

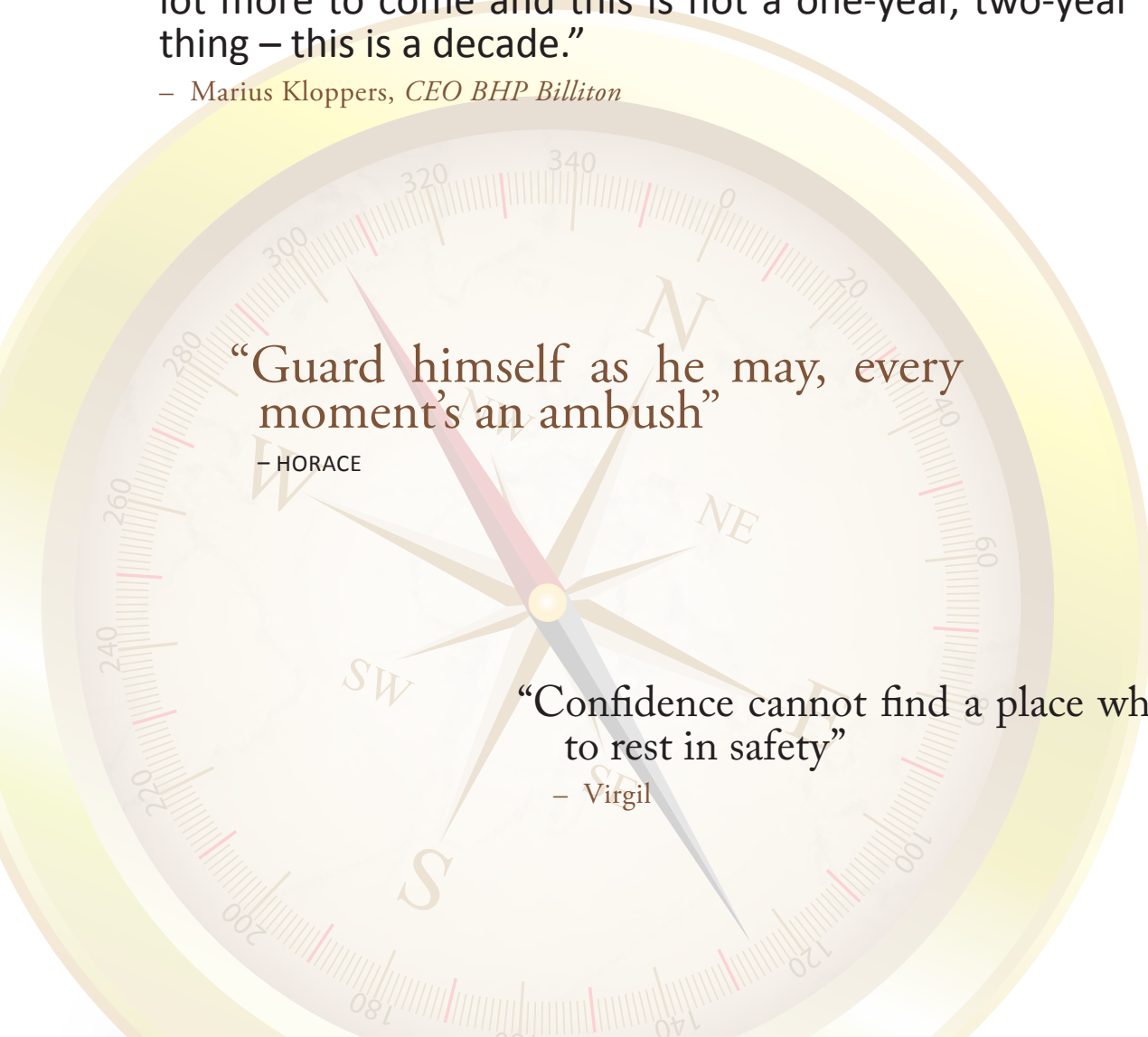
THINGS THAT MAKE YOU GO *Hmmm...*

A walk around the fringes of finance



“The world has had a growth decrease, it’s got poor demographics and it’s got high debt. That depresses growth – you can’t just make debt disappear... So far all we’ve done is shovelled it from the balance sheet of the consumer to the balance sheet of the government. No debt has actually been paid off. There is a lot more to come and this is not a one-year, two-year thing – this is a decade.”

– Marius Kloppers, *CEO BHP Billiton*



“Guard himself as he may, every
moment’s an ambush”

– HORACE

“Confidence cannot find a place wherein
to rest in safety”

– Virgil

Twenty thousand people lived in Pompeii, beneath the shadow of a quietly smoking Mount Vesuvius, while another 5,000 lived nearby in the opulent city of Herculaneum – a favourite summer retreat for rich Romans and home to decadence, gambling and prostitution.

On August 24, 79, Vesuvius suddenly erupted, spewing a 10-mile cloud of ash and pumice into the skies above Pompeii and Herculaneum. The deluge that rained down upon the cities continued for eighteen hours and the surging lava flows that cascaded down the slopes of the volcano buried both under almost fifty feet of debris, killing an estimated 2,000 people who had stayed, hidden in their cellars, waiting for the onslaught to subside.



We know all this mostly from the writings of Pliny The Younger, a 17 year-old who would go on to become a celebrated writer (and presumably, in due course, Pliny The Elder), but who spent the days around the eruption of Vesuvius writing a detailed account of the events. Without his writings, we may never have known what happened that day.

Clearly, the inhabitants of Vesuvius were aware of the potential disaster that loomed above them, but they looked at that danger every day and then calmly went about their business. Eventually, living in the shadow of potential catastrophe became normal. It no longer mattered to anyone – until the day it mattered to EVERYONE.

This past Wednesday morning, whilst going through the overnight headlines and trying to make sense of a 3.5% rally in the S&P - which, if one were to listen to commentary, would seem to have been completely predicated upon the strengthening belief that Ben Bernanke was going to administer another shot of Hopium on Friday at the annual Jackson Hole Shrimpfest (™ Bill Fleckenstein) – I was struck by a scrolling headline on my Bloomberg terminal that was clocked at 7:04am (Singapore time). It simply read:

“Moody’s Lowers Japan’s Government Rating To Aa3; Outlook Stable”

Reflexively I checked the intraday movement of the Yen and the chart, below left, is what I saw.



CLICK TO ENLARGE

SOURCE: BLOOMBERG

Another downgrade for Japan – the country with the largest debt burden in the world at over 200% of GDP - and within the space of an hour, the currency was back to where it stood prior to the announcement from Moody’s. It didn’t matter to anyone.

According to OECD projections, Japan’s public debt will reach 219% of GDP next year (a figure that DOESN’T include the cost of rebuilding after the Sendai quake) as the country that has racked up an astonishing 950 trillion yen in debt over the last twenty years continues down the Keynesian path to prosperity, and

yet, the Yen is seen as a 'safe haven'. Frankly, the use of the word 'Yen' within the same *paragraph* as the phrase 'safe haven', let alone the same *sentence*, fills me with equal parts wonder and equal parts dread, but such is the world we live in now; a world in which the currency of a country whose economy has been melting down for two decades is considered a more worthy home for capital than those other currency powerhouses, the dollar and the Euro.

Way back in 1996, John Makin wrote a paper for the American Enterprise Institute for Public Policy Research entitled: *Japan's Disastrous Keynesian Experiment*. Reading it now, 15 years later, it's hard to decide whether it's amusing or terrifying.

It began brightly enough:

Japan has taken the first step toward economic recovery by demonstrating that massive Keynesian public works projects can produce only temporary, faster demand growth.

But then, in order to illustrate the extent of Japan's folly Makin veered off into what must have seemed at the time, like the outer reaches of The Twilight Zone:

Suppose that, during the year running from the summer of 1995 to the summer of 1996, American policy makers had increased federal spending by \$250 billion (3 percent of the gross domestic product), cut short-term interest rates to below one-half of 1 percent, and flooded the economy with liquidity so that long-term interest rates were held below 3 percent while the dollar weakened by 30 percent, making our goods far cheaper in world markets. U.S. growth and employment would have boomed, and inflation would have jumped as the economy overheated.

