News and Current Events :: The Dynamics of the 8/9/07 Stock Market Panic ... continue ...

The Dynamics of the 8/9/07 Stock Market Panic ... continue ... - posted by Rahman, on: 2007/8/15 13:15

These short audio nnippets will give you an Idea of just how shaky things are, when foreign banks are now going into default (following U.S. company Bear Stearns) regarding U.S. derative packages based on our crumbling so called sub-prime mortgage market ...

This is why Warren Buffet abandoned the Stock Market some years ago saying that investors where nuts to keep their money in it, and that "derivatives" are financial weapons of mass destruction just waiting to explode ...

Well now they're beginning to blow up, and folk are getting financially hurt, if not killed ...

Dow Falls 300 Points on Rocky Day (Click on Listen) ...
http://www.npr.org/templates/story/story.php?storyId=12638575

Global Markets Respond to Credit Squeeze (Click on Listen) ...
http://www.npr.org/templates/story/story.php?storyId=12668641

U.S. Mortgage Market Woes Spread to Europe (Click on Listen) ...
http://www.npr.org/templates/story/story.php?storyId=12692600

Financial Markets Tumble Amid Credit Crunch (Click on Listen) ...
http://www.npr.org/templates/story/story.php?storyId=12668660

Central Banks Flood Money Markets with Cash (Click on Listen) ...
http://www.npr.org/templates/story/story.php?storyId=12668644

Fed's Cash Infusions Settle Markets Somewhat (This is very Telling)
http://www.npr.org/templates/story/story.php?storyId=12667755

Click on ...
* Hear NPR's Jim Zarroli
* Hear NPR's Adam Davidson
* Hear David Wessel, deputy Washington bureau chief of The Wall Street Journal

Re: The Dynamics of the 8/9/07 Stock Market Panic ... - posted by davym (), on: 2007/8/17 11:50
14And Joseph gathered up all the money that was found in the land of Egypt, and in the land of Canaan, for the corn w
hich they bought: and Joseph brought the money into Pharaoh's house.
15And when money failed in the land of Egypt, and in the land of Canaan, all the Egyptians came unto Joseph, and sai
d, Give us bread: for why should we die in thy presence? for the money faileth.
16And Joseph said, Give your cattle; and I will give you for your cattle, if money fail.

Genesis 47 v14-16

This passage of scripture came into my mind when watching and reading recent events. Money can 'fail' i.e. become wo rthless if the economic system breaks down as is what happened in Joseph's day albeit a result of famine.

I just think we all need to remember that we can't eat money. It's simply a tool which enables us to trade, but has no intrinsic value in and of itself. The current crisis is a result of irresponsible manipulation of 'money'.

Re: Will Wall St Troubles Lead to Recession? - posted by Santana (), on: 2007/8/17 12:32

This is a good article as well:

"WASHINGTON (AP) -- The stock market is on a stomach-churning ride, the nation's once high-flying housing market is sinking deeper into gloom, and credit, the lifeblood of the economy, is drying up.
If consumers get nervous enough, many economists believe, all of these troubles could become the perfect storm that will plunge the country into a recession..."

http://biz.yahoo.com/ap/070817/recession_risks.html?.v=11

Re: Will Wall St Troubles Lead to Recession? - posted by Rahman, on: 2007/8/17 16:19

--- This is just all so very interesting to watch unfold ...

davym you quoted from Genesis 47 ...
" for the money faileth. And Joseph said, Give your cattle; and I will give you for your cattle, if money fail."

--- Wow in all the times that i've read this account today (due to your post) is the first time that i ever saw the word "money" at all ... Interesting! ---

Santana ... thanks for the article! ...

--- i believe the word "recession" is for public consumption, but it's "depression" that has the big boys worried ... The financial wizards are now literally stuck between Iraq and a hard place, exactly right where our Lord wants us to be in His plan ...

