



# US DEBTS and ITS IMPACT

建中校友會 (CCAA)

December 7, 2013

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# The Fiscal

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FY 2013: \$680 billion

FY 2012: \$1,087 billion

FY 2011: \$1,300 billion

FY 2010: \$1,294 billion

FY 2009: \$1,413 billion

FY 2008: \$459 billion

FY 2007: \$161 billion

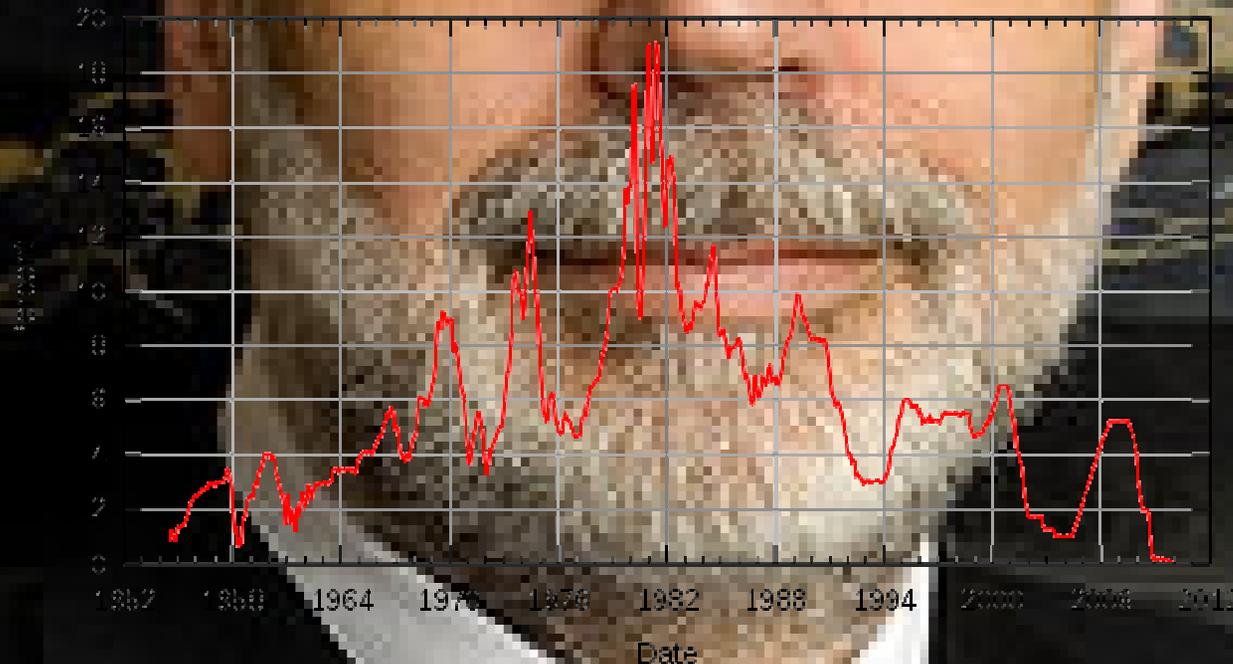
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# The Monetary

Fed's three tools of *monetary* policy

1. Open Market Operations by FOMC
2. The Discount Rate
3. Reserve Requirements

Federal Funds Rate (effective)  
July 1954 to December 2009



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## QE 1

Before recession : **\$700~800 billion** treasuries on Fed book

✓ Started buying **\$600 billion** MBS November 2008

On Fed book: **\$2.1 trillion** June 2010

Total QE1 purchase estimated **\$1.7 trillion**

## QE 2

**\$600 billion** from November 2010 to June 2011

## QE 3

**\$85 billion** per month forever????? (Sep. 13; Dec.12, 2012)

The liquidity is **NOT** going to the US economy, industrial markets, small businesses or real estate and not to create jobs.