These are precisely the steps that Japanese policy makers have taken since the summer of 1995 with little lasting positive impact on the Japanese economy.

Cough!

Increase Federal spending by \$250 billion? Cut interest rates to below one-half of one percent? Flood the economy with liquidity so that long-term rates were held below 3%? Weaken the Dollar by 30%? These are the thoughts of a madman! A madman, I tell you.

Makin highlighted the fact that the measures didn't have any "...lasting positive impact on the Japanese economy", but pointed out that, had it been tried in the US, "...growth and employment would have boomed, and inflation would have jumped as the economy overheated."

Hmmm.

Makin's work is a veritable treasure trove when attempting to compare Japan then to the US now:

[Finance Minister] Sakakibara's desire to keep the Tokyo stock market from dropping below 20,000 was related, as are most of Japan's ad hoc economic policy moves, to the desperately weak state of its financial sector. Japan's generally insolvent banks are under pressure to meet Bank of International Settlements standards on capital adequacy. According to Japan's Nomura Research Institute, "As things now stand, the banks will have to cut their risk assets by 4 trillion yen (about 40 billion dollars) with the Nikkei average at the 20,000 level or by 20 trillion yen (about 200 billion dollars) if the stock average falls to 16,000 yen. Moreover, if these banks all issue preferred stocks or take profits on their equity holdings at the same time, the Nikkei average could plunge."

It's amazing how numbers like \$200 billion – so shocking in 1995 – have become so quaint so quickly.

A few pages later, Makin takes a somewhat pious approach to Japan's efforts when viewing them through a distinctly US prism:

Japanese policy makers might contemplate that, over the past year, while they were undertaking extraordinary fiscal and monetary stimulus measures, the United States was reducing its budget deficit from more than 2 percent of GDP down to 1.4 percent and the U.S. dollar was appreciating by more than 10 percent against the yen. So far in 1996, the U.S. stock market has risen by 25 percent, while the U.S. economy has grown steadily at about a 2.5 percent rate. Meanwhile, Japan's stock market has stagnated, while 1996 growth is expected to be about 3 percent. The difference is represented by contrasting stock market performance: America's growth is expected to continue while Japanese growth slows next year to about 1 percent.

Of course, what had plunged Japan into its Keynesian nightmare were the twin terrors of a real estate bubble that bordered on the psychotic and a banking sector that blew itself into a million tiny pieces, requiring the use of public balance sheet upon which to park an inordinate amount of toxic waste.

Fast forward to 2009, after the Lehman-induced panic triggered the greatest global de-risking ever witnessed, and we saw the Yen (which had been strengthening materially against the dollar for the best part of three years as the carry trade unwound) plummet 15% versus the dollar, breaching the psychological 100 level. At the time, its continuing descent seemed certain as the FT commented in its Alphaville column:

The big theme of the week is the loss of the yen's status as a "safe haven" currency (inverted commas to acknowledge how desperate things are when the currency of such a bruised and battered economy is seen as both "safe" and a "haven").

The yen fell to a three-month low of ¥96.80 against the dollar on Tuesday as global stock markets continued to fall, reports the FT, "sparking speculation that the Japanese currency's days as a safe haven were coming to an end".

Yet, it was only last month that people such as Eisuke Sakakibara, the former "Mr Yen" of Japan's finance ministry, was confidently predicting government intervention to bring the yen down. My how times change.

So, two years ago, the days of the Yen being a safe haven were over. Gone. Finished. The damage had been done and a dose of reality was about to be administered to a clearly overvalued currency that was riding high on the hog due to the perceived safety of the ZIRP that had been mandated by the BoJ.

But a funny thing happened on the way to the boneyard. The Yen, almost the moment it touched 100, began to strengthen as ZIRPmania began to spread across the developed world. Clearly, we should have realized that it would unfold that way – after all, the signs were staring us all in the face;

Firstly, ZIRP entails no pain for politicians – in fact, they get to play Santa Claus by handing out free money – a surefire way to ingratiate themselves with the populace.

Secondly, they get to announce big public spending programs designed to amplify the effects of ZIRP and that means facetime – lots and lots of facetime, replete with grandiose statements, fist-pounding rhetoric about making things better and the chance to be seen to be doing something by a gullible electorate.

Thirdly, it means they get to kick the can down the road, thus ensuring that the bill for their self-

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serving largesse gets picked up by a payer to be named later. It's like sitting around a table for 12 at a restaurant, ordering 4lb lobsters for everybody along with several bottles of Cristal then sticking the guy who joined you for dessert with the tab for the entire feast.

Today, if you want to lend the government of Japan some money for two years, they will be delighted to accommodate your wishes and they will pay you a handsome 13 basis points for doing so (a rate that has HALVED from the seemingly ridiculous rate of 25 basis points that you could have earned had you lent then that same money back in February of this year. Oh the trades we miss when we hesitate). Of course, this is positively frivolous on the part of the Japanese compared to the 2 basis points they were paying exactly 9 years ago this week, in August of 2002.

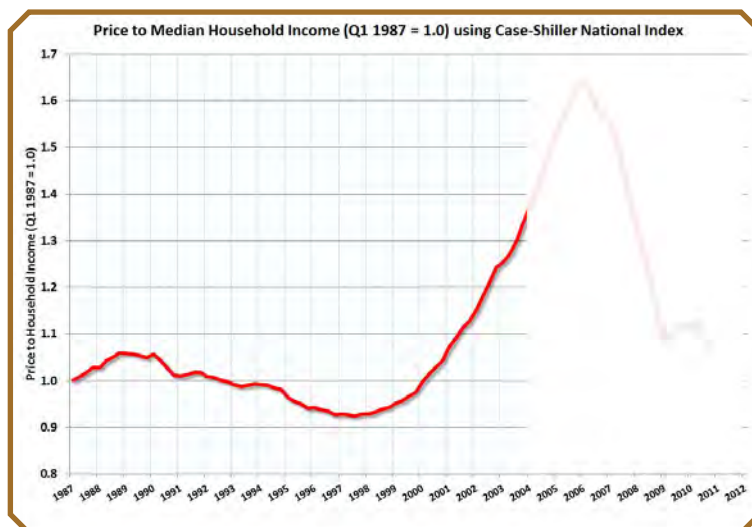
From that low in 2002, Japanese 2 year rates remained largely in a band, moving sideways until the latter half of 2005 when they 'exploded', moving sharply higher through 2006 and into 2007, peaking at a whopping 108 basis points on June 13 – a rise of 1852%. Nobody saw THAT move coming.

It looked as though the game was up and that Japanese yields were about to begin reflecting the risks of lending to an ineffective government who presided over an economy that was weighed down by moribund banks and hamstrung by the Japanese aversion to facing their problems, but no sooner had things begun to look dicey for Japan, than the next completely unforeseen and unforeseeable disaster struck – the subprime implosion – and the kneejerk flight to sovereign safe havens began in earnest.

Yields on government bonds across the globe fell precipitously as investors snapped up sovereign debt to protect their money. Return *OF* capital triumphed over return *ON* capital and what became known as the 'Risk Off' trade was suddenly the only game in town. But all the while the clamour for government-afforded safety was growing, in plain sight, the causes of the very problems that had sent people scuttling to Treasuries and their ilk were being transferred to the same balance sheets upon which the sought-after bonds appeared as ever-growing line items. No problem. It didn't matter to anyone.

After the collapse of the subprime industry seemed to catch the world by surprise, the inquest began as to exactly WHY this had all happened. What could have caused it? Why had nothing been done to prevent it? Hindsight being what it is, it's easy to look at a wealth of charts now and see just how quickly and, more pertinently, how obviously the situation was deteriorating but the simple truth is;

those charts looked equally terrifying at the time. Case in point, the US house price to median household income chart (left):



SOURCE: CALCULATED RISK

I have faded the denouement of the ride to highlight the fact that even in 2004, the simple fact was that house prices were obviously unsustainably high. Relative to median household income, they had risen 50% from their 1998 lows in the span of six gloriously unrestrained years. It didn't matter to anyone.

