The global financial system is very fragile now. Russia is playing a dangerous game and may see its energy exports dwindle and, with it, its foreign currency reserves.

China is in a major credit crisis and has decided that it can’t save all the private firms. The best they can do is to save the banking system and the large governmentally owned firms. Credit is basically frozen. Importers can’t even get letters of credit from their banks. Global trade will once again see contraction, as in 2007-2008.

Japan is in serious trouble. Savings, which used to be in the double digits, have declined to 2%. The aging population and barriers to foreigners moving into Japan are putting a huge burden on pensions. The cheap yen policy will make the cost of living rise sharply. The large increase in the sales tax will increase the burden on consumers and will drive the economy into recession in a short period of time.

The US of course has a serious problem of ideology and political philosophy. Unfortunately, a policy of making everyone equally poor doesn’t work. New regulations imposed on a regular basis will further dampen economic strength. The US budget deficits will soar again as the economy weakens and threatens to go into recession.

A weaker US economy? Economists say the opposite. In our opinion, rising prices in all essentials will make statistics look better. But the prices will actually be measuring inflation, which is not adjusted by true numbers. And that includes the GDP. Whenever it becomes necessary to make the official numbers look better, Washington will introduce new adjustments for its economic numbers. The GDP was already adjusted and now includes an artificial component for research and development. Isn’t that double-counting? But it makes GDP growth higher.

Such adjustments will be made more frequently in the future to disguise true conditions. Economists will generally rely on these phony numbers just as they do on those fabricated in China.
HIGH FREQUENCY TRADING IN THE NEWS (HFT)

The CEO of Schwab, Walt Bettinger, said in a statement about HFT: “High-frequency trading isn’t providing more efficient, liquid markets; it is a technological arms race designed to pick the pockets of legitimate market participants.”

Coincidentally, we had previously called HFT “pickpockets” on Twitter. But the defenders of HFT try to tell the public that it actually adds liquidity and helps the average trader. They say, “It’s just new technology and we can’t stand in the way of progress.”

Bernie Madoff could have made a similar claim. He didn’t place any trades, because most people lose money in the market anyway. So he fabricated all the performance numbers. It could be said that he did investors a favor by eliminating the middleman, that is, the stock exchange. And people did get a nice yearly return on their money…until the scam imploded.

The HFT game imploded for one day on May 6, 2011, when the DJI plunged almost 1000 points in less than an hour. The regulators say they are still investigating. After three years?!

The HFT topic will not go away this time. Investors are fed up. And when that happens, regulators know they can’t sweep it under the rug any longer. We believe there will be a Congressional investigation. The FBI is already on the case, and the state attorney generals will now join in. But there are huge vested interests that will defend the practice. Billions of dollars are made by HFT, largely by front running. It remains to be seen if there are any champions for the general public interest.

The defenders say that HFT may cost an investor only a penny per share. That’s a lot when you consider that 4 billion shares are traded in NYSE listed stock each day alone. Then you have another 2 billion shares each day on the NASDAQ. Then there is the HFT trading on FX and credit default swaps.

**Based on that volume, HFT would make $60 million EACH DAY. That’s at one penny per share. We think they make much more. Suddenly, a penny is grand larceny.**

Bank robbers and embezzlers are arrested and sent to prison for stealing a few thousand dollars.

HFT is not only working the stock market, but also Forex, derivatives, CDS (Credit Default Swaps), etc. Some of these markets aren’t that liquid. How long will it be before one of these markets collapse?

I have been warning about HFT since 2007 when the SEC did away with the uptick rule for short selling. Most people don’t know what that important rule was or why the uptick rule was lifted after having been in effect since 1933. The removal was necessary to enable HFT.

With that rule in place, HFT would not be able to be nearly as profitable. They would not be able to push stock prices down by just selling short. The “flash crash” of May 6, 2010, could not have occurred.

The uptick rule was put into place by Joe Kennedy, who made a fortune during the Crash of 1929. He and his friends would knock stocks down by just selling short. To prevent such a crash in the future, the government wisely put him in charge of the SEC. He said that if a short sale could take place only when
the stock price “ticked up” from the last trade, then short selling could not knock the stock down. So he implemented that rule to prevent another crash in the future.