Did you notice how many times the word "fear" appears in it? ...

i've seen a few post here on SI threads where some saints have taken the view to not have any fear at all regarding what's going on in the economy, to the point of not even thinking it prudent to attempt some sort of preparedness ... Amen on not having fear as a child of God, but if we with any common sense prepare for a forecasted natural storm, wouldn't it be just as prudent to prepare for a financial one? ...

i guess i'd be as cavalier also had it not been some 2 decades ago that i believe Holy Spirit pulled my coat tail as to what was then coming, and is now here, my need to get out of debt (which i did not start to do until 10 years ago), and more recently of getting some bulk money outside the U.S. stored in actual gold bullion, and of obtaining (in the process) at least $1,000 worth of junk silver (beat up old pre-1964, 90% silver dimes) to keep hidden at home for the event of dollar failure, and or not being able to get to any dollar assets due to accounts being frozen by banks due panic runs on our banks ... Some might think this drastic, but unlike the depression of the 30's that just took common folk by surprise, in this information age this doesn't have to repeat itself, and especially so if one believes themselves to be Divinely warned ...

Many saints believe we're at the end of the world and a certain escape via the rapture out of any hardships at all, but i believe we're only at the end of American hegemony politically and economically, which is pre-requisite, and the beginning of God's correction to His Laodicean children for placing our security in riches an in feeling that we're in need of nothing (most pointedly-Him), and that just as in Joseph's time He will already have set in place His providers (wise-stewards

He can trust) via which to supply the needs of His children tried and purified in the fire of what most assuredly is gonna f eel like famine (the higher you've lived, the worse it will
seem) ...

God knows that if in fact it is He who has caused me to put aside my little meager offering of "5 loaves and 2 fishes" tow ard a future time of His blessing and breaking to feed a multitude, then it's there, willing, waiting, and being added to as He provides ...

Blessings in the name of our faithful (even when we're not) Lord and Savior Jesus Christ ---

20/20 Hind Sight ... - posted by Rahman, on: 2007/8/23 17:07

This following book was originally printed September 20, 2003 ... i originally posted this interview about it on the "Info on America's Precarious Economy thread" on 2/16/05 ... This guy back then, even armed with all his statistical data, was branded a kook, a doomsayer, and just plain un-American ...

i'm reposting it here after re-visiting the interview because within just 2 1/2 years what he wrote then about the inevitability of the current failings in our housing market is exactly what this thread is about ...

"Strategies for the End of the Housing Bubble"
John Rubino, Author
http://www.financialsense.com/Experts/2004/Rubino.html

It's funny how much clearer the dynamics are to me in this second listen ... Yep - hind sight is always 20/20, the trouble t ho with that is we only get that kind of clarity after the lesson learned has kicked our behind ...

Re: 20/20 Hind Sight ... - posted by davym (), on: 2007/8/24 5:40
Rahman

Very good interview. He's excellent at discussing the dollar.

It seems to me quite ridiculous how banks are behaving, but I suppose they're driven on by those who want loans.

I'm from and live in Britain and over here exactly the same credit bubble has been created and house prices are at astro nomical levels. We seem to try and comfort ourselves by saying that our country is an island and space is limited and de mand for housing will increase for ever.

There's a familiar term here in the financial markets that goes " If America sneezes, Britain catches a cold". It seems likel y that we're in for a rougher ride than the US in that case. I suspect the UK will lean on Europe however if a recessionary environment develops. We'll probably go into the Euro and in the process lose more of our national sovereignty to Bruss els.

Anyway, I don't know what will happen. All I know is that the Gospel has been drowned out in the once Great Britain. Pe ople want wealth, wealth and more wealth and the condition of their soul doesn't seem to matter. It's this world and this world only they care about. I know the church is at fault here as well. Most of them have been sucked into this trap.

Revelation 3:16-18 (King James Version)

16So then because thou art lukewarm, and neither cold nor hot, I will spue thee out of my mouth.