Now, call me old fashioned, but as obvious as the inevitable correction in that chart looks from our vantage point in 2011, you can't tell me it looked any less likely to collapse in 2004? Or 2005? Or 2006? Yes, you'd have been wrong for a while and

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yes, some folks WERE wrong for a while, but being wrong for a while is a whole lot different to being just plain wrong. In the mid-naughties, there were plenty of pundits who were screaming that the situation was untenable and that a crash was coming, but the animal spirits of the masses refused to be swayed by the 'doom merchants'.

It probably seems a lifetime ago to him now, but John Paulson made both a fortune and a reputation by taking on the obvious bet that nobody cared about. Mike Burry and Gregg Lippman did likewise. But for every big winner, there were a million losers who made the easy decision to join the stampede and run with the herd – right up until that herd ran over the cliff. What hadn't mattered to anyone, suddenly mattered to everyone.

Currently, bond yields the world over are at historical lows, despite there being any number of reasons for that not to be the case. The Fed balance sheet, as we have previously discussed at great length, is awash with the toxic flotsam and jetsam jettisoned by the banks over the past three years. The ECB is in a similar position and has taken to augmenting its holdings of €80bn in Greek bonds with roughly €37 billion in (presumably) Italian and Spanish bonds in the last two weeks alone – and all without the final ratification of the collective IOU that is the EFSF. The net effect has been to stem the bleeding, but already, the signs are clear that without ECB intervention, the path of least resistance for the debt of both countries is down.

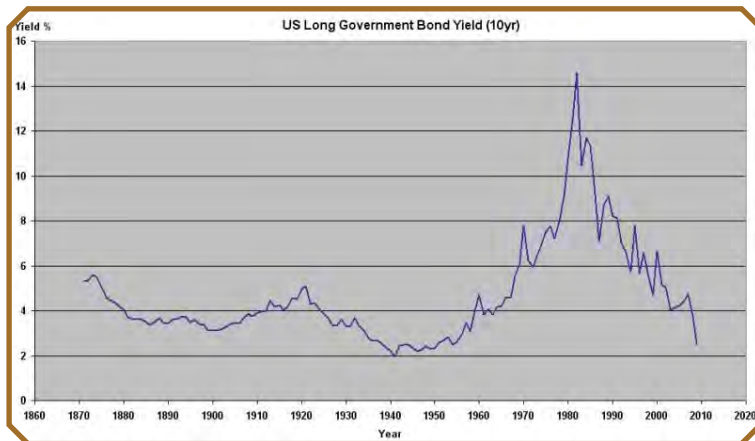


SOURCE: BLOOMBERG

However, with all eyes off on Spain and Italy for the moment, Greek bonds have begun to fall dramatically again without the support of the buyer of last resort in Brussels. Yields on both the 2s and 10s have surged to new wides this week over Bunds. The ECB's game of Whack-a-Mole continues.



SOURCE: BLOOMBERG



SOURCE: BLOOMBERG

Over in the US, the situation is hardly much different.

Last week, the US 10-year yield dipped momentarily below 2% for the first time in over 50 years (chart, left) as the rush into the welcoming arms of the world's biggest debtor, the United States government, from the falling equity markets accelerated. Stock markets were hammered without fear or favour (the MSCI World index fell 13% from August 1 to August 19) and money was ploughed into Treasuries as reflexively as my hitting up the chart of the Yen as soon as I read the headline that sent me off down this mental rabbit hole in the first place. The net result? US 2-year

bond yields reached a miserly 17 basis points during trading on August 18th. Turning Japanese? I really think so.

About the same time as the US 2-year reached its low, UK 2-year gilt yields hit 51 basis points, German Bunds touched 53 basis points and the Swiss 2-year bond yields, in all their metronomic glory, touched MINUS 11 basis points.

The reward for lending money to various sovereign governments around the world is ridiculous based on the amount of risk involved in doing so. At one end of the scale you have the juicy 44% yield for lending money to Greece which, let's face it, is done. At the other end of the scale you can get basically nothing for lending money to the governments with the poorest balance sheets on the face of the planet. Your choices? Japan with its 200% debt-to-GDP and dying economy? Europe, which will likely no longer exist in its present form come the end of 2012 and which has broadened its accumulation of debt from the worthless kind issued by Greece to the severely dubious varieties issued by Spain and Italy (with France just waiting to be put into the game)? Or how about the United States? With its \$14 trillion (and rising) deficit, its bloated balance sheet of toxic assets, its inestimable unfunded liabilities and its paralyzed political process?

Some choice. And yet, people continue to flock to these perceived safe havens largely because, over the years, they have become used to doing so. At some point they will figure out that the 'safety' offered by government bonds is now a phantasm and when they do, you can be sure their awakening will be felt across the world.

As fire and ash billowed into the skies over Pompeii and Herclaneum all those years ago, the terrified citizens below poured into the safety of their cellars where they had always sought protection previously. Only this time it WAS different and the cellars that had always offered them shelter from the storm became their tombs; proving conclusively that what may well have afforded protection in the past, may not do so in the future. Sadly, the 20,000 people living at the foot of Mount Vesuvius found that out the hard way.

1932 years after arguably the most storied of volcanic eruptions in history, at the foot of a volcano that still smoulders but, despite an eruption in 1944, hasn't had a major eruption since 1631, 700,000 people now reside.

But enough of volcanos and vigilantes, and on to the contents of today's Things That Make You Go Hmmm..... which begin with a 'cannon shot across Europe's bow' by Germany, another spanner thrown in the works by tiny Finland and a fight for Angela Merkel who has to put out a collateral fire lit by her labour minister.

German economists debate the pros and cons of EuroBonds, Andy Xie warns that chaos is dawning, Ambrose Evans-Pritchard sits down with Professor Mundell, one of the architects of the Euro and we hear from Mat Taibbi about Obama's 'dirty banker deal'.

The US state and local budget crisis is in focus courtesy of Michael Hudson, we investigate what the Chinese word for Schadenfreude is, and Karl Denninger cautions us against believing a word that the CBO tells us.

After the wild ride this week, the FT is naturally quick to proclaim the end of the gold bubble while rumours of possible Central Bank sales are put into a refreshingly balanced context by Bloomberg and we take a look at the drag that the Baby Boomers are about to inflict on society.

We have charts of gold in Argentine Pesos, US housing starts going back 50 years, a look at the latest liquidity squeeze in Europe and a reflection on some of Steve Jobs' magnificent work at Apple plus interviews with Jim Rickards and Ken Ivory as well as an absolutely riveting look at the beauty of algorithms.

What are you waiting for?

Housekeeping:

I am delighted to announce that, as of this month, I have joined Vulpes Investment Management here in Singapore where I will act as advisor to the Vulpes Testudo fund.

Vulpes was founded by the former managing partner of Artradis Fund Management, Stephen Diggle in April 2011.

The Testudo Fund is an unconstrained, long-term endowment-style fund that seeks to generate steady but safe real net returns after inflation. It holds a blend of listed and private equities, commodities and debt instruments selected purely on their own merits and is one of three funds currently on the Vulpes platform. The other Vulpes Funds are the LAVA Fund, a negative correlation fund that aims to provide outsized returns in falling markets through long volatility strategies, and the Russian Opportunities Fund, a fundamentals-driven stock-picking fund that focuses on Russia and the CIS. For information on these funds, please visit the Vulpes website:

www.vulpesinvest.com

As a result of my role at Vulpes, it falls upon me to disclose that, from time-to-time, the views I express and/or the commentary I write in the pages of *Things That Make You Go Hmmm.....* may reflect the positioning of one or all of the Vulpes funds - though I will not be making any specific recommendations in this publication.

I am working towards hosting *Things That Make You Go Hmmm.....* at the Vulpes website so please watch for details on that transition going forward

Grant

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German President Christian Wulff has accused the European Central Bank of violating its treaty mandate with the mass purchase of southern European bonds.

In a cannon shot across Europe's bows, he warned that Germany is reaching bailout exhaustion and cannot allow its own democracy to be undermined by EU mayhem.