We thought it was strange that the SEC would rescind that rule in 2007. For us, it was another “canary in the mine” for the global crisis we predicted would occur in 2008.

The Crash of 1987 was caused by another technological innovation. A firm, Leland O’Brien, came up with a program sold to institutions as “portfolio insurance.” The sales gimmick was that in a bear market, institutions would not have to sell any stocks. They would just protect themselves by selling the index futures short.

At the time, we called it a scam that would not work. The idea that any professional trader would take the other side of the sale of the index futures was absurd. We discussed it with several futures traders on the floor of the exchanges. They agreed.

In October 1987, the scam was tested. Portfolio insurance programs started selling the index futures. It didn’t take long before the floor traders, who usually take the other side, just stepped to the sidelines when they saw the avalanche of sell orders. There were no bids. The DJI plunged over 22% in one day!

We had an affiliated company that managed money. We had gone to 77% cash several weeks before, based on our technical indicators. Our clients were well protected. We bought back many of our original positions a few days after the crash at 50% of where we had sold them. It was a good year.

**BOTTOM LINE:** Unless stopped, HFT will eventually cause another market crash, possibly bigger than anything seen in US history. The regulators may blame it again on a “fat finger,” or a programming error, or whatever. But the fact will be that those put in charge will have let it happen. They go after the small five-people firms but leave the multi-billion-dollar scams alone. As a former top regulator told us, “The small firms couldn’t afford to fight us.”

The Forex and LIBOR manipulations just uncovered by European regulators have been going on for years. They manipulate markets that affect TRILLIONS of dollars every day. But it took the Europeans to launch the investigations, even though US firms are involved.

**RUSSIA-UKRAINE: IMPLICATIONS FOR INVESTORS**

The majority of people listen to the news, such as the Russian taking of the Crimea, make a snap judgment about “that idiot” (perhaps referring to Putin) and then go on watching basketball or baseball.

However, the implications of what happens on the international front affect us all. It’s much more important than the 24/7 coverage of a missing airliner or the outcome of an athletic contest.

As you know, Russia has now taken back the Crimea region of the Ukraine, just as it was under the old Soviet Union. But that won’t end it. At this writing, demonstrators friendly to Russia are threatening Ukraine’s current new government. It seems evident that Putin wants the rest of Ukraine.
What are the long-term implications of Russia’s actions? Has Putin made a massive blunder, or is he trying to reassemble the Soviet Union with the rest of the world watching, unable to stop him? Will Moldova, Estonia, and other areas be next? Ukraine is not part of NATO, which means that NATO really has no right to help. The US would not engage in military action. So what can the West do?

It is said that western Europe is totally dependent on Russian energy and therefore cannot stand up to Russia. However, that can change quickly.

Russia’s strength, energy, is also its vulnerability. Energy produces 70% of its export income.

Would Russia ever stop supplying Europe with energy? No way! That would cut off vital foreign currency, and Russia’s mountain of external debt would default.

The US could become a big supplier to Europe if US export laws on energy were changed. The law basically prohibits such exports now.

The EU has now put the construction of liquefied natural gas (LNG) terminals on a fast track. Eight EU countries already have LNG terminals with two more scheduled to be completed by the end of the year. The EU can get lots of natural gas from Africa, right across the Mediterranean.

At the EU summit meeting in last March, it was decided to draft plans within 90 days to reduce dependence on Russia’s energy. Of course, that can’t be done immediately, but just the prospect of seeing its exports diminish over the next ten years will impose a great financial burden on Russia.

The US now has an abundance of natural gas, in spite of political obstacles. Issuing permits for drilling on federal lands would increase production tremendously. The US could organize an energy surplus, resulting in a significant plunge of oil and gas prices. That would diminish foreign income for Russian and damage its economy.

The US and western countries have another vital weapon: control of the global financial markets and the international wire system for bank transfers. Blocking Russian from engaging in international financial transactions can quickly bring that economy to a stop.

