gentlemen – thank you for joining me for the 3<sup>rd</sup>  
Quarter Equity Overview.

I wish you prosperity and good hunting!