"I regard the huge buy-up of bonds of individual states by the ECB as legally and politically questionable. Article 123 of the Treaty on the EU's workings prohibits the ECB from directly purchasing debt instruments, in order to safeguard the central bank's independence," he said.

"This prohibition only makes sense if those responsible do not get around it by making substantial purchases on the secondary market," he said, speaking at a forum of half the world's Nobel economists on Lake Constance to review the errors of the profession over recent years.

Mr Wulff said the ECB had gone "way beyond the bounds of their mandate" by purchasing €110bn (£96.6bn) of bonds, echoing widespread concerns in Germany that ECB intervention in the Italian and Spanish bond markets this month mark a dangerous escalation.

... Mr Wulff said the ECB had gone "way beyond the bounds of their mandate" by purchasing €110bn of bonds

He did not explain what else the ECB could have done once the bond spreads of these two big economies began to spiral out of control in early August, posing an imminent threat to monetary union and Europe's financial system.

The blistering attack follows equally harsh words by the Bundesbank in its monthly report. The bank slammed the ECB's bond purchases and also warned that the EU's broader bail-out machinery violates EU treaties and lacks "democratic legitimacy".

The combined attacks come just two weeks before the German constitutional court rules on the legality of the various bailout policies. The verdict is expected on September 7.

The tone of language from two of Germany's most respected institutions suggests that both markets and Europe's political establishment have been complacent in assuming that the court would rubber-stamp the EU summit deals in Brussels.

Nobel laureate Joe Stiglitz told the forum that the euro is likely to fall apart unless Germany accepts some form of fiscal union. "More austerity for Greece and Spain is not the answer. Medieval blood-letting will kill the patient, and democracies won't put up with this kind of medicine."

Mr Stiglitz said Argentina's 8pc annual growth rate after breaking its dollar peg in 2001 showed that "there is life after default, and life after breaking out of an exchange rate system".

He warned that Germany is "going to lose a lot of money one way or another" since the exit of southern states will inflict large banking losses. The country might as well opt to shore up EMU and prevent its great dream of European unity "going down the drain".

★ ★ ★ AMBROSE EVANS-PRITCHARD / [LINK](#)

Ursula von der Leyen picked her moment well.

Hours before a crucial meeting of Germany's ruling Christian Democrats (CDU) yesterday, as a summer storm rolled through the German capital, the labour minister suggested Germany should follow Finland's lead on Greece.

Rather than simply hand over further loans to Athens, money many Germans believe they will never see again, Dr von der Leyen suggested Berlin should ask for collateral. Gold, preferably.

As thunder rolled overhead, the suggestion hit home like a political thunderbolt.

One month after euro zone leaders agreed a bailout reform package, and a month before the package goes to vote before national parliaments, a senior German minister appeared to be calling for a renegotiation.

“... at yesterday’s Bundestag meeting, one backbencher after another used their chance to remind Dr Merkel that, increasingly, they share their constituents’ unhappiness at the ballooning bailout bill

On an aircraft back from Belgrade, a thin-lipped chancellor Angela Merkel reportedly told advisers: “I’m going to have to have a word with Ursula.”

Even before she landed, German officials were in full damage limitation mode, working the phones and issuing statements denying the minister spoke for the government.

“This is sub-optimal,” groaned a senior government source. “No one is amused.”

The official confirmed that the remarks were not agreed with the government. In the chancellery, speculation was rife that the labour minister is on a solo run, perhaps even to challenge Dr Merkel.

Dr von der Leyen, a 52 year-old mother of seven, is one of Dr Merkel’s most ambitious ministers and one of two names regularly mentioned as a possible successor.

“This has to be seen clearly and entirely in a domestic political context,” said a leading CDU official who asked not to be named. “We’re hoping it’s already over.”

But at yesterday’s Bundestag meeting, one backbencher after another used their chance to remind Dr Merkel that, increasingly, they share their constituents’ unhappiness at the ballooning bailout bill.

“We need to take the concerns of voters over this more seriously,” said Wolfgang Bosbach, a senior party figure, who has vowed to vote against bailout reforms next month.

Dr Merkel reassured party rank and file, reiterating her promise that next month’s vote on revised bailout terms would not open the door to eurobonds, shared euro zone debt. She also reminded backbenchers that Finland’s bilateral collateral deal with Greece was not a done deal.

★ ★ ★ IRISH TIMES / [LINK](#)

Finland is open to adjusting its collateral arrangement with Greece after several euro members criticized the Nordic country for securing a bilateral deal to protect its commitment, Prime Minister Jyrki Katainen said.

“Everybody knew beforehand that this is a red line for us, we have tried to solve the problem, we have done it together with Greece,” Katainen said yesterday in an interview in Helsinki. “It’s a well-functioning technical solution, but if this particular model isn’t possible, then we have to try to find another model.”

Finland’s Aug. 16 announcement that it had secured extra assurances its contribution to a second Greek bailout will be repaid triggered a backlash of criticism and prompted calls for similar deals from Austria and the Netherlands, which both share Finland’s AAA rating, as well as Slovakia and Slovenia. Austria has warned Finland’s collateral deal threatens to undermine rescue efforts.

"I don't think there is a risk, because everybody knows that we have this opinion that we need collateral," Katainen said. "We have told our partners in Europe and the euro zone the reason why this is important. It's a part of our government agreement and we know that it will not change. We also know that it's a delicate issue in many countries and it's our responsibility to find a solution to it."

Finland's arrangement highlights divisions in the euro area, Moody's Investors Service said in a report yesterday. Bilateral agreements would be credit negative for Greece and other countries now receiving, or in line for, bailouts, as it shows continued differences among euro-area states over support measures, Moody's said.

Austrian Finance Minister Maria Fekter has proposed a separate collateral model after deriding Finland's arrangement as being "financially unviable" and having the potential to "blow up" Greece's second rescue package. The government in Vienna wants euro members to have less access to collateral deals if their banks are already benefiting from incentives included in the private sector portion of Greece's new 159 billion-euro rescue.

The Netherlands won't accept Austria's proposal, Dutch Finance Minister Jan Kees de Jager wrote in a letter to parliament yesterday. "Such an arrangement, like Finland's deal, isn't compatible with the principle of equal treatment of all euro countries and would, just like the Finnish proposal, lead to a greater levy" on the region's rescue fund, he said.

Finland's agreement requires Greece to deposit cash in a state account that the Nordic country will invest in top-rated bonds. The interest generated will raise the amount to cover Finland's bailout contribution. The deposit will be equal to 20 percent of the collateral needed, according to Fekter. Finland hasn't disclosed the amount. The deal needs approval from other euro members.

★ ★ ★ BLOOMBERG / [LINK](#)

Central banks, net buyers of gold for the first time in a generation, are likely to retain their holdings even if they need to raise cash to counter an escalating debt crisis, according to Morgan Stanley.

"Once they've sold, that's it, and buying back would be extremely expensive," Peter Richardson, chief metals economist at Morgan Stanley Australia Ltd., said in an interview. "They would rather have the backing of a rising asset within their reserve portfolios than use it to reduce debt."

Gold rallied to a record this week as rising government debt burdens and weakening currencies boosted demand for a haven. Central banks are the biggest gold holders, and Thailand, South Korea, Kazakhstan, Mexico and Russia added to reserves this year. The precious metal is the "currency of the world" amid the debt crisis, economist Dennis Gartman wrote Aug. 19.

"... The European central banks won't sell their gold because while it may be a means to raise cash, it definitely won't be enough to settle their debts,"

"Under conditions of austerity we're going to see a further deterioration of debt," said Richardson, who has studied metals markets for 20 years. "Rising risk argues in favor of holding on to their gold reserves rather than selling them because they've only got one shot at selling."