**“The Federal Reserve’s economic stimulus and growing market speculation were creating a "bubbly" property boom. ”**

**Robert Shiller**

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# Money Facts

The BEP produces **38 million notes a day**  
(**1.58 million notes per hour**)

Total Value: **\$541 million**

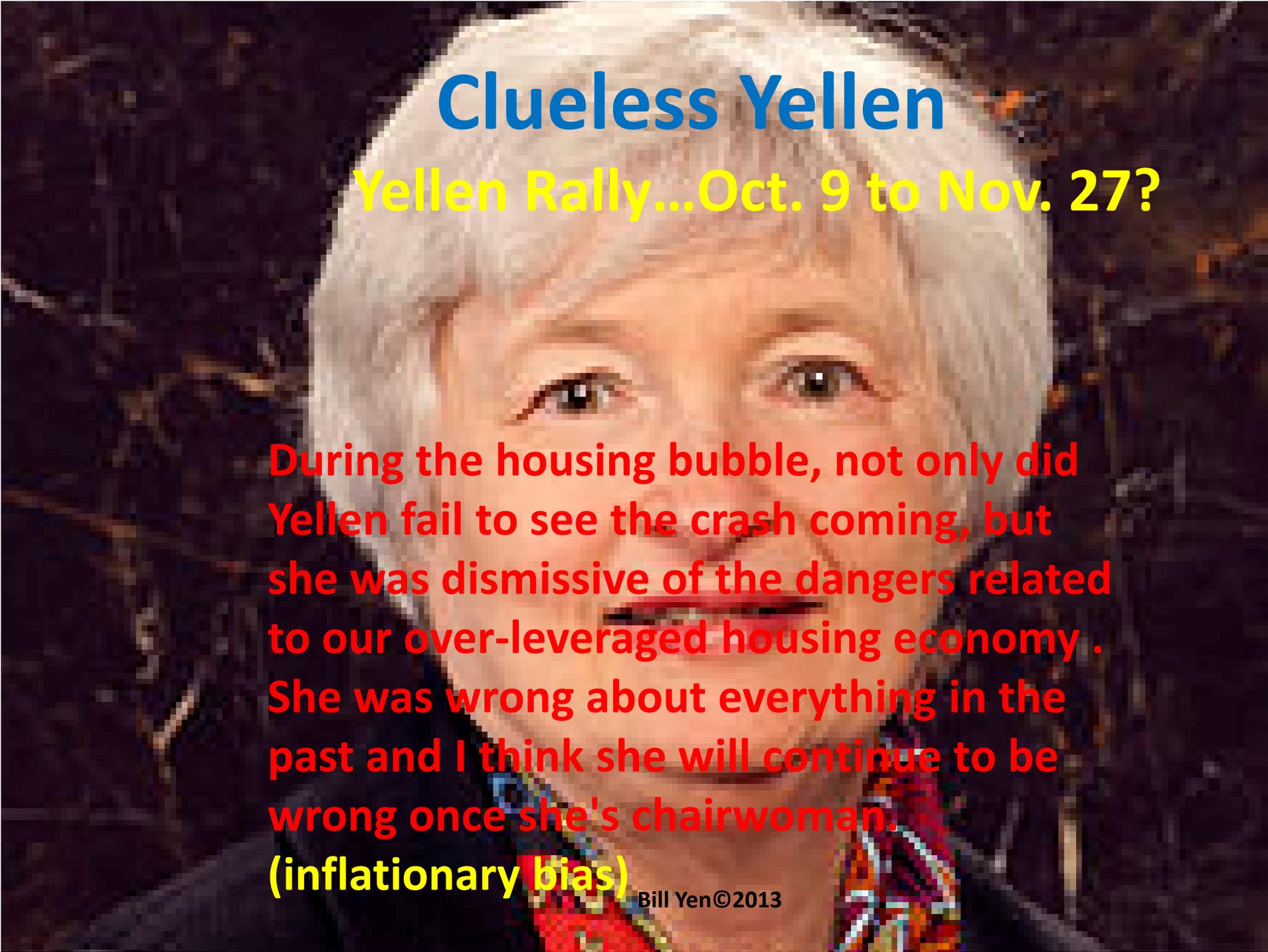
Ink used: **18 tons per day**

**\$541 million X 30 X \*5% = \$811.5 million**

95% of notes produced are used to  
replace old notes.

