



# FINANCIAL PREPAREDNESS

*"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen*

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## Stories, Myths and Legends

On Wednesday of this week, the S&P 500 index suffered its worst one-day loss (-4.3%, with the NASDAQ down 5.2%) since June 2020 after the reported year over year change in the Consumer Price Index was higher than expected (8.3% vs. a consensus expectation of 8.1%). Consequently, the market now believes that the Fed will hike interest rates at least 75 basis points (0.75 percentage points) at its next meeting, while the odds of a one percentage point hike increased to almost 50%. Higher interest rates increase the cost of capital, making nearly all assets (especially those that don't generate any income, such as precious metals and stocks that don't pay a dividend) less valuable.

The human brain loves stories because for millennia, that's how humans transmitted knowledge and information and entertained themselves. Long before there was "Netflix and chill," there were stories. Humans often used stories (which became myths) in an attempt to explain phenomena that were not explainable. For example, storms happened because the gods were angry at humans.

Due to a lack of knowledge, the vast majority of Americans don't understand inflation. (For the record, inflation is the creation of excessive amounts of money, either by government printing presses [physical or digital] or banks making loans in a fractional reserve banking system, which then usually leads to rising prices.)

For at least the last 50 years, the elite 1% ruling class has been happy to tell the Myth of the God of Rising Prices (GORP) via the government and the legacy media (both of which they control) to gain more wealth and power at the expense of the hapless, unaware citizens and mom & pop investors. The myth goes like this: Inflation means rising prices, which are caused by either the economy growing too fast, or not enough central planning by central banks. To send GORP packing, a small group of omniscient and benevolent people (you might call them The Committee to Save the World) must impose regulations and wage and price controls (especially on the price of money), because the free market is incapable of determining what interest rates should be.

Today the narrative *du jour* is that Fed chairman Jerome Powell is the reincarnation of Paul Volcker, the former Fed chairman who presided over the Fed's increase of interest rates to nearly 20% in the early 1980s in an attempt to get inflation under control. Volcker consequently earned a reputation as an “inflation hawk.”

However, according to Wikipedia, “[Volcker] played an important role in President Richard Nixon's [decision to suspend gold convertibility of the dollar](#) on August 15, 1971, which resulted in the collapse of the [Bretton Woods system](#) [which fixed the exchange rate of all foreign currencies to the U.S. dollar, and fixed the dollar to a specific amount of gold].” Thus, when Nixon took the U.S. off the gold standard internationally (apparently at Volcker's recommendation), he also took the entire world off the gold standard at the same time. No wonder Jimmy Carter nominated this so-called “inflation hawk” to be Fed chairman; he knew he was on the team. This vignette is an example of how the myth is the complete opposite of reality. No wonder the average American can't figure out what's happening.

The story that the lapdog media repeats incessantly until investors, consumers and citizens internalize it as fact is that the Fed is *very serious* about fighting inflation, and will continue to aggressively raise interest rates until inflation declines to the Fed's target rate of 2%.

When the stock market drops four or five percent in one day, most investors consult the financial media looking for an explanation. It's easy to get hoodwinked by some bullshit story, especially when all of the media is telling the same story (most because they're in on the scam, the rest because they're lazy and/or ignorant). If you can ignore the primitive “fight or flight” response brought on by a 5% loss and get some long-term perspective by zooming out all the way, you already know how this story really ends, don't you?



History is the story of governments debasing their currency and defaulting on their debt. It has been going on since at least the time of ancient Rome. And as Ben Franklin warned, the people have discovered that they can vote themselves money, which marks the end of the republic and the beginning of a kleptocracy/[kakistocracy](#), and an inevitable (if not imminent) supernova of runaway spending, massive currency printing, hyperinflation, currency collapse, and desperate times.

The ruling elite class uses the government to create central banks (like the Fed) that allow the government to spend more money than it is willing or able to collect via taxes, which in turn allows the ruling and connected elite to accumulate more wealth and power.

Central banks are created to make counterfeiting appear respectable. Instead of a small-time chiseler named Vinnie in a wife-beater shirt cranking out bad copies of \$1 bills on a homemade printing press in a dimly lit basement, you have economists with PhDs from Ivy League schools meeting in opulent conference rooms or at swank resorts like Jackson Hole, talking about things like “open market operations” and “quantitative easing” while conjuring trillions of dollars per year out of thin air. (Interestingly, back in June 2021 when the hyperinflation tidal wave was forming—over three months after [I warned about it](#)—the Fed was spending its time doing some [wordsmithing of a different kind](#).)