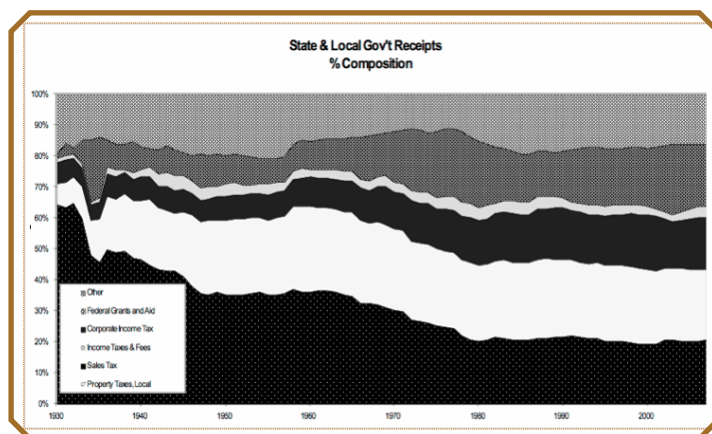
Immediate-delivery gold, which has rallied 30 percent this year, touched an all-time high of \$1,913.50 per ounce yesterday and was at \$1,846.07 by 12:02 p.m. in London. The metal may reach \$2,000 by the end of the year, according to the median forecast in a Bloomberg survey of 13 traders and analysts at a conference in Kovalam in South India on Aug. 20.

“The European central banks won’t sell their gold because while it may be a means to raise cash, it definitely won’t be enough to settle their debts,” said Duan Shihua, head of corporate services at Haitong Futures Co., China’s largest brokerage by registered capital. “Besides, none of the central banks believe in the currencies of other countries.”

In 2010, central banks became net buyers for the first time in two decades, adding 87 metric tons in purchases by countries including Bolivia and Mauritius, according to World Gold Council data. In the second quarter of 2011, central bank and government-institution buying rose almost fivefold to 69.4 tons, taking the first-half total to 192.3 tons, the council said last week. The banks will remain net buyers this year, it said.

Central banks have been “active buyers” of gold in recent months, Edel Tully, an analyst at UBS AG, wrote in a note to clients on Aug. 8. The banks should also buy platinum as they boost gold holdings amid concern about the global economy, Citigroup Inc. said in a report the same day.

★ ★ ★ [BLOOMBERG / LINK](#)



[CLICK TO ENLARGE](#)

SOURCE: MICHAEL HUDSON

The cost of the 2011 cutbacks in federal spending will fall most directly on consumers and retirees by scaling back Social Security, Medicare, Medicaid and social spending programs. The population also will suffer indirectly, by lower federal revenue sharing with U.S. states and cities. The following chart from the National Income and Product Accounts (NIPA, Table 3.3) shows how federal financial aid has helped cities shift the tax burden off real estate, although the main shift has been off property taxes onto income – and onto consumption (sales) taxes.

Untaxing real estate has served mortgage bankers by freeing more rental income (the land’s site value) to

be paid as interest. Property taxes have not absorbed anywhere near the rise in debt-leveraged housing and commercial prices. However, this has not lowered the cost of housing for most people. New buyers must pay a price that capitalizes the property’s rental value. Less and less of this payment has taken the form of local property taxes. More and more has been paid to mortgage lenders as interest. So cutting property taxes has simply left more revenue to be capitalized into higher debt-financed prices.

While homeowners saw their carrying charges rise, they nonetheless felt more affluent as real estate prices rose – inflated on easier and easier credit terms. Prices rose faster than mortgage debt as long as (1) interest rates were declining; (2) loan maturities were stretched out (ultimately reaching the point of zero amortization rather than the old-fashioned 30-year self-amortizing mortgages); (3) down payments were shrinking toward zero (rather than requiring 20 percent equity as used to be the case) and indeed as “liars’ loans” led prices to be bid up recklessly; and finally (4) cities refrained from raising property taxes as fast as market prices were rising. This left more revenue to be capitalized into higher prices, providing capital gains that home owners were encouraged to treat like “money in the bank” – by taking out home equity loans. This rising mortgage debt was increasingly important in enabling people to maintain their living standards, especially as they had to pay more for housing. So what appeared to be affluence and rising net worth from the value of one’s home on the asset side of the balance sheet found its counterpart in debt on the liabilities side.

★ ★ ★ [MICHAEL HUDSON / LINK](#)

SPIEGEL: Hans-Werner Sinn, Henrik Enderlein, do we need shared sovereign bonds, so-called “euro bonds,” to end the financial crisis?

Enderlein: By all means. Correctly construed, euro bonds are the best instrument for preventing the collapse of the euro zone.

Sinn: The opposite is true: Euro bonds would destroy the euro zone. If all countries -- regardless of their creditworthiness -- were to pay the same interest rate, the last impediments to excessive state indebtedness would fall away.

Enderlein: If we were dealing with a functioning economic environment, Mr. Sinn, your assumption would be correct. But we have a crisis, and to end it, we need to swiftly restructure the debts of Greece, Portugal and most likely Ireland, as well. We need to give these countries' creditors a reliable type of security. My suggestion would be having one euro bond for every two Greek sovereign bonds. For investors, that would mean a loss of roughly 50 percent. But, in return, they would get a security that banks could deposit as collateral, including at the central bank and for inter-bank transactions.

Sinn: In 1995, shortly before the exchange rates for the euro were fixed, the interest rates on Italian and Spanish debt were on average about 5 percentage points above Germany's. At the end of July 2011, at the height of the turbulence, the difference was only 3.4 percent -- and that at an interest-rate level that is much lower on the whole than it was at that time. These interest-rate differentials are good for the euro zone. Indeed, it was only out of fear of interest-rate premiums that the Italians finally instituted a cost-cutting program after years of disregarding the rules of the Stability and Growth Pact. Euro bonds would eliminate this disciplining effect.

Enderlein: But Mr. Sinn, you can't compare the Europe of 1995 with the one we have today. Back then, each country could pursue its own monetary policies and print money to devalue its own currency. Today, that's no longer possible, which is also why interest rates are lower.

Sinn: The very fact that we have a common currency today is why we need interest-rate differentials in order to keep capital flows in check. Every government has it in its power to bring its public finances into order and, in doing so, to convince its creditors that the money will also be paid back. There is absolutely no reason to communitize debts via euro bonds. Euro bonds are like a little piece of socialism. They don't belong in our economic system.

★ ★ ★ DER SPIEGEL / [LINK](#)

Financial markets have finally awakened to a global double-dip with a huge sell-off that, in just two weeks, wiped away some US\$ 6 trillion in market value investments.

Welcome to the beginning of what I call The Chaos Era.

The sell-off was based on erroneous expectations for a normal, cyclical recovery. But since 2008, the global economy has been anything but normal. Structural problems that led to the crisis were only

covered up, and now the truth has been exposed.

Instead of addressing structural problems, governments and central banks tried to revive economies with stimulus. The effects were short-lived, although markets always assume otherwise and, hence, will continue to buy up and sell off big from time to time.

These structural problems include social welfare overspending in the West and export dependency in the developing world. No cure can be expected for the foreseeable future because no single nation has a political system that can respond to these problems decisively.

Evidence of the double-dip started surfacing around two months ago. For example, the Baltic Dry Index has declined sharply since late June to what are unprofitable levels for most bulk shippers.

“... Welcome to the beginning of what I call The Chaos Era. Container shipping rates for ships voyaging to North American from the Far East are very weak, even though the summer peak season is usually marked by price increases.

Global trade has been contracting for two months, too. Manufacturing indicators, which lag trade indicators due to the inventory effect, have been pointing to a contraction over the past month.

Thus, the world has entered an economically chaotic era. It may last a decade.

Three factors exaggerated what was called an economic recovery after 2008. First, governments pumped too much stimulus, especially in the auto sector, through fiscal and monetary incentives. The resulting demand merely borrowed demand from the future.

Second, the credit crunch led to destocking during the crisis, and restocking later exaggerated the recovery. Both factors have run their course. Normalization has now set in, and this new normal for the global economy is much slower than the financial markets expected.

★ ★ ★ ANDY XIE / [LINK](#)

To err is human. To gloat, divinely satisfying. The sequence of bad news from America and Europe has provoked its share of triumphalist commentary in Asia. What the subtitle to a book by Kishore Mahbubani, a Singaporean former diplomat, called “The Irresistible Shift of Global Power to the East” seems to be happening faster than anyone expected. Many Asians, naturally, are inclined to cheer. But many find the shift rather terrifying.