Putin is risking another Russian debt crisis. Interest rates in Russia will soar, the Russian stock market will plunge even further (it is already down 30%), and the Russian oligarchs will scream at Putin as they lose billions of ill-gotten wealth.

Over the past several years, Russia’s billionaires have been very busy exporting their wealth to other countries around the globe. They don’t trust Putin, and they don’t have much confidence in Russia’s long-term stability. Former KGB officers now have thriving businesses just setting up foreign bank accounts and corporations for wealthy Russians. I met one of these people in Dubai.

It is said that about $70 billion of capital left Russia in the first quarter of this year. That’s huge! What are the implications? Capital flight always leads to much higher interest rates as the central banks tries desperately to attract capital. That leads to recession (or worse) and financial chaos. And that can lead to an overthrow of the government.
Over the next 12 months, Russia has to refinance over $155 billion of debt. Will foreign bankers step up to the plate to do that? Mayer Amschel Rothschild, founder of the Rothschild banking dynasty, said: “Give me control of a nation’s money and I care not who makes its laws.”

In this case, the foreign banks will indirectly control over Russia’s capital flows. And Putin, who makes Russia’s laws, will be neutralized. Money is more powerful than armies. But it will cause turmoil in the global financial markets.

If oil prices drop significantly, the large financial firms will no longer be able to play their manipulative oil storage game that has kept energy prices so high. Remember when in June 2008 Goldman Sachs (GS) predicted $200 per bbl for oil? At the same time, our technical indicators said that oil had just made an important top at $149 and that the price would plunge to $50. It actually fell even further, to $38.

The GS forecast perhaps was a matter of trying to give oil that last push to enable the speculators to exit. It was easy to see that all the highly-leveraged oil stored in oil tankers would have to be dumped as prices dropped.

We could see that again if Washington makes certain decisions. Note: Have you noticed that the big financial firms like JPM and GS are selling their commodity-related firms?

But even without Washington doing anything, there will be an energy glut over the next ten years. The US will be a big contributor to this glut. Iraq’s oil output is already at a 35-year high. Libya is coming on stream again. According to the IEA, global supply soared 600,000 bbl. last month. The glut is just starting. We have predicted since last year that the globe would see an oil glut. And that will have very important repercussions for the financial markets and investors.

CONCLUSIONS FOR INVESTORS: A potential 12 month scenario

1. The rise in energy prices because of the Ukraine situation is temporary. Shortages are always followed by surpluses.

2. Declining energy prices will at first produce a dumping of the stocks of energy producers, especially those firms that are heavily involved in fracking.

3. Latecomers to the high-profile oil basins (such as the Permian, the Bakken, and all the sub-basins) paid too much for their leases. Many need the price of oil to stay above $80 to be profitable. Once the price drops below that, they will start going out of business. But on the way down, their profits will erode, and so will their stock prices.

4. Wall Street “financial engineers” who have stored huge amounts of oil, financed with high leverage, will have to liquidate the supplies. That will produce further price pressures.
5. With energy prices declining, fears of general deflation will accelerate. That will produce lower interest rates, higher bond prices, and a renewed disrespect for Federal Reserve policymakers who are now forecasting the Fed Funds rate to rise from 0.25% to 3% next year. It won’t happen.

In other words, declining energy prices could be the big, unexpected game-changer over the next year.

For a very interesting article on the Ukrainian situation, read Dr. Paul Craig Roberts, a former Assistant Secretary of the US Treasury and columnist for Business Week, etc. Here is the link:

http://bit.ly/1lgEuB0

THE STOCK MARKET

Michael Lewis says in his book, FLASH BOYS, that the “markets are rigged.” HFT is just one of these. European (not US) regulators are investigating the rigging of the world’s largest markets, which affects hundreds of TRILLIONS of dollars of financial contracts. Here is an article on Investopedia that briefly explains that: http://bit.ly/1lIYuip

Rigged markets shouldn’t cause investors to shun them. You can profit from them if you know the direction of their rigging. And that’s what we try to do.

THE NEAR TERM:

On April 4, the DJI made a new all-time high briefly in the morning but then reversed downward. We called this a false upside breakout. Such false breakouts often lead to sharp declines.

