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John (Jack) R. Venrick

From: "John (Jack) R. Venrick" <jacksranch@skynetbb.com>
To: "AJack R. Venrick" <jacksranch@skynetbb.com>
Sent: Wednesday, January 13, 2010 1:51 PM
Subject: Let's Welcome EU to the club

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Asset Protection **Currencies** **Investment Research** **Store**

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Another Dream Trampled Underfoot

That's Right folks; it's Just as Bad Over There...

Hot Topics &
Recent Rants
clarity in a year of cha
The Nightmare contin
Banks lose, You win.

Dear A-Letter Reader,

It was nice while it lasted.

After all, it seemed like a nice arrangement. We Americans wanted the opportunity to rail on the misdeeds and p judgment of our leaders - both economic and political - and the Europeans wanted to crawl out of history, into th of the present.

And if anything, the story was convincing. That as America declined as the hegemonic epicenter of world financi this noble union of experienced and storied governments would take its place, eventually rousting the dollar fron standing as world reserve currency. From here, people customized.

Accredited experts cited euro liquidity, the fact that it was actually capable of being a world reserve currency. Ra superstars like Jay-Z and supermodels like Giselle Bundchen demanded payment in euros or flashed stacks of t bills in their music videos. Some fringe groups used it as the springboard for tenuous arguments of dollar hyperi

But unfortunately, like all other grand illusions, this one had to come to an end.

It was already starting to come apart - as a few astute insiders and experts were able to see - as early as fall of l but the pace of decline has escalated thanks to a few ill-timed reports and a handful of Sovereign Credit Rating downgrades. Even as the party comes to a close, many (perhaps even Trichet, the governor of EMU policy) still myths of euro strength while conveniently overlooking the union's faults.

But that's *never* been the policy here at The Sovereign Society. And it's not necessarily because we're geniuses Mason or anything like that. No, friends, it's mostly due to the fact that we're in the business of continuously scou world's banks and currencies to find the best opportunities. So we never have the luxury of allowing our opinions determined by our emotions.

Instead, we're stuck with the cold, hard facts of the situation. Facts that have been apparent since fall of last yea

11/3/2010

Euro Weakness in Plain Sight

On October 14th of 2008 - in Bob Bauman's "Swiss Banks Survive European Blame Game" - Bob wrote, "According to one commonly used yardstick to measure borrowing, the ratio of assets to equity, some European banks employed more than twice as much leverage as their American counterparts."

""The same mechanisms that led to the crisis in the United States were operating here," said Arnoud Boot, a professor of finance and banking at the University of Amsterdam. "It's totally misplaced for European leaders to put the blame on the Americans.""

In our year-end series "2008: the Year in Volatility," currency expert Jack Crooks - Editor of *World Currency Options* and *Exotic FX Alert* - shared our uncommon perspective on the European Union and its corresponding currency...

"This is the first major test of the euro as a currency during a major down cycle..." Jack said, "don't be surprised if it fails."

Harsh words that have drawn some incredulous criticism from Jack's readers and peers. We only ask that you bear this in mind; Jack got the *exact same* kind of criticism when he predicted the dollar would rally in 2008...a trend he played for windfall profits as the Credit Crunch came to the forefront of world media.

And he explained his perspective with observations that are becoming eerily foreboding... "The euro is the key currency competitor against the dollar. When the euro does well, the dollar does badly, and vice versa. But as global demand continues to shrink, I expect key member countries - either Italy, Greece, Ireland, Portugal, or Spain -" note that three of these five were the countries who've thus far received credit downgrades from S&P "to completely abandon all fiscal responsibilities they must maintain as members of the European Monetary System. And that will hurt the euro."

"Euro member countries have no sovereignty on monetary policy...and the big member country - Germany - is railing against providing a major stimulus to support the rest of the union members. Why should Germany pay for other countries lack of discipline?"