No sooner was America’s credit rating downgraded than China, its biggest creditor, (admittedly by a coincidence of timing) sent its first aircraft-carrier out to sea. For those living in emerging Asia, the memory of the devastating regional financial meltdown of 1997-98 is still fresh, and now they see smug Europeans struck down by their own debt crisis. And although many countries in Asia suffer political instability, none has been reduced in recent months to the sort of anarchy that for a few nights this month afflicted staid old Britain.

These sundry calamities in the West have provided Asian commentators with an unmissable chance to unveil Western hypocrisy. Many Asian leaders have vivid memories of the lectures they endured in 1997-98 over their thriftless, incompetent economic management, and of the harsh medicine they were forced to swallow in return for IMF assistance. So some must enjoy the reversal of roles: emerging Asia as the model of steady, consistent economic policy and sustained growth; America, Europe and Japan mired in debt and slow growth or even recession. Mr Mahbubani, now dean of the Lee Kuan Yew School of Public Policy in Singapore, says “every piece of advice that the Asians received has

been ignored” in the West.

A few weeks ago, China’s prime minister, Wen Jiabao, rebuked Britain for its obsessive harping on human-rights abuses in its dealings with his country. How he must have relished hearing his British counterpart, David Cameron, say this month that his government would not let “phoney human-rights concerns” get in the way of hunting down rioters and looters.

Even before these latest symptoms of Western decline, the perception of China’s relative rise had taken root around the world. The IMF forecasts that, adjusted for purchasing power, China’s economy will be bigger than America’s by the end of 2016. According to the latest Pew Global Attitudes Survey, based on questioning in April, the proportion of respondents who think China has already replaced America as the world’s leading superpower, or will do so one day, was 63% in China, 65% in Britain and 46% even in America (up from 33% as recently as 2009).

★ ★ ★ ECONOMIST / [LINK](#)



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SOURCE: FT

This was the gold price on Wednesday:
To describe the move as “tanking” — we think — is fair.

It comes just days after the GLD gold trust officially dethroned the SPY (S&P 500) fund as the largest ETF by market value.

And a day after Gloom, Boom and Doom report author Marc Faber advised investors to keep their gold in multiple jurisdictions because it wasn’t necessarily safe in the United States and that owning physical gold was preferable to owning a claim on gold via an ETF like GLD.

The question is... is this ‘le grand pop’?

In the bubble camp, Nouriel Roubini compared the gold price to the Nasdaq bubble on Tuesday. In “le pop” land, meanwhile, Dennis Gartman (CNBC pundit, fund manager and author of the Gartman Letter) openly declared — to the dismay of many goldbugs — that it was quite clear that a top had been reached and that he regretted not having exited at least 150 per cent of his long position (that would be shorting right? — Ed):

We exited one third of our gold position yesterday and in retrospect we should of course have exited 150% of our long position, for the proper course of action would have been to sell gold short on the news of the margin increase in Shanghai, of the news of margin increases last week on the COMEX and on the news that the Market Vane bullish consensus number had hit 95%. But the biggest news of all in our opinion was that the capitalization of the GLD had surpassed that of SPY. This is classic, and it reminded us of the times past when the valuation of Japan’s Imperial Palace surpassed the valuation of all of California, and or when Petsmart’s valuation as a dot.com surpassed that of General Motors... or even IBM as we recall when the frenzy was it most frenzied..

Though, to be fair to the goldbugs, some have pointed out a remarkable coincidence with the latest parabolic episode in gold and the much talked about launch of the Pan Asia Gold Exchange on July

22. Though we ourselves can't corroborate that gold actually began to trade on the exchange on that date.

★ ★ ★ FT.COM / [LINK](#)

You have to remember, these are the folks who said we'd have no Federal Debt by 2010 - in 2000.

Now they're saying this:

CBO expects that the recovery will continue but that real (inflation-adjusted) GDP will stay well below the economy's potential—a level that corresponds to a high rate of use of labor and capital—for several years. On the basis of economic data available through early July, when the agency initially completed its economic forecast, CBO projects that real GDP will increase by 2.3 percent this year and by 2.7 percent next year. Under current law, federal tax and spending policies will impose substantial restraint on the economy in 2013, so CBO projects that economic growth will slow that year before picking up again, averaging 3.6 percent per year from 2013 through 2016.

“... But here's the problem with this projection: It assumes that the debt ponzi will fade. See, from 1990 to 2010 GDP expanded at 4.8% annualized, but debt was expanding faster, at 7.4%. So the real rate of expansion was in fact negative

Ok, that might be realistic if we were to look only at the recent past. After all, GDP from 2000-2010 expanded at a compounded annual rate of approximately 4.1%.

But here's the problem with this projection: It assumes that the debt ponzi will fade. See, from 1990 to 2010 GDP expanded at 4.8% annualized, but debt was expanding faster, at 7.4%. So the real rate of expansion was in fact negative.

If the recovery continues as CBO expects, and if tax and spending policies unfold as specified in current law, deficits will drop markedly as a share of GDP over the next few years. Under CBO's baseline projections, which generally reflect the assumption that current law will not change, deficits fall to 6.2 percent of GDP next year and 3.2 percent in 2013, and they average 1.2 percent of GDP from 2014 to 2021. Those projections incorporate the effects of the deficit reduction measures in the recently enacted Budget Control Act of 2011; they also reflect the sharp increases in revenues that will occur when provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the 2010 tax act) expire.

Look at those “ifs”...

★ ★ ★ KARL DENNINGER / [LINK](#)

After all these years, I have finally been able to sit down for an hour with Robert Mundell, the great theorist of currency unions and the godfather of the euro.

“We're in very serious danger. The world is in a depression in the Big Three of America, Europe and Japan, a mini-depression that we have not seen since the 1930s,” he said, speaking at the Lindau conference, where half the world's Nobel economist are gathered on one tiny island with cobbled streets looking across Lake Constance to the Alps.

Few economists inspire such devotion and fury as Professor Mundell.

He is a hero to America's free-market Right for sponsoring the Reagan tax cut agenda, and has not

relented on that front. “Any country with public debt over 40pc of GDP needs its head examined,” he said.

His prescription for America’s ill today is to slash corporation tax to 20pc (from an effective rate of 52pc, he says), and kill the entitlement behemoth. By the way, he blames the Fed for triggering the Lehman crisis by keeping money too tight in mid to late 2008. There is very little inflation risk now from QE because M1 money velocity has collapsed “by half” and is likely to stay there.

But equally he is a villain to the eurosceptic Right on this side of the Pond, having made it a life mission to sponsor the Europe’s fixed exchange experiment. Some say he has bent the theory of “Optimum Currency Areas” (OCA) to justify combining the vastly different economies of Europe in monetary union – whatever this implies for freedom and democratic legitimacy.

“... There is a tremendous problem in five or six countries of the eurozone. But the solution is not the end of the euro, because that creates more problems than it solves

If you read his own pioneering work on OCAs – “A Theory of Optimum Currency Areas” in the American Economic Review of 1961- it is hard to see how the eurozone can possibly qualify. He argued then that even Canada and the US might have benefited from a break-up into East and West dollars to reflect regional economies.

Does one see hints of doubt now, as EMU disaster unfolds? Not really.

“We’re in the midst of a very big crisis because nothing has been done yet to convince the markets that there has been a fundamental change. To save Europe there has to be a move in the direction of shared government.”

He admits that will not be easy. Alexander Hamilton managed to create a US debt pool in 1792 (against fierce resistance), arguing that the debts of 13 states were modest and had mostly been accrued debts during the Revolutionary War. This was therefore a shared interest. Greek pensions are not. “You can’t do that in Europe,” he said.

“There is a tremendous problem in five or six countries of the eurozone. But the solution is not the end of the euro, because that creates more problems than it solves. There would be a tremendous run on the banking system, and countries that left would still have to deal with all their debts.”