Two weeks ago, we wrote about the similarity between the top in 2000 and now. On March 10, 2000, the NASDAQ made a very important, all-time top that still hasn’t been reached again. On that very day, we wrote: “When the Fed pursues such a policy, it always leads to a crash.”

However, in 2000 the big cap stocks didn’t make their tops until about three weeks later. We now have a similar lag once again. This is typical of a major bull market top.

On March 26, in our chart video posted on youtube.com, we used the headline “LAST CHANCE TO SELL?” Link: http://bit.ly/1lqulPLS. Be sure to visit this from time to time, or click Subscribe on that link to get automatic notification when there is a new chart video posted.

In our PRIVATE PORTFOLIOS service, which is designed to let the investor manage his own money without using a money manager, we issued an ACTION ALERT on March 24 and recommended selling all positions. That’s very rare for this service.
We also recommended putting 50% into the ETF for long-term T-bonds, the TLT. It has risen since that
time and looks very bullish.

Our view was that US Treasury bonds would benefit from a flight to safety. They are a lot better than
money market funds and also offer some capital appreciation as interest rates decline. As you know, our
view since late last year has been that eventually the “tapering” by the Fed will be replaced by renewed
stimulus as the Fed finds that the economy is weakening instead of strengthening. We are not
economists, but we look at the evidence rather than the text books.

The latest employment report says that nonfarm payrolls increased by 192,000 jobs in March. We
consider it dismal. But the chief economist at the White House said it confirmed “the steady, sturdy
recovery.” A few minutes later he admitted that unemployment was still twice as high as five years ago.
So much for “sturdy.”

We could present a good case that the **Japanese stagnation, which is now 23 years old, has gone
global.** Everything we look at suggests that the global economies are in long-term periods of stagnation.
Many charts actually had their peaks in the year 2000, others in 2007. The exceptions have been the
emerging markets, but we consider that growth a function of credit bubbles. They will implode even
faster than they were generated.

As we can see, it could be a long, long wait for a traditional, global, economic recovery. If the world
seriously wants a recovery, every government should be cut by 50% in size. It would usher in a golden
age of prosperity. Big government creates absolutely nothing but waste, corruption, drags on business,
and manure.

**A THOUGHT EXERCISE:**

As you know, we sometimes engage in “off the wall” ideas and thought exercises. Amazingly, they
often come true.

Investors now ask, why is the market suddenly looking so bearish? Let us propose this scenario. We
have written for the past three years that the HFT was being used to push the markets up. The May 6,
2011, crash of almost 1000 points on the DJI in 30 minutes was scary. The SEC said it was
investigating.

Many months later they blamed it on a mistake at some trading operation. Well, anyone who believes
that probably believes in the Easter Bunny. It takes more than one operation to do that much damage and
push prices of blue chip stocks down to selling for one penny.

Thereafter, we heard nothing more about investigations. But after that we noticed that the character of
the daily market trading had changed. The sharp, short market declines no longer occurred. Instead, we
got sharp market rises. Almost all the big one-day surprises were to the upside. We thought that perhaps
there was a deal made with the HFT industry: “Push the markets up but not down, or we will put you out
of business.”
Many people say that a good stock market has been one of the few accomplishments of Washington since the 2008 crisis. Obviously, that accomplishment must stay in place.

Now that investigations have been launched by numerous agencies, federal and local, firms that use HFT have to be very careful, because their trading records will be subpoenaed by various regulators. If HFT provided the big support for the market since 2009, isn’t it possible that this support will now be gone? If that is true, then the market will be left to market forces, and they are not benign in a vastly overvalued market with plenty of bubbles.

You can think about this and see if it makes sense. The above is of course only a hypothetical scenario. We have only clues from market behavior. If regulators want to shield the markets from HFT abuse, they have only to re-impose the uptick rule. The fact that this hasn’t happened is another important clue.

THE CHARTIST’S VIEW

The QQQ is the ETF for the NASDAQ INDEX. Here you can see that the index started deteriorating in mid-March, even while the big cap indices were still marching to new highs. Big cap stocks are always used to trap the bulls at an important top. It’s easy to convince the average money manager that the “more speculative” stocks (as in the tech sector or the small cap indices) are just “readjusting” because they got overextended.