Now, thanks to the sharp industrial downturn now facing the Union, Germany has changed its tune. But this fundamental shortcoming remains in place...

"**This is the Achilles Heel of the European Monetary Union** - Since member countries have no fiscal responsibility, they can spend all they want and the ECB has no say or power to stop them."

Fast forward to the present. The EU economy is officially undergoing its first contraction since being established only ten years ago, three countries have seen their credit ratings slashed, even more are planning fiscal stimulus, and Ireland's banking sector is headed for full nationalization faster than you can say "Iceland."

There's no two ways about it; the euro's party is coming to a close. No amount of wishful thinking or careful ignorance can refute the fact that the global recession is sinking its teeth into the EU along with the rest of the world. At this point one can safely expect the euro to start trading closer to what it's *really* worth, abandoning "grand illusion" levels and potentially overcorrecting as the EU is forced to sober up and re-join reality.

To Trichet and the rest of the EU, we'd like to officially welcome them to the club.

Sic Transit Gloria Mundi

(For more information on Jack Crooks' *World Currency Options* service and the weird reason why you only have a few more days to save US$1,250 **click here**)

How you will react, I don't know, and frankly I care not to guess.

In today's economy that lies battered, bruised, and (possibly) on the verge of collapse - I'm ecstatic to be able to say - we're making a 'radical' (although controversial) move to further help smart, astute individuals to stay "agile" in an otherwise "sloth" market.

It's unfortunate that it comes at the expense of some, but (in times like these) THIS is about helping those who welcome the "recession" with open-arms, by sharpening their axe, who seek out, research, and truly want to implement NEW "outside-the-box" tools and strategies - are you ready??

Must respond BEFORE January 26th, 2009 to be eligible.

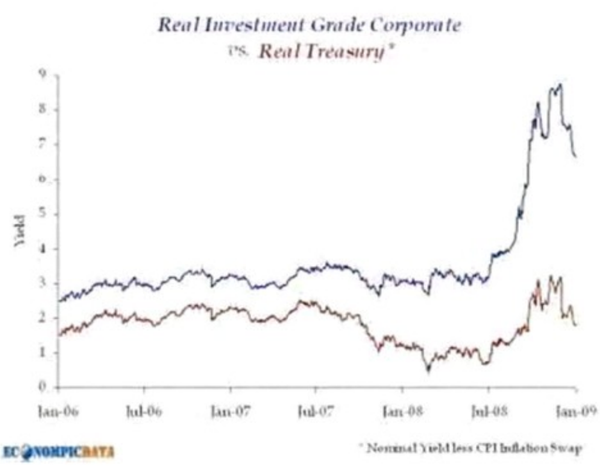
Buying Opportunity: Corporate Bond Correction

Inflation-Protected Securities have been on a tear since November, and topsy-turvy action in the credit markets has been providing some great opportunities in the area of investment-grade corporate debt. This from Investment Director Eric Roseman, who's been riding that wave since late last year...

"Since November, I've been allocating fresh funds into distressed investment-grade corporate bonds in the United States. Along with gold and TIPs (Treasury Inflation Protected Securities) that's about all I've been buying over the last three months."

"In Europe, the investment-grade corporate bond market has not bottomed. The European economic cycle in many ways is deeper entrenched in this crisis than the United States with bond yields remaining under pressure. The U.S. debt market offers a better risk-adjusted return."

"In the United States, investment-grade corporate debt has corrected about 5% over the last two weeks (excluding interest income) offering new investors a good entry point. The Dow Jones Corporate Bond Index now yields 6.6% while the Barclays U.S. Corporate Bond Index yields 7.3%. Both indexes offer rich spreads of 4.1% and 4.8%, respectively, over benchmark 10-year Treasury bonds. The last time spreads were this wide was back in the 1930s."



