

View from the Bridge

By Clive Hale

an alternative look at the investment world

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Frankincense and myrrh

You know I don't really want to talk about frankincense and myrrh at this time of year, but it is very important that we are rational in our views (as rational as human nature allows) and that we expend an equivalent amount of effort looking at the other side of the coin whether it be sovereign, eagle or kruger.

The powers that be (TPTB) are more than a little determined to maintain the status quo even to the extent of getting China to "take concrete action" to "ease the sovereign debt crisis". Never mind that the EU's Juncker says in a German TV interview that the euro is not endangered, and not in a crisis. There is no doubting the political will to solve the problem, but, with senior members of the "elite" declaring that there isn't one, it indicates the difficulties in finding the right answers.

The dollar also finds itself under pressure as do most fiat currencies but of course the nature of the beast is such that one currency's gain is another's loss. There has been much talk about returning to the gold standard to bring some discipline to economies and markets and whilst there is little enthusiasm for this course, as David Fuller pointed out yesterday, (give yourself a Christmas present and sign up for David's daily letter at www.fullermoney.com) none other than Nicolas Sarkozy has said that France would be leading the debate on the world's future monetary arrangements when they assume the G20 presidency next year. So at least politicians in Europe are prepared to talk about it although that is probably all they will do...

From where Bernanke sits Fed money printing is going according to plan. The S&P 500 is up nearly 90% from the March 2009 low and the economy is expanding again so all is rosy is it not? Not if you one of the growing band of unemployed, disenfranchised homeowners living on food stamps in a state that is highly likely to default on its borrowings during the next 12 months. As 90% of S&P shares are held by 10% of the people, who will not be queuing up to get their "ration books" stamped, can we say that QE is a roaring success?

To quote from George Bernard Shaw: "You have a choice between the natural stability of gold and the honesty and intelligence of the members of government. And with all due respect to those gentlemen, I advise you, as long as the capitalist system lasts, vote for gold."

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