The chart shows the first important “key reversal” day on March 13. That’s when the index went up early in the morning and then reversed downward with a substantial loss on heavier volume.
Another rally attempt occurred going into March 21, which also had a key reversal day leading to a stronger decline over the next five days. And then came the next big down day, on very heavy volume in early April. That penetrated the important uptrend line (red). The two-day bounce after that was textbook-perfect, as it just touched the uptrend line from underneath. That is usually followed by a sharp decline, and it was. At this time, the QQQ is at first mild support, which is the 50% retracement of the rise since last October. It’s also the bottom of two prior pullbacks over the past four months.

Therefore, a brief rally could occur now, but that will run into substantial selling. When that support is broken, the 200 day m.a. (light blue line) will offer the next support. And once that is broken, you have a bear market.

The chart below of the SPY, the ETF for the S&P 500, is also bearish. All the churning above the blue horizontal line represents a false upside breakout. That support is now broken. The special stochastic indicator below is on a clear sell signal. The light blue line is the 200 day m.a., which should lend some support for a bit.

Now let’s look at the IWM, the ETF for the RUSSELL 2000 small cap index. On Friday, it broke an important uptrend line in effect since June last year. You can also see the false upside breakout in early April, which was designed to trap the bulls.

Then we look at the bottom of the chart, and see how our stochastic indicator crossed over for a sell signal in mid-March. The sharp rise in volume (bars) during the decline shows us that this was serious selling. The index is now at the light blue line, the 200 day m.a., which should lend some support and produce a rally.
The flight to a safe haven can be seen below. First is the chart of the TLT, the ETF for the long-term T-bond. Money is flowing out of stocks into bonds. This is not a short-term trading move. Remember, bonds have been shunned by investors for the past year.
The chart below shows the positions of small speculators in US T-bond futures. The red bars are the short positions. Note that they have been heavily short. As contrarians, we want to be on the opposite side.

The chart below is of the XLU, the ETF for utilities stocks. It’s a weekly long-term chart. Note the nice rise, especially over the past month. That means money is going to safety.

The chart of the GLD (ETF for Gold) is also a long-term, weekly chart. It now has a small inverse “head & shoulder” pattern, which is bullish. However, the pattern is incomplete. A rise above the last peak in March is required to give it validity.
CONCLUSION: The above charts show all the preliminary evidence that important tops in the major indices have probably been made. That coincides with one of the most reliable cycles, the 4.5- to 5-year bull market. As you know, we could never understand how so many analysts expected the stock market to continue rising into 2017.

Money is going to the safe haven areas. Such big shifts in asset allocation usually have more than short-term importance.

Over the next year, the “buy and hold” bulls will have a tough time. There will be lots of volatility. The probability of big declines is high. It will be produced by deflationary market forces as a result of the crumbling mountain of debt in major countries, especially in China, Japan, the US, and emerging markets.

Traders have to be alert that whenever the situation threatens to get serious, as the major central banks will undertake unprecedented action to counter market forces. That will periodically squeeze short-sellers and bring bargain hunters out again. Therefore, we expect this to be an ideal environment for active traders. But you must have professional guidance or be an experienced trader yourself.

GOLD

The spot price of gold in China is on its way to being the cheapest in 18 months relative to the international benchmark in London, indicating waning demand from China, traditionally a big gold buyer. Bullion for immediate delivery on the Shanghai Gold Exchange was $1.40 an ounce below the price in London on a monthly average basis, the first time the Shanghai rate has been cheaper than the London price since Sept. 2012, tracked by Bloomberg News show. Is this a sign that the Chinese consumer is tapped out?
The gains in jobs on the latest report was 192,000. Analysts greeted it as positive. We didn’t. Now we have the assessment of economist John Williams of Shadowstats.com. Here is what he writes:

**Headline Payroll Employment—March 2014.** The seasonally-adjusted, month-to-month headline payroll employment gain for March was 192,000 +/- 129,000 (95% confidence interval), which was near market-consensus. The near-term stronger gain here appears to be due to **heavily misleading seasonal-adjustment factors. The current numbers continue to be so far out of balance as to be absolutely meaningless**, again, due partially to concurrent-seasonal-factor distortions.