Prof Mundell said it would help if the ECB ripped up its price stability mandate and took pro-active steps to force down the euro, and then peg it at \$1.30 to the US dollar. This would also bring the euro down pari passu against the Chinese yuan, creating a three-way managed global system – or the DEI as he calls it.

“The euro is too strong. A weaker euro is the best news you could have for governments (in trouble).”

★ ★ ★ AMBROSE EVANS-PRITCHARD / [LINK](#)

A power play is underway in the foreclosure arena, according to the New York Times.

On the one side is Eric Schneiderman, the New York Attorney General, who is conducting his own investigation into the era of securitizations – the practice of chopping up assets like mortgages and converting them into saleable securities – that led up to the financial crisis of 2007-2008.

On the other side is the Obama administration, the banks, and all the other state attorneys general.

This second camp has cooked up a deal that would allow the banks to walk away with just a seriously discounted fine from a generation of fraud that led to millions of people losing their homes.

The idea behind this federally-guided “settlement” is to concentrate and centralize all the legal exposure accrued by this generation of grotesque banker corruption in one place, put one single price tag on it that everyone can live with, and then stuff the details into a titanium canister before shooting it into deep space.

This is all about protecting the banks from future enforcement actions on both the civil and criminal sides. The plan is to provide year-after-year, repeat-offending banks like Bank of America with cost certainty, so that they know exactly how much they’ll have to pay in fines (trust me, it will end up being a tiny fraction of what they made off the fraudulent practices) and will also get to know for sure that there are no more criminal investigations in the pipeline.

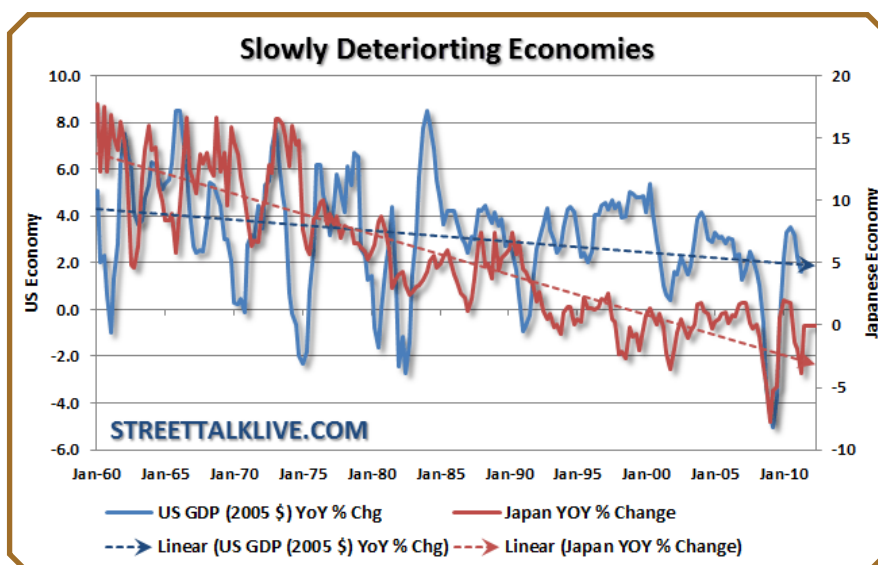
This deal will also submarine efforts by both defrauded investors in MBS and unfairly foreclosed-upon homeowners and borrowers to obtain any kind of relief in the civil court system. The AGs initially talked about \$20 billion as a settlement number, money that would “toward loan modifications and possibly counseling for homeowners,” as Gretchen Morgenson reported the other day.

The banks, however, apparently “balked” at paying that sum, and no doubt it will end up being a lesser amount when the deal is finally done.

To give you an indication of how absurdly small a number even \$20 billion is relative to the sums of money the banks made unloading worthless crap subprime assets on foreigners, pension funds and

other unsuspecting suckers around the world, consider this: in 2008 alone, the state pension fund of Florida, all by itself, lost more than three times that amount (\$62 billion) thanks in significant part to investments in these deadly MBS.

So this deal being cooked up is the ultimate Papal indulgence. By the time that \$20 billion (if it even ends up being that high) gets divvied up between all the major players, the broadest and most destructive fraud scheme in American history, one that makes the S&L crisis look like a cheap liquor store holdup, will be safely reduced to a single painful but eminently survivable one-time line item for all the major perpetrators.



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SOURCE: CFR.ORG

★ ★ ★ MATT TAIBBI / [LINK](#)

Recently the San Francisco Federal Reserve Board released a study on the aging “Baby Boom” population and the effects of the demographic pull on stock valuations as these “boomers” move en mass into retirement. From the report:

The baby boom generation born between 1946 and 1964 has had a large impact on the U.S. economy and will continue to do so as baby boomers gradually phase from work into retirement over the next two decades. To finance retirement, they are likely to sell off acquired assets, especially risky equities. A looming concern is that this massive sell-off might depress equity values. [The report isn’t long and a good read.]

This is something that we have discussed previously. However, the report points out the obvious concern:

"Many baby boomers have already diversified their asset portfolios in preparation for retirement. Still, it is disconcerting that the retirement of the baby boom generation, which has long been expected to place downward pressure on U.S. equity values, is beginning in earnest just as the stock market is recovering from the recent financial crisis, potentially slowing down the pace of that recovery."

★ ★ ★ LANCE ROBERTS (VIA DOUG SHORT) / [LINK](#)

The spam standard is ending. In news that is likely about to throw the mouth-foaming Keynesians in for a perpetual loop, the Russian Central Bank has quietly announced the sneakiest gold confiscation ploy in history. Reuters reports: "Russia's central bank will offer gold-backed loans for up to 90 days at an interest rate of 7 percent, it said in a statement on Friday, expanding its lending facilities for dealing with any future liquidity crunch in the banking system." So let's get this straight: Russia, which has been dumping US bonds with unseen vigor, and which has been buying gold at a record pace, has just offered its citizen the once in a lifetime opportunity to trade in their hard assets for paper in an imploding fiat system, but with promises to make 7% worthless percent. Oh, and when the "liquidity crunch in the banking system" goes away and one hopes to reclaim title to their gold, one will just find that the title certificate was signed by one Linda Greenova, and said title is perpetually lost in Siberian limbo. And while one waits to reclaim said title from robosigning transgressor #1, Bank of USSR, those heavily armed gentlemen in camouflage attire who just broke into your apartment will not wait to reclaim what now rightfully belongs to mother Russia.

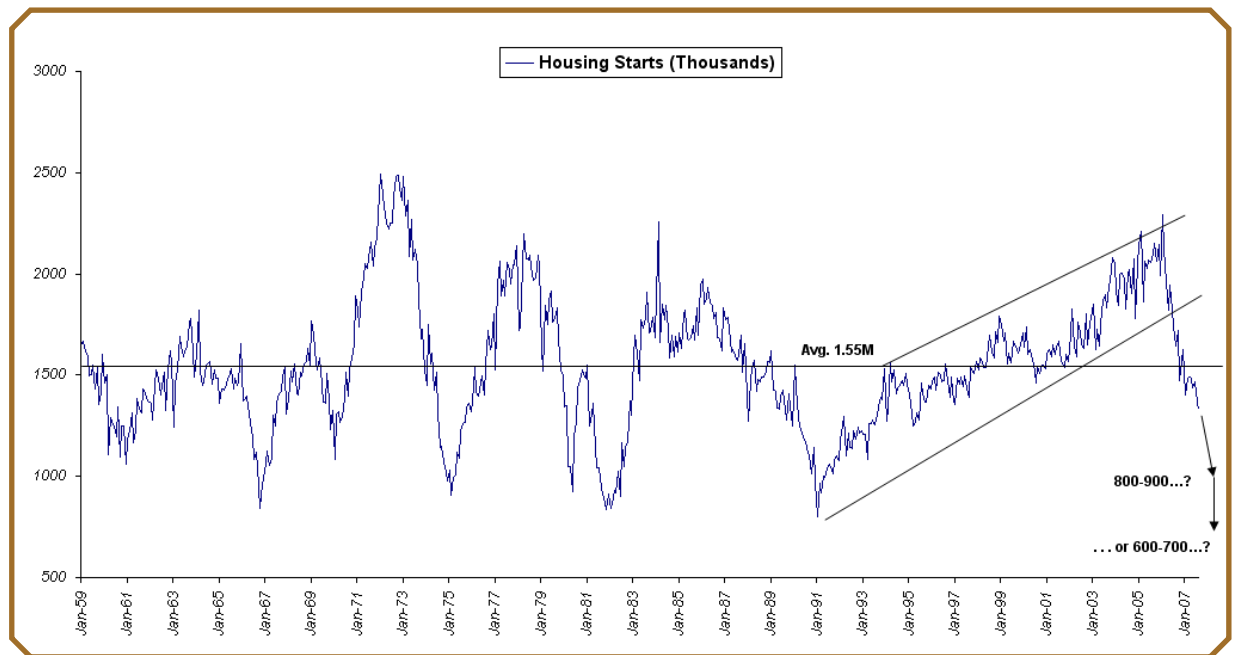
The gold-backed lending was approved by the board of directors at a meeting on Friday. The rate on the facility is in line with the central bank's Lombard rate on borrowing secured against high-quality bonds.