17Because thou sayest, I am rich, and increased with goods, and have need of nothing; and knowest not that thou art w retched, and miserable, and poor, and blind, and naked:

18I counsel thee to buy of me gold tried in the fire, that thou mayest be rich; and white raiment, that thou mayest be clothed, and that the shame of thy nakedness do not appear; and anoint thine eyes with eyesalve, that thou mayest see.

As I'm aware you are familiar, this passage is part of the Lord's letter to the Laodicean Church (the archetype of the present day church). And this is where we are and we as believers must do what we can to allow the Holy Spirit through us to open people's eyes. I pray we on SI may be used in this way.

God bless and thanks for link.

David

Re: 20/20 Hind Sight ... - posted by Rahman, on: 2007/8/26 14:20

Hi bro Dave ...

So you're in the UK ...

A little while back Delta Dom (also there) posted a thread i can no longer find, that stated the UK to also be in government debt of almost 8 trillion ... That blew my mind because in comparisson to population with the U.S. i couldn't quite figure out how this was ... But then the UK has been around a lot longer than the U.S., and then there was also the devestation of WWII ... Anyhow the U.S. and the UK does seem to be bound at the hip ...

One thing you said about the spiritual condition in Britain also hit me in that one of the things i pray for is that our Lord will not let the U.S. get to the Christian coldness that it seems the UK has gotten to (according to stats) ... But then the UK may be in a safer situation as being "cold" in Christ, than the "lukewarm" we in the States appear to be in ... At any rate what brings me comfort is that also in the scripture you quoted regarding the Laodicean Church, Christ promises to rebuke and chasten as many as He loves, and that's certainly what i believe is soon upon us ...

Blessings in Christ Jesus who is faithful - even when we're not ...

An Explanation of the Credit Bubble ... - posted by Rahman, on: 2007/8/26 14:22

Just What is a Credit Bubble? ... How and Why was it Created ... and just what does it's Deflation at Present Mean to the U.S. and Global Economy? ... The following audio will help in your understanding ...

Doug Noland, Market Strategist at David Tice & Associates
Topic: Deflating the Credit Bubble
http://www.financialsense.com/Experts/2007/Noland.html

Blessings in Christ Jesus our Lord and Provider ...

Re: An Explanation of the Credit Bubble ... - posted by rookie (), on: 2007/8/30 1:30

Just a thought...

The world hates us for what is happening in the Middle East.

And now our corrupt financial system has infected the entire world with our ever increasing debt. The princes and kings of this nation have destroyed what was once a light in this world. The wine of their fornication has spread chaos to all th e corners of this world.

In Christ
Jeff

VICTORY IS IN OUR FAITH! ... - posted by Rahman, on: 2007/8/30 9:24

There are so many faith shaking things happening in our world today i feel led of Holy Spirit to point out this faith inspiring sermon ...

In One Hour Everything is Going to Change
http://64.34.176.235/sermons/SID16114.mp3

Praise God from whom all blessings flow, especially for the ones we don't see as such ...

1John.5
For whatsoever is born of God overcometh the world: **and this is the victory that overcometh the world, even our fa ith.**

NO MATTER WHAT HAPPENS SAINTS - LETS KEEP OUR FAITH!

Re: The Dynamics of the 8/9/07 Stock Market Panic ... - posted by Rahman, on: 2007/8/31 14:18

Bro Jeff you wrote;

"The world hates us for what is happening in the Middle East. And now our corrupt financial system has infected the entire world with our ever increasing debt. "

--- Just got this today from my SafeWealth Report (Swiss) ... News we don't hear about in the U.S. unless one watches the BBC, or recieves foriegn reports ---

Spiegel Online
http://www.spiegel.de/international/

German Banks Succumb to Temptation

Just what did a small, state-owned bank in Saxony think it was doing by investing billions in the risky American subprime market? German commentators on Monday say managers were looking for an easy buck at the taxpayers' expense.