Once again, we caution: do not rely on economic stats coming from governments. Note the “+/- 129,000 (95% confidence interval)”. It means that the actual number could have been 63,000 or 321,000. In chemistry class in college, if you had a possible variance of so much in a lab experiment, you would throw out the lab results. They are worthless. These numbers have been fudged for decades. If you want to know what the economy is doing, just ask five small shop owners, “How’s business?”

**JAPAN: THE FAILURE ABENOMICS**

The big sales tax hike took place on April 1. This may be the event that drives Japan back into recession. It will seal the failure of the huge stimulus plan, called Abenomics.

The latest number for Industrial Production in Japan showed the largest monthly drop since Japan’s deadly tsunami.

At the same time, the Markit PMI (purchasing managers index) was released and showed the biggest two months’ decline in 20 months.

While the economy is not responding to the stimulus, inflation is rising strongly. Consumers will be caught in the vise of higher prices and lower disposable income.

All this means that Japan will probably expand its quantitative easing in order to weaken the currency. That’s the same theory that it announced a year ago and is now failing. Only in government do they use the theory that if a program doesn’t work, you should do more of it.

The next governor of the Bank of Japan (BoJ) will be chosen by the current leadership. He will do whatever Abe wants. And that will be “QE to infinity.” The BoJ will buy as many government bonds as necessary to produce 2% inflation. That will be done with freshly created money. The stimulus will flow
into the global markets and there will be sharp rallies, especially after this month’s plunge in the US markets.

However, there is no free lunch. Eventually, yields on these bonds will rise above 2%, which is considered the threshold for triggering an all-out banking crisis. About 90% of Japanese banks’ Tier 1 capital is in government bonds. They will have serious losses as yields rise. And that will cause international capital flows to shun Japanese investments.

**CONCLUSION:** Japan is now caught in a liquidity trap. The consumer will experience great pain. A recession is highly likely. This comes at a time that China is fighting its own recession. Investors will see a declining Japanese stock market. That will be met with a hefty stimulus program from the government, which will produce another stock market rally and a plunge in the yen. But all this will eventually fail. Reality can only be postponed, not denied.

But a cheap currency policy will eventually be countered by other countries also cheapening their currencies in order to stay competitive. The yen has already declined 20% versus the euro. That makes Japanese cars much more competitive vs. German cars. China apparently made a big decision last December to abandon its policy of strengthening the yuan and has promoted a cheaper currency in spite of objections from Washington.

Currency wars are a high probability in the future.

**CHINA’S CREDIT CRISIS**

A wave of corporate bankruptcies in China is starting. There are companies that have borrowed at very high interest from the wealth management trusts. Then there are the trusts themselves, which are not getting repaid. And then there are firms that borrowed by issuing high-yield bonds, under a new law authorizing such issues in 2012. And then you have the real estate developers who can’t repay normal bank loans. As we predicted over 18 months ago, reality is returning to the China debt market and the debt bubble is imploding.

The latest economic numbers out of China on April 10 shocked bullish economists. Exports plunged by 6.6% from a year earlier. Some of this is blamed on the false and inflated number of 2013. That’s something we had pointed out one year ago when economists were using these strong export numbers to show that China growth was on track.

Even more alarming, however, is the big plunge in imports of 11.3%. Combining both numbers together gives a **trade surplus** of $7.71 billion. In economic circles, a trade surplus is taken as positive. We have always said that in a growth economy it’s a sign of recession. You see, a recessionary economy reduces demand for imported goods. That creates the surplus. China’s trade surplus could soar if importers cannot get letters of credit (LCs) for importing goods.

The plunge in imports may in part be due to the inability of importers in China to getting LCs. This week, an importer of soybeans in China could not get an LC for 500,000 tons of US and Brazilian beans, worth around $300 million.
This is how a crisis starts. This is food, and it cannot be bought because of the credit crisis in China. Interestingly, the China market rallied on the news. This is typically of what the HFTs do. The stock, or sector, or market that has the bad news is manipulated to squeeze those who reacted to the news. Once these players have been squeezed out, the market does what it should have done immediately, but there is that one-day delay.