Life of notes: \$1 (4.8); \$5 (3.8); \$10 (3.6);  
\$20 (6.7); \$50 (9.6); \$100 (17.9)

US currency in circulation: \$1.23 trillion



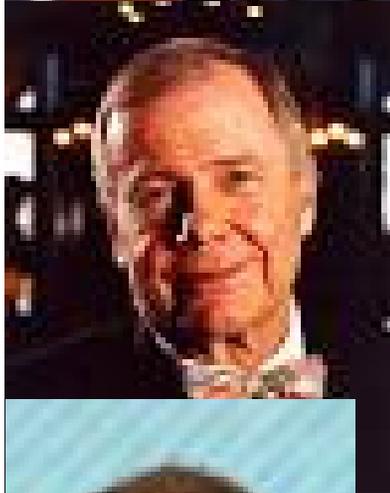
# Clueless Yellen

Yellen Rally...Oct. 9 to Nov. 27?

During the housing bubble, not only did Yellen fail to see the crash coming, but she was dismissive of the dangers related to our over-leveraged housing economy . She was wrong about everything in the past and I think she will continue to be wrong once she's chairwoman.

(inflationary bias)

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**“The fallacy of monetary policy in the U.S. is to believe this money will go to the man on the street. It won't. It goes to the Mayfair economy of the well-to-do people and boosts asset prices of Warhols...Very happy. Congratulations, Mr. Bernanke. ..the monetary policies of the U.S. will destroy the world.”**

**“I happen to believe that eventually we will have a systemic crisis and everything will collapse.”**

**Marc Faber**

**“the U.S. economy is heading for an economic crash... Stimulus programs can delay this day of reckoning ...making the eventual meltdown much, much worse. “**

**Peter Schiff**

A hand holding a magnifying glass over a US dollar bill. The magnifying glass is positioned over the bill, which is held taut. The background is a dark, textured surface. The text is overlaid on the image.

**too much debt that have to be somewhere, somehow repaid or it will slow down economic growth.**

The whole global financial system will have to be *reset* by imploding markets - either the currency markets, debt market or stock markets.

**With more printing money, the value of the *money* will go down.**

“The Fed is financing a vast and rising federal deficit, following a practice that has been a surefire prescription for domestic inflation from time immemorial” WSJ

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## America in Decline

- \*U.S. GDP accounted for **31.8 %** of all global economic activity in **2001**. That number dropped to **21.6%** in **2011**.
- \***47 million** Americans (**15%**) are on food stamps. (up **46%** since 2008)
- \***43%** of American families spend more than they earned.
- \*Median household income in America is actually **8.9%** lower today than it was in **1999**.
- \***29%** of all Americans in the 25 to 34 year old age bracket are still living with their parents.
- \*The value of the U.S. dollar has declined by more than **96%** since the Federal Reserve was first created.

**Where are the jobs?** The true unemployment rate in America is **14.3%** (Forbes, 2013)

# **America, the victim of its own power**

**America is the only country in the world that doesn't have to pay for its import in a foreign currency.**

**The value of, say, German currency is of great importance to the German government. To maintain the value of its currency, the Germans must produce at least as much as they consume. Otherwise the value of its currency will begin to fall, causing prices to rise and its standard of living to decline.**