The German bank Sachsen LB is in trouble. On Friday, it announced that a group of publicly owned banks was bailing it out (more...) to the tune of Â€17.3 billion ($23.3 billion) after it proved unable to provide the credit it had pledged. The gu ilty party turned out to be an affiliate in Ireland called Ormond Quay. The affiliate, known in the finance world as a condui t, did not appear on Sachsen LB's balance sheet and specialized in issuing short-term debts backed up by securities. Or mond Quay, it turned out, was heavily exposed on the US sub-prime mortgage market and nervous investors had turned away from the credits it offered. The result? Serious liquidity problems.

The announcement came just days after German banks had reassured the public that they weren't overly affected by the problems in the US mortgage market. And it was the second such liquidity crisis to hit a bank in Germany in weeks. Is the German banking sector facing a crisis (more...)? Commentators on Monday take a closer look.

Financial daily Handelsblatt on Monday writes:

"The German banking industry finds itself in a dramatic crisis, and one hardly wants to think of its possible escalation. But that is exactly what needs to happen: All bank boards, all controllers, auditors, analysts and control committees have to finally take a close look at the true state of risk in all their divisions and come up with a concrete plan of action. The time of minimizing the dangers and sitting around doing nothing has to come to an end."

"Risk management is the core duty of every banker. Traditionally, banks earn their money by evaluating risk. In recent years, many German bankers have taken unusually high risks because in times of low interest rates, they could hardly survive on the interest differentials between outlay and income, and between short and long-term investments. Those elevated risks included loans to finance investors and hedge funds, that promise unusually high returns... . There is hardly a bank in Germany that hasn't succumbed to the temptation of improving its bottom line through such investments. Which is why all of them need to examine just how deeply they are involved."

The left-leaning paper Die Tageszeitung writes:

"Too big to fail. German banks apparently rely completely on this status. Higher profits are possible with risky speculations than with classic bank deals and conservative investments. But so too are much larger losses. But who cares? When something goes wrong, the state and the other banks will jump in to help. Their interest in avoiding a financial crisis that will harm everyone is much too great. Such is the logic -- and it is a way of thinking which results in the general public being taken hostage by the gambling bankers."

"The state would be well advised to think long and hard about how to rein in the apparently out-of-control financial institutions so that their losses aren't one day so large that the public hand won't be able to ward off a financial crisis."

Center-left SÃ¼ddeutsche Zeitung likewise takes a closer look at the issue:

"Of course one has to ask the question as to why a relatively small state bank like Sachsen LB, generally considered a financial weakling, is apparently heavily involved in the US and invested multi-billion euros in real-estate financing. Such deals surely don't belong to the core competency of a state-owned bank, even if they aren't explicitly forbidden. The bank -- owned by the state of Saxony -- should really concern itself more with the region and the local, publicly owned banks."

"Structural problems are the trigger for the worrisome difficulties Sachsen LB has run into. The standard business deals entered into by state banks are no longer profitable enough. ... Many institutions now attempt to improve their bottom lines with very risky deals that, if they succeed, also promise high profits. Their desperation apparently leads them to take such irresponsibly high risks that a worldwide credit crisis -- as we are now seeing -- can break their necks."

"One worries that more crises loom. Action must be taken. Those institutions that are completely or partly state owned should be privatized. It is irresponsible when the taxpayer has to vouch for the overly risky business practices followed by individual banks."

Charles Hawley, 3:00 p.m. CET

--- Blessings in the Hills from which cometh our help! ... Pss.121 ---

The Ripples Continue ... - posted by Rahman, on: 2007/9/18 11:59

Bank of England Tries to Stop a Run on Mortgage Bank ...
http://www.usatoday.com/money/world/2007-09-14-british-bank_N.htm?csp=34

Re: The Ripples Continue ... - posted by Rahman, on: 2007/10/2 17:57

ING Direct Steps in as US Bank Collapses ...
http://www.msnbc.msn.com/id/21036518/

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2007/10/2 21:57

Quote:
-------------------------As prices slid, President Bush tried to reassure investors. At a news conference, he said the U.S. economy remained fundamentally sound and could ride out any liquidity problems. But investors seemed unconvinced and prices continued to decline.