"This measure fits the central bank's policy of developing refinancing instruments within the banking system. The facility will be unlikely in strong demand, only at times of liquidity crunches," said Maxim Oreshkin, chief economist at Credit Agricole in Moscow.

Levels of rouble liquidity remain at comfortable levels for now, with the overnight interbank rate having hovered within 3-4 percent range since early 2010 compared to more than 10 percent seen during the crisis of 2008-2009.

★ ★ ★ ZEROHEDGE / [LINK](#)

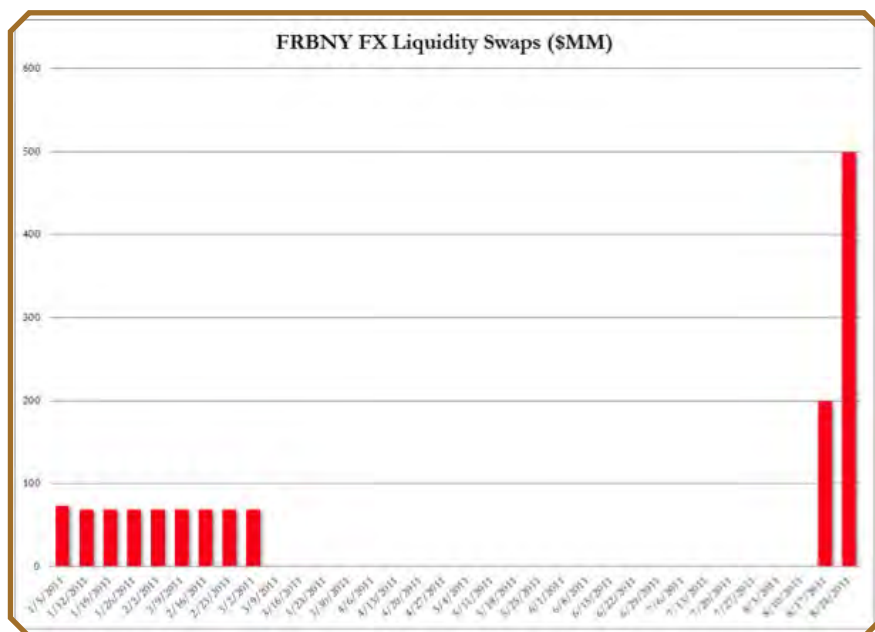
CHARTS THAT MAKE YOU GO *Hmmm...*



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SOURCE: MIKE SHEDLOCK

US Housing starts going back to 1959 show a very worrying trend.....



SOURCE: FRB/ZEROHEDGE

Unlike last week, when the Fed conducted a \$200 million FX swap with the Swiss National Bank, this week the bank in dire needs of dollar funding is the ECB itself... and for two and a half times than last week. Furthermore, unlike last week, when we knew in advance that at least one European bank was experiencing a dollar liquidity event, this time the update from the ECB indicated no USD-based liquidity constraints: the \$500 million in 7 day USD punitive loans quietly expired and everyone once again assumed that Eurozone liquidity is back to normal. It isn't. The question once again now becomes, who finds themselves in a dollar funding crunch?

★ ★ ★ ZEROHEDGE / [LINK](#)

CHARTS THAT MAKE YOU GO *Hmmm...*



The price of gold in Argentine Pesos may be worth filing away in the recesses of your mind... just in case it becomes applicable as a frame of reference one day... just in case...

CLICK TO ENLARGE

SOURCE: FULLER MONEY

















































Japan's land prices in the 1980s, 1990s and 2000s provide the perfect example of bubble thinking. Mish finds that applying it to the US is rather apropos...



CLICK TO ENLARGE

SOURCE: MIKE SHEDLOCK

CHARTS THAT MAKE YOU GO *Hmmm...*

Desktop Computers The patents for computer cases span from the 1980s to the present, including some of the very early Macintosh designs like those in the collection of the Museum of Modern Art.							
	Personal computer	Computer housing	Computer housing	Computer enclosure	Computer enclosure	Display device with a moveable...	
iPods Mr. Jobs's name appears on 85 iPod and iPod-related patents. Apple introduced these "media players" in 2001 with a chunky box, and the patent for its "ornamental design" appears here.							
	Media player	Media player	Method and apparatus for use of...	Graphical user interface and methods...	Media device	Handheld device housing	
iOS Based Devices The iPhone was unveiled in 2007 on a date that roughly coincides with several of these patents, and the file for a "Portable display device" from January 2010 precedes the release of the iPad by about four months.							
	Electronic device	Electronic device	Electronic device	Electronic device	User programmable switch for	Voicemail manager for portable...	
Laptops The laptop patents bearing Mr. Jobs's name usher in an era of sleek, minimalist laptop design at Apple, which has become the company's ethos.							
	Laptop computer	Computing device	Computing device	Computing device	Computing device	Computing device	Computing device
Oddities Many of the objects rendered in these filings were never released to consumers, including some of the boxier versions of the iMac G4.							
	Display device with a moveable...	Display device with a moveable...	Display device with a moveable...	Display device with a moveable...	Display device with a moveable...	Display device with a moveable...	Display device with a moveable...
Packaging Patents here describe several flavors of boxes and plastic cradles for iPods and iPhones.							
	Package	Package	Packaging	Packaging	Packaging	Packaging	Package
Keyboards and Mice The 1998 patent filing for a "cursor control device" strongly resembles Apple's notorious hockey puck mouse that came with the early iMacs.							
	Cursor control	Computer	Keyboard	Keyboard	Keyboard	Keyboard	Mouse

SOURCE: NY TIMES

[CLICK TO ENLARGE](#)

As Steve Jobs exits gracefully from the day-to-day operations of the behemoth he built in Cupertino, a look at the 313 patents that had his signature attached courtesy of the NY Times...



Jim Rickards, a regular contributor to these pages, sat down with James Turk at the recent GATA conference in London and gave an absolutely superb interview that covers a wide range of topics in an incredibly thoughtful and considered manner. It's a little longer than the usual contents of this page at 42 minutes, but you won't want the time back if you sit and watch it...

Want to know what relationship this beautiful photograph of a mountain has to the Dow Jones? Watch this fascinating video in which Kevin Slavin investigates the algorithms that shape the world around us. (thanks Mike B & Jim S.)



[CLICK TO WATCH](#)



[CLICK TO LISTEN](#)

Meet Ken Ivory: Utah House Representative (R-UT, District 47) - Ken is the gentleman who spearheaded the "Utah Legal Tender Act" which recognizes gold and silver as legal tender in the state of Utah.

Ken's story has been on the receiving end of a LOT of media attention around the world - particularly in China it would seem...

and finally...

Edinson Cavani is upset.

Even non football fans will appreciate why when they watch this short clip of incredible, but ultimately fruitless athleticism...



[CLICK TO WATCH](#)

Hmmm...

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