**But in America? All we have to do was borrow and print more money.**



## The US Dollar Is Losing Its World Reserve Currency Status

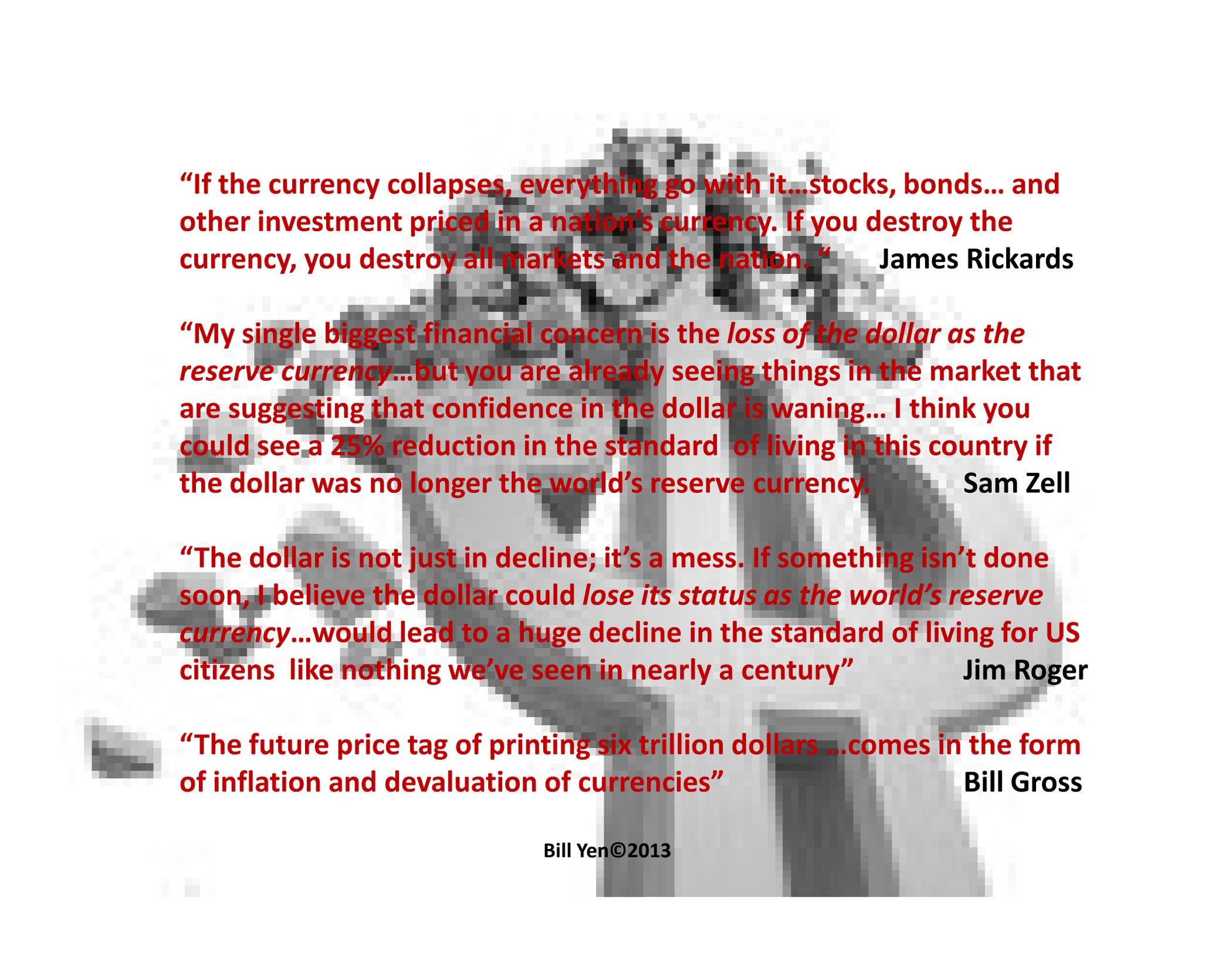
\*China and S Korea came to an agreement that allows firms to settle deal in either the Chinese Yuan or Korean Won.

\*Japan and India signed a deal linking their currencies closer together and lessening their dependency on US dollars.

\*China has signed international currency agreements with Germany, Brazil, Russia, Australia, Japan, the UAE and India.

\*IMF's SDR in existence increased from 238 to 477 Billion.

\* McDonald's and Caterpillar have begun introducing "dim-sum" bonds.



**“If the currency collapses, everything go with it...stocks, bonds... and other investment priced in a nation’s currency. If you destroy the currency, you destroy all markets and the nation. “** James Rickards

**“My single biggest financial concern is the *loss of the dollar as the reserve currency*...but you are already seeing things in the market that are suggesting that confidence in the dollar is waning... I think you could see a 25% reduction in the standard of living in this country if the dollar was no longer the world’s reserve currency.** Sam Zell

**“The dollar is not just in decline; it’s a mess. If something isn’t done soon, I believe the dollar could *lose its status as the world’s reserve currency*...would lead to a huge decline in the standard of living for US citizens like nothing we’ve seen in nearly a century”** Jim Roger

**“The future price tag of printing six trillion dollars ...comes in the form of inflation and devaluation of currencies”** Bill Gross

# Investment in Gold

Basel Committee on gold  
CME accepts gold as collateral

## Gold Bullion

Gold Stocks: GLD, SLV, NEM



## Gold Coins

**American Eagle** 9167

**American Buffalo** 9999

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# In Gold We Trust

## Back to Gold Standard?

National Debts = \$17.0 trillion

M2 money supply = \$11.0 trillion

US Gold Reserve = 8133.5 tonnes = 0.2615 billion oz

\$28000 billion / 0.2615 billion oz = \$107074/oz

\$11000 billion / 0.2615 billion oz = \$42065/oz

Currency in circulation: \$1228 b / 0.2615 = \$4321

**Note:** 1 tonne = 1000kg; 1kg = 1000g; 1oz = 31.1g; 1kg = 32.15oz

ON OR BEFORE MAY 1, 1933

all GOLD COIN, GOLD BULLION, AND GOLD CERTIFICATES now owned by them to a Federal Reserve Bank, branch or agency, or to any member bank of the Federal Reserve System.

