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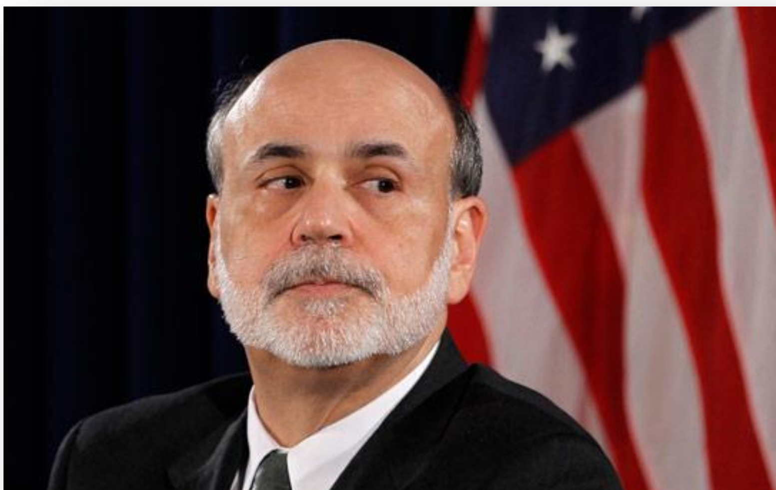
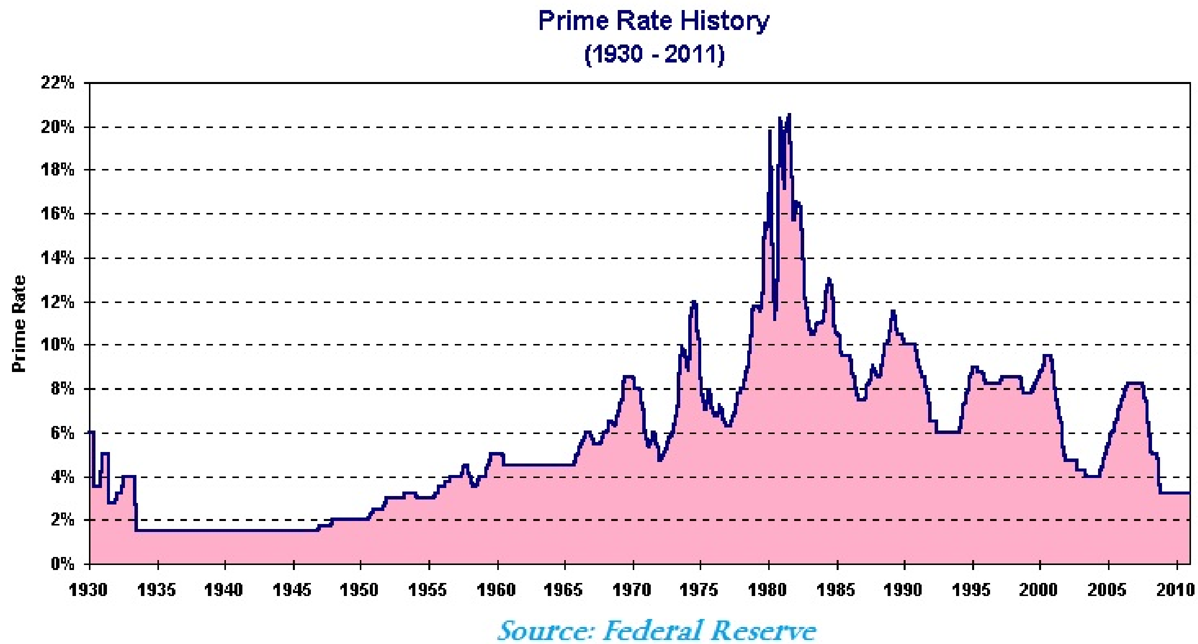


KEEPING RATES LOW UNTIL 2014?

While the first reaction is for gold to rally and the pundits to come screaming out of the weeds yelling it's inflationary, the harsh reality of this statement is actually DEFLATIONARY and not INFLATIONARY. The assumption is that the Fed will keep money cheap and that will mean more inflation. However, this is actually an international demonstration of pure insanity – the attempt to keep applying the same methods and expecting a different result than what was achieved in the past or in Japan. Those prognosticating INFLATION will be left behind just watching as has been the case all along. They are actually agreeing with this brain-dead reasoning that keeping rates low will magically inspire people to borrow more and thus expand the economy. This theory is predicated upon the PRESUMPTION that the banks will lend and people will be inspired to borrow. Both beliefs have utterly failed.



Let's set the record straight and send this to EVERY politician around the world. This policy is once again INDIRECT and presumes that the banks will even lend money cheaply and as easily as they did before. The inflationists as usual are only looking at one side of the coin – what the Fed is charging. Above is the Prime Interest Rate that banks charged THEIR VERY BEST customers. What has taken place is that while the Fed has lowered rates to virtually zero and deposits on 3 year CDs pay generally 0.7%, the banks have NOT lowered the rates they charge and they are marking the largest profit margin (spread) in history. The prime rate has NOT declined in proportion to the Fed's lowering of interest rates. Banks are only interested in making as much as they can for as long as they can. The idea that by the Fed keeping rates LOW into 2014 will (1) succeed in stimulating anything, and (2) be inflationary, are just pipe dreams. There is no evidence that such a policy will work or ever has worked in the past. Capital has lost its value and as long as the Fed keeps rates as absurdly low as they are, they will ENSURE there will be absolutely no recovery on a sustainable basis. Capital will be attracted to stocks as time passes as dividends will offer far better return than banks aside from capital appreciation.

Nonetheless, for now, keeping rates excessively low will NEITHER create inflation nor stimulate the economy. Look for yields in corporate shares, not banks. Of course you will always need to have liquid assets. However, forget leaving cash at banks. Look elsewhere for yield. When enough cash leaves the banks, we will at least see competition and rising interest rates. Until that takes place, there is no such thing as a standard recovery. Lower rates are indicative of low demand. Interest rates rise with economic booms and decline with recessions. But as usual, the Fed is only concerned about saving the banks, not the country nor the people. Low rates are another way to bailout the banks.