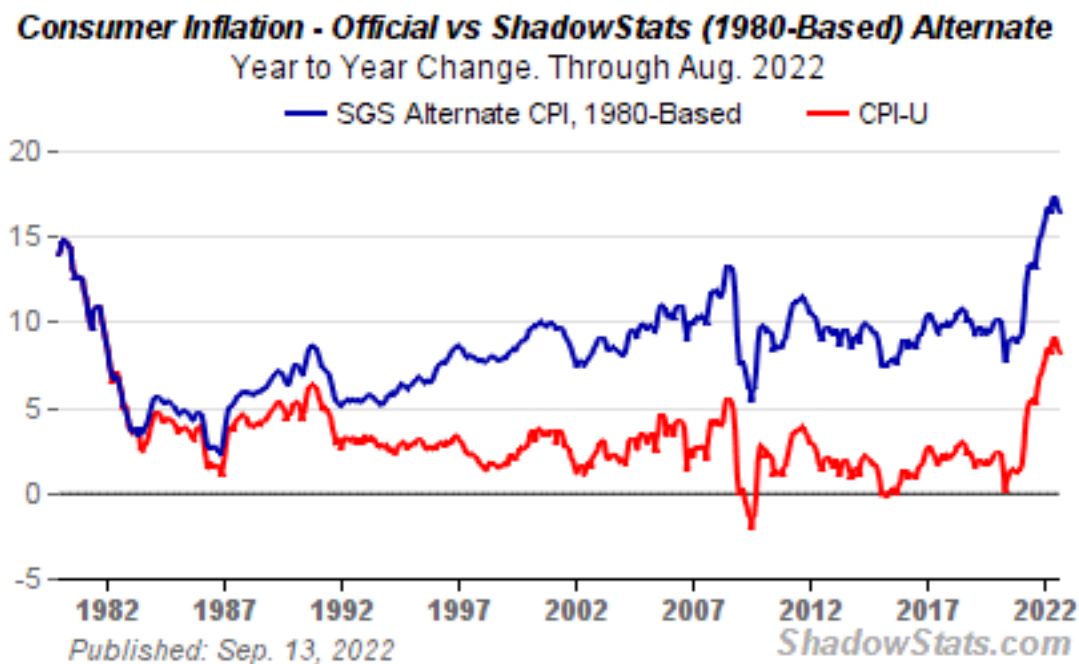
So yes, the Fed will raise interest rates by another 75 basis points at its next meeting. But this current series of interest rate hikes is just a head fake by the Fed. I think it was forced to raise rates because foreigners were getting sick and tired after decades of shipping goods to the U.S. in return for freshly printed (and depreciating) dollars, and have been starting to use other currencies (instead of the dollar) for international trade. If you think inflation is bad now, just wait until foreigners stop using the roughly half of all U.S. dollars in existence, and they find their way back to the U.S.

Also, cryptocurrencies have presented a formidable challenge to the dollar's market share, and developing countries [show an increasing interest in gold-backed currencies](#) (which in recent years, has resulted in a U.S. invasion).

Even if Powell was an inflation hawk, he is only one of seven board members. These people were appointed to print currency, not to defend the value of the dollar. And if the Fed continues to raise interest rates, it would crush [consumers](#), corporations, state and local governments, and (especially) the federal government, all of which have a massive and unprecedented debt burden and cannot afford to take on more debt or roll over loans at higher interest rates. A collapsing economy and financial markets would result in the federal government spending truly gargantuan amounts of money (mostly to bail out the

elite ruling class), which would require an unsustainable amount of currency printing, causing prices to reach absurd (and rapidly increasing) levels. The Fed is trapped; it can't continue to raise interest rates even if it wanted to.

The sickest thing about the whole “the Fed is fighting inflation” narrative is that inflation (measured using the methodology that the federal government used before it began manipulating the data after 1980) isn't 8.3%, but about *double* that (see chart below). So to claim that the Fed will be fighting inflation by raising the Federal Funds rate from 2.5% to 3.25% is a pathetic joke. The Fed is way behind the curve and will never catch up. When investors finally wake up and realize this, financial markets will experience a massive repricing event.



## News Items

[Peter Schiff: The Fed Is Spitting Into the Wind](#)

[The Sharpest Turn in the Housing Market Since the 2008 Crash](#)

[Americans Continue to Pile on More and More Debt](#): “Not only are credit card balances growing; consumers are trying to find ways to borrow even more....Americans opened 233 million new credit card accounts in the second quarter of this year. That was the largest number of new accounts opened in a single quarter since 2008 – the beginning of the Great Recession.”

[Lawmakers Have Been Trading Like Drunken Insider Sailors](#)

## What You Should Be Doing Now

Yesterday the dollar price of gold hit the lowest price since March 2020. The Optimism score for gold is 29 (which is bullish), one of the lowest since 2018. The latest Commitment of Traders report shows that (Smart Money) commercial producers and refiners are hedged against a lower gold price by the least amount since 2019. In other words, they think that the odds of a lower gold price are low. The Relative Strength Index for the gold ETF I use is 31 and the price is well below the lower Bollinger band; both indicate an oversold condition. Time to buy if you need or want some.

With the U.S. dollar at its strongest in 20 years (and investor sentiment towards it at an optimistic extreme) and investor sentiment towards numerous foreign stock markets at a pessimistic extreme, I continue to accumulate select international dividend-paying stocks. I have at least a dozen limit orders that are 6% or less away from getting filled.

Documentary to watch: [Operation Varsity Blues: The College Admissions Scandal](#) This was fascinating, and shows one way that the elite 1% ruling class perpetuates itself.

[Register your garden with the federal government.](#) No, the term People's Garden didn't come from North Korea. The website says that "USDA originally launched the People's Garden Initiative in 2009. It's named for the 'People's Department,' former President Abraham Lincoln's nickname for USDA, which was established during his presidency in 1862." You may be aware that General Sherman used data from the 1860 census to find crops and livestock to feed his army during its march to the sea. When the dollar collapses and there are food riots, the government will want to know where the food is, so it can collect it "for the people."

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

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