In God We **“ONLY”** Trust

1. **Executive Order 6102** April 5, 1933

2. **Nixon Shock** August 15, 1971; EO 11615

Ended Bretton Woods System; the dollar became *“fiat currency”*

3. **QE infinity** September 13, 2012

Since the Roman Empire, all fiat currencies have ended poorly

# WORLD CURRENCIES

Japanese Yen JPY 0%

Euro EUR 0%

British Pound GBP 1%

Swiss Franc CHF 0%

Canadian Dollar CAD 1%

Chinese Yuan CNY 2.5%

Australian Dollar AUD 0.9%

S. African Rand ZAR 3.75%

Brazilian Real BRL 6.45%

Indian Rupee INR 7.25%

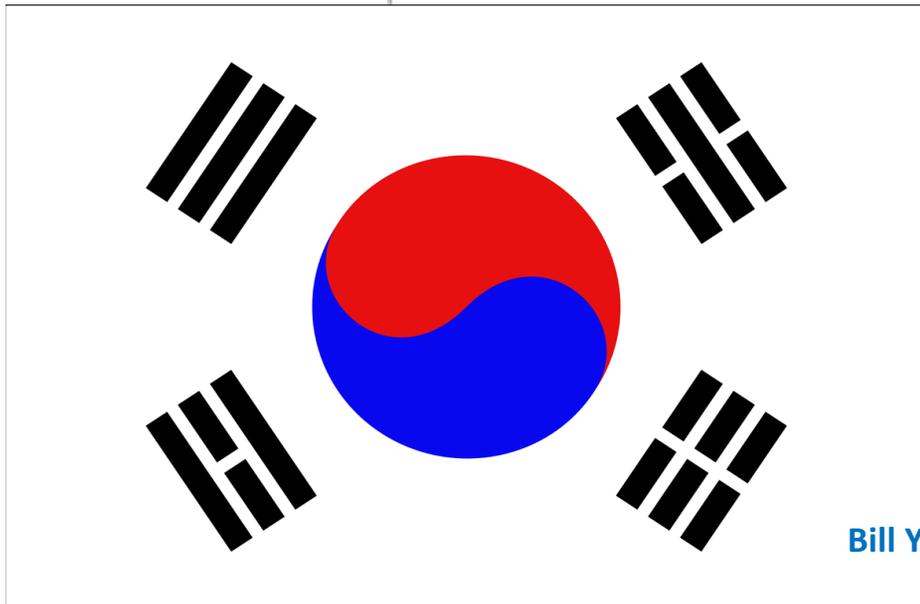
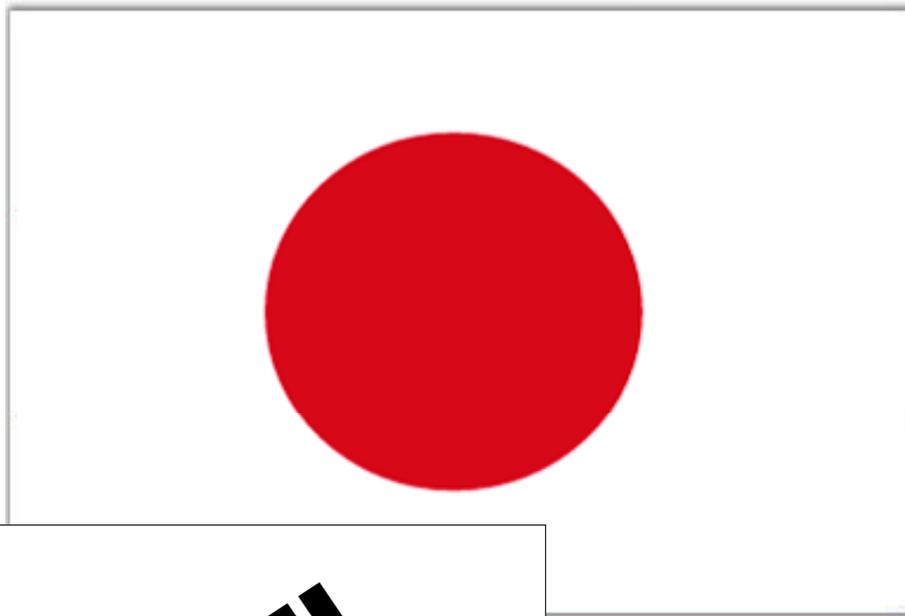
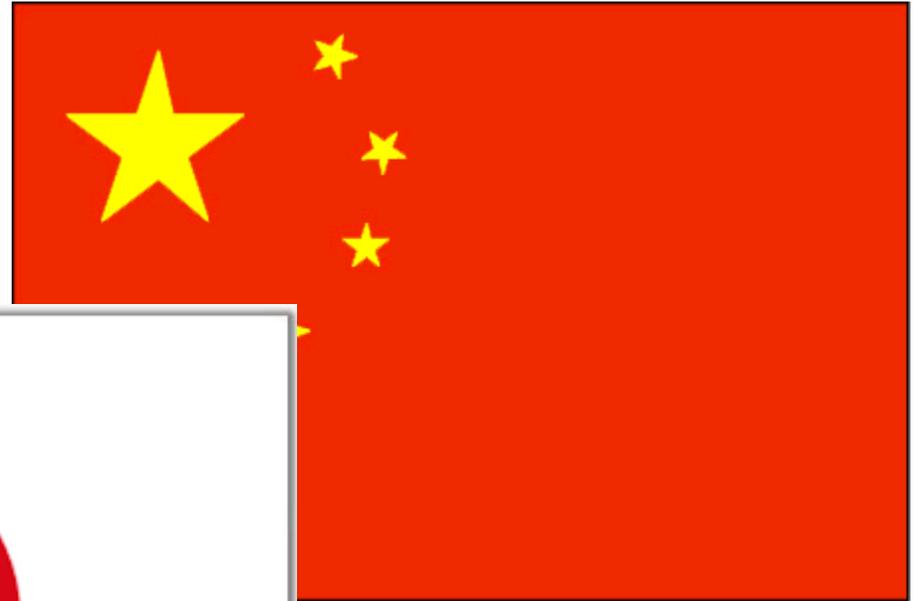
Mexican Peso MXN 1.13%