The next LC problem will be by the importers of commodities and metals. Copper, iron ore, etc. could see some considerable price declines.

The new Chinese government faces lots of serious challenges. China’s president, Xi Jinping, is apparently making good on his promise to fight corruption in high places. The biggest scandal so far is the house arrest of China’s former security czar, Zhou Yongkang. The government has confiscated about $14.5 billion of assets from his family and close associates. That’s more than just petty theft.

So far the government has confiscated 300 apartments, 60 vehicles, bonds, stocks, and gold from this person.

On April 9 the government announced the opening of a criminal investigation of Zhou’s former secretary, Guo Yongxiang, who served as vice governor of the southwestern province of Sichuan.

Corruption in high places in China is widespread. Hundreds of billions of dollars have been diverted by officials and moved abroad. It has been a race to see who can steal the most the fastest. Xi Jinping realizes that it must be stopped. Some high-profile arrests may at least slow the thieves down.

As readers know, we have written that communist theory is always advertised as “for the people” and equal sharing. The truth is that communism is a mechanism of taking from the people for the good of high party officials. It’s Robin Hood in reverse. Just look at the former Soviet Union, North Korea, Cuba, etc.

It remains to be seen if this open battle against corruption is just a show in order to get rid of potential competition in the highest places or if it is genuine.

From our valued contributor, SIMON HUNT, founder of SIMON HUNT STRATEGIC SERVICES in Britain. Simon usually writes his notes on the road.

**CHINA MARCH PMI ET AL**

All that China’s March HSBC PMI does is to confirm what we wrote in our China Visit Report. Growth is slowing as the PMI for March at 48.1. It has dropped by 6.8% compared with March 2013.

The slowdown is pretty uniform across industry sectors. Building wire is a proxy for construction; it is very weak. Appliances are a proxy for consumer spending. Sales are good but they are going mostly into inventory. The HSBC sub index for stocks of finished goods indicates that inventories are rising at a faster rate. Power cable is a proxy for infrastructure spending; orders have slumped across the country.
Some of the above should recover in the third quarter, but is unlikely to do so before then because more shoes will drop onto the financial sector. China’s Vice Minister, Zhu Guangyao, made it very clear in his interview with CNBC that they must not make the same mistakes that were made in 2008. He suggested that government was preparing for the worst that more defaults were likely, that markets should not expect that government would continue to bail out weak members of the system (moral hazard) and that solid action would be taken to restructure the system without tipping the country into a deep recession.

China has precedent in this regard. In 1998, bankers and analysts etc. expected Zhou Rongji to bail out Guangdong International Trust & Investment Corporation (GITIC). He did not, resulting in GITIC going into bankruptcy in 1999 with painful knock-on impacts.

All of the above fits our equation: China is about to bite the bullet and take solid action to restructure its financial sector even allowing corporations, trust companies and banks to fail. Preparations for this outcome are being put in place. Expect more shocks.

**ANOTHER DEATH OF A TOP BANKER**

April 6 news item: Former ABN Amro Group NV Netherlands Chief Executive Officer Jan Peter Schmitmann, his wife, and a daughter were found dead at their home yesterday after a possible “family tragedy,” Dutch police said.

According to the Bloomberg story: *ABN Amro was broken up after the 73.3 billion euro ($100.5 billion) takeover by Royal Bank of Scotland Group Plc, Fortis and Banco Santander SA in 2007. A year later, the credit crunch drove Fortis to the verge of collapse, forcing the Netherlands to take over its Dutch banking and insurance units, including assets of ABN Amro.*

The cause of death was not disclosed. On April 7, it was reported that in the Principality of Liechtenstein, the CEO of the local Bank Frick & Co. AG, Jürgen Frick, had been shot and killed in the underground garage of the bank located in the city of Balzers.