"I'm still buying the best quality credits I can find, namely in investment-grade bonds, TIPs and even nibbling at junk bonds. The latter will witness a major spike in default rates this year as the economy continues to deteriorate. Yet with yields of about 16% on high-yield debt, even if half of the issuers default, I'm still getting about 9% on my money -- a pretty good speculation. Again, junk bonds should be purchased at these bombed-out levels but with a view that defaults will rise in 2009 and that it's highly likely you'll be building this position again later in the default cycle."

"Overall, stick to high quality investment-grade corporate bonds. As the stock market eventually heals one day it will be preceded by a rally in non-Treasury debt securities. This is a credit crisis after all and I expect riskier bonds to lead us out of this mess."

And on a side note - congratulations here's Eric - "This week, I assumed the role of editor for The Sovereign Society's Accelerated Income weekly VIP letter. Whether you're conservative or aggressive, there's a host of great opportunities now in fixed-income markets. With credit spreads still pretty wide it should be an exciting year for this service in an otherwise dismal global marketplace."

Hidden Taxes Exposed!

Legal Counsel and Resident Offshore Expert Bob Bauman recently pointed out some of the hidden costs imposed by the IRS, as learned from personal experience...

"A year or so ago, I got one of those computer-generated IRS notices claiming that during the previous year I had missed paying one of my monthly self-employment tax payments," Bob explained.

"While I didn't pay on the same date each month, I had made two payments during one month after I was hospitalized for surgery for several weeks, (for which the IRS charged a late fee, plus interest). It took some time, but I got together my paperwork that showed clearly, with canceled checks, that I indeed had made 12 payments."

"For weeks my accountant fought with the local IRS agent, but to no avail."

"This lady IRS agent/dictator insisted one payment was missing, that if I did not pay what *she* said I owed, (plus interest and penalty), *she* would have my business and personal bank accounts seized by the IRS. My accountant told me it would take months, if not years to appeal, so I better pay up -- which I did -- with anger and a feeling of being victimized by an agent of Big Brother government who didn't give a damn about the truth."

Bob went on to list some of the shocking known and unknown facts about income taxes in the US:

* In 1999 individuals and businesses spent **4.3 billion hours** complying with the income tax; estimated compliance costs of $125 billion.

* In 1999, 6.3 million taxpayers with incomes in the **top 5% paid over 55% of all income taxes**.

* The **top 1%**, those earning $293,415 and up, **paid 1/3 of all taxes** while their share of the national income was 19%.

* **The richest pay an average top rate of 38.6%**. Most low earning taxpayers pay an average top rate of 15% and millions pay no taxes at all.

* Taxpayers in **the bottom 50% paid only 4% of income taxes** in 1999. These 63 million taxpayers average income less than $26,415 a year.

* By 2006, taxpayers earning over $100,000 a year will pay **almost 59% of all income taxes**.

* In 2000 individual income taxes consumed **10.2% of the U.S. GDP**.

We received several comments from readers who wanted to know more about the "Herring" case, and how - specifically - the Supreme Court's decision negated your 4th amendment rights. Well, ask and ye shall receive. In today's Special Comment, our man on the litigious frontier, Wealth Preservation and Tax Consultant Mark Nestmann, explains in detail how this case played out, and what it means for your constitutional rights...

Yours in Personal Sovereignty,

MATTHEW COLLINS, A-Letter Editor

P.S. The window of opportunity is closing. **Click here** to find out about the "weird" reason why there are only a few days left to take advantage of an opportunity that will save you **US$1,250...**

Re-Visiting Barney Fife and the Fourth Amendment...

By Mark Nestmann

Growing up in the 1960s, Deputy Barney Fife was a weekly visitor to my home, courtesy of *The Andy Griffith Show*. Overly ambitious and nervous, but also highly inept, Barney-masterfully played by actor Don Knotts-eventually became a symbol of police over-reaction and incompetence.