"If you only had one idea, one investment, it would be to buy an investment in a non-dollar currency"

Bill Gross

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# The Attraction of Emerging Markets



**CAF, FXI**  
**EWJ, EWY**  
**EWZ, INP, EZA, RSX, VNM**  
**EEM, ILF, EMB**



**Real Estate investment by REIT**

**Industrial and Office: BXP, VNO**

**Retail: SPG, ARCP**

**Residential: AVB**

**Construction: XHB, ITB**

**ETF for REITs: VNQ**



# Big Names, Multi-Nationals

# Better than the Nation

KO, MCD, DIS, MO, NKE, GE, AAPL, GOOG,  
SBUX, WMT, BA, V  
PFE, JNJ, BIB?

THIS CERTIFIES THAT

...ISSUABLE SHARES OF CLASS A COMMON STOCK, PAR VALUE \$0.001 PER SHARE, OF  
GOOGLE INC.  
transferable only on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of the certificate properly  
endorsed. This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.  
WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated: September 13, 2004

*Larry Page*  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



*Sergey Brin*  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Transfer Agent and Registrar  
American Stock Transfer & Trust Company, Inc.  
100 Broadway, New York, NY 10038  
Tel: (212) 850-6000

A photograph of a man wearing a white baseball cap, glasses, a dark blue long-sleeved shirt, and light-colored pants. He is standing in an orange grove, looking towards the camera. A white step ladder is positioned in front of him, leaning against a tree. The trees are filled with green leaves and small orange fruits. The background shows a white building with a brown roof.

**Marc Faber: Buy farmland, stock up on gold, and prepare for a “dirty war”**

“When I tell people to prepare themselves for a dirty war, they ask me: “America against whom?” I tell them that for sure they will find someone.”

“I told you before that after bankrupting America and destroying the dollar the plan of the elite is to start WWII.”

**Jim Rogers: “China’s going to be the next great country in the world,” “I only buy China when it collapses.”**