According to some reports, there are now more than 20 banking executives in Europe and Asia who have died, many by alleged “suicide,” over the past month. This comes at a time that European regulators have investigations into huge, unprecedented manipulations involving the Forex markets, LIBOR, and commodities. Some of these have been going on for many years and involved the daily trading of TRILLIONS of dollars.

Apparently, banking is a risky occupation.

Wishing you successful investing,

Bert Dohmen and team
Register with www.Twitter.com. It takes less than a minute and you can get my short messages during the market day.

CHECK OUT the LATEST MEDIA APPEARANCES of Bert:

CNBC  April 8, 2014: http://video.cnbc.com/gallery/?video=3000265379

CNBC Asia  April 4, 2014: http://video.cnbc.com/gallery/?video=3000262558&play=1

CNBC  March 21, 2014: http://cnb.cx/1nUCanC

CNBC  March 17, 2014 : http://video.cnbc.com/gallery/?video=3000258462


Bert Dohmen: "Great buy and sell signals on S&P 500."
Link: http://bit.ly/1bIDS59

Go to twitter.com: select: @bertdohmen. We post several items of interest each day. Some have links to interviews, charts, etc.

Forbes.com latest article http://onforb.es/I1DzWA

Macro Analytics interview, with Gordon Long and Ty Andros
“DOW 20,000 or 5,000?”
Bert Dohmen gives his views on the US stock market, Asian emerging markets, China, and the global economies with some great charts.
youtube: http://bit.ly/1dCOaCc
With Michael Campbell, Vancouver B.C., MONEY TALKS SHOW
Speaking on one of Canada’s most popular financial programs with Michael Campbell, Bert gives his views on the markets.
youtube: http://bit.ly/1aV5C4h

CHART VIDEO with Bert Dohmen, DOW BREAKOUT or TRAP?
In his Youtube channel, Bert Dohmen gives his chart analysis of the DJI, the IWM (small caps), and what the technical indicators are signaling.

FOLLOW BERT DOHMEN, every day, on Twitter.com, and his real time updates when time allows:
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ANNOUNCEMENT:

Our new KINDLE BOOK: FINANCIAL APOCALYPSE

Do you want to detect the next global financial crisis before all the Wall Street analysts do? Here is how.

Our book, FINANCIAL APOCALYPSE, until now only available in print, can now be bought for download into your Kindle or Ipad. It is a step by step account of the 2008 crisis and how we detected all the signs of the approaching crisis while Wall Street and Washington were apparently, or intentionally, oblivious to all the warnings.

We consider the book as a guide to the next crisis. You will see charts and our credit market analysis which can be applied to any scenario. Just go to Amazon.com. And best yet, the price is only $9.99.

HOW TO CONTACT US:

The best way to contact us is via e-mail. Your e-mail will be answered within 24 hours. office@dohmencapital.com

If for any reason you need to call our office, please leave a short but clear message with your name and telephone number.

NOTE

We got many requests to do more of our own seminars. We would be willing to do that in major cities. If you would like to sponsor a Bert Dohmen seminar, please contact us. We are also considering a two day event in Los Angeles late this year. Watch for news on that.

Bert Dohmen

BOOKS BY BERT DOHMEN:

PRELUDE TO MELTDOWN ($15)
The truth behind the global credit crisis; REVEALED! This book may save you a fortune! Bert Dohmen, who warned at the beginning of 2008, that starting in September, 08 the global financial markets would teeter on the brink. (available www.dohmencapital.com, or amazon.com)

“FINANCIAL APOCALYPSE” ($25)
Do you want to know where the global markets are likely to go over the next several years and how to interpret the clues for yourself instead of listening to the pundits? Here is the book that will
**Bert Dohmen’s Wellington Letter™**

**show you.** It is a step by step account of the 2008 financial crisis, with charts, technical indicators, and credit market analysis, which gave us all the clues that in the fall of the year we would encounter something similar to 1929. This book is the road map for the next global crisis. It’s a collector’s item and can be used as a reference book to see what Wall Street tells investors to keep them in the markets even while they are selling themselves. (go to [www.BertDohmen.com](http://www.BertDohmen.com) or Amazon.com to order)


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