In the fictional town of Maybury, North Carolina, Sheriff Andy Taylor (Griffith's character) kept Barney under control. But now, in a razor-thin 5-4 plurality opinion, the U.S. Supreme Court has created what might be called the Barney Fife excuse for sloppy police work.

The court ruled last week that evidence seized in an arrest based on an expired warrant in a police database can be used against the person arrested, so long as the error resulted from "isolated negligence." This decision is one more nail in the coffin for the so-called "exclusionary rule," which in 1961 a very different Supreme Court held to be binding in state as well as federal courts. In essence, the exclusionary rule denies prosecutors the right to introduce evidence obtained through unauthorized search and seizure.

The latest blow to the exclusionary rule began on a hot afternoon in July 2004, in Coffee County, Alabama. Bennie Dean Herring showed up at a police storage lot to retrieve some items from his impounded truck. Officers checked to see if Herring was wanted by police and found an arrest warrant in a nearby jurisdiction. Shortly after he drove away from the lot, police arrested him.

Under the "search incident to arrest doctrine," police may search anyone they are arresting. They may also open any "containers" the person being arrested has in their pockets or otherwise is carrying. In Herring's case, police found illegal drugs in his pocket and a pistol (which as a convicted felon he couldn't legally own) in his truck.

A few minutes later, police learned that the warrant they had relied upon to arrest Herring had been withdrawn months ago. Herring's attorneys tried to exclude evidence gathered in the search in a subsequent trial in which he was convicted of federal gun and drug possession charges. Now, the Supreme Court has rebuffed their efforts.

There appears to be little doubt that Herring is guilty of the offenses for which he was charged based on the faulty warrant. But that's not the point. The Supreme Court has now told police departments nationwide they don't need to worry about the mistakes made by the Barney Fifes in their employ.

The exclusionary rule is often the only way that a criminal defendant can effectively contest a violation of his or her Fourth Amendment rights to not be subject to unreasonable searches and seizures. And, it's now been seriously undermined.

What Does the "Barney Fife" Exception Mean to the Rest of the World?

The "exclusionary rule" is a means to enforce your right to be free of unreasonable searches and seizures. This right is guaranteed under the Fourth Amendment to the U.S. Constitution. But the "Barney Fife" exception changes all that. Essentially, if police mistakenly arrest you based on faulty information, they can still use any evidence they seize against you in a subsequent prosecution. The only requirement is that the error results from "isolated negligence."

Imagine that you're driving down the highway and police stop your vehicle. Based on faulty information on their computers, they arrest you based on a warrant that never existed, or that has expired. Under the search incident to arrest doctrine they search you and your car. They also copy all the information in your laptop and your cell phone. But, after a few minutes, they apologize.

"Oops, we made a mistake...there was no warrant. But you're under arrest anyway, for conspiracy, because we found a text message in your phone to someone we arrested last week for drug trafficking." Under the newly created Barney Fife exception to the U.S. Constitution, this is now perfectly legal.

It's also not hard to imagine police deliberately neglecting to update arrest warrant records. This couldn't happen too often-otherwise it wouldn't be "isolated negligence." But what if police decided to embark upon an informal policy of not updating records to reflect expiring warrants of selected criminal suspects? These suspects might be selected on the basis of the crimes they commit, their political beliefs, their race, their religion, or any other criteria police devise. Whether conducted in good faith or otherwise, under the Supreme Court's reasoning, such a policy-so long as it could be attributed to "isolated negligence"-would probably pass legal muster.

Back in 1965, Judge Henry Friendly, a highly regarded appellate judge, wrote, "The sole reason for [the] exclusion[ary rule] ... is that experience has demonstrated this to be the only effective method for deterring the police from violating the Constitution." And, I might add to protect us all from any real harm that might be perpetrated by the well meaning, but poorly executed law enforcement efforts of the Barney Fifes of the world.

MARK NESTMANN, Privacy Expert,
President of The Nestmann Group
assetpro@nestmann.com
www.nestmann.com

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