This was a quote from one of the last "npr" news briefs from the first post. I remember reading in David Wilkerson's book the vision stating that the President was going to make a couple of speeches to reassure people that all is well, but peop le were not going to believe it. (The Vision ch.1)

An Amazing Tight Rope Walking Juggling Act ... - posted by Rahman, on: 2007/12/13 8:59

The following is a pretty good commentary on what has transpired since the August convulsion in the market ...

The Continuing Crisis: It's Not Over Yet
Doug Casey
http://goldmoney.com/en/commentary.php

Amazing how the sub-prime mortgage investment packages are blowing up all around the world and have affected the t op tier of the banking industry, Citi-Group (US largest bank) and UBS (large overseas bank) have had to borrow $7.5 bill ion from Dubai, and $10 billion from Singapore consecutively @ around an 11% interest rate ...

The Fed's latest cut of .25 points in the interest rate did nothing for the market in the way of the financials, leading to a h uge sell off of their stocks, which further adds to their misery after having to shelf billions of dollars worth of investment in struments they can no longer sell because the people have become afraid of them and won't buy anymore, so their kind a left on their own at this point ... It's like The Fed played it right down the middle throwing but a scrap of credit enabling t o the now credit ravenous financial institutions and the stock market, while holding at bay any deeper lessening of the d ollars value ... The .25 point cut only made gold prices rise an additional $7. and ounce, in comparrison to when they low ered the interest rate by .50 points, sharply depressing the dollars value, and gold rose an additional $35. per ounce ...

i'm amazed at how well The Fed, and equivalent institutions around the world, are managing to juggle so many balls whil e keeping them up in the air and walking such a fine line of this tightrope they (especially America) now find themselves on ...

Blessings in Christ our Lord! ---

Re: An Amazing Tight Rope Walking Juggling Act ...about to get knocked over... - posted by IRONMAN (), on: 2007/12/1

Greetings in Jesus' Name by Whose Blood we are Saved.AMEN.

that was a most interesting article bro R, i read a bit more on msn and the move to fix this situation is nothing more than a case of same stuff different day. i had no idea so many lending companies had gone under...i wonder why that isn't in the news...

the sham won't be kept in the dark too much longer, the year's end is only 3 wks away...

Grace and Peace are ours in Jesus.AMEN.

Re:, on: 2007/12/26 3:19

Really poor folks don't have to worry about all of this stuff. :-D

But here's some more for the watchers...

(http://www.telegraph.co.uk/money/main.jhtml;?xml%2Fmoney/exclusions/hubpages/outlook2008/outlook2008.xml&_requestid529790) The Predictions for 2008

Re: 9th January 2008 - weak US dollar, on: 2008/1/9 14:42

Early this morning, Marks & Spencer announced slightly reduced takings over Christmas compared to last year, which led to a run, in which one company had a third of its value wiped off. M & S began to improve towards the end of the day, but the UK is watching the US mortgage market with interest.

In the following link, there are at least ten US dollar articles which might interest Americans.

(http://news.bbc.co.uk/1/hi/business/7179298.stm) BBC Business News page with series of stories on the US dollar

The pound has yet again reached a fresh 26-year high against the US dollar, boosted by higher UK interest rates and weakness in the US housing market.

It makes a big difference to anyone involved with changing money between currencies.

(http://news.bbc.co.uk/1/hi/business/6567821.stm) Strong GBP - So who are the big winners and losers?

Re: - posted by rookie (), on: 2008/1/18 14:42

As Wall Street begs for cheap money, and main street seeks to bail out those who sought easy money...we are beginning to see how foolish man is...

THE FINANCIAL TSUNAMI
Part 1: Deutsche Bank's Painful Lesson
by F. William Engdahl
November 24, 2007

Even experienced banker friends tell me that they think the worst of the US banking troubles are over and that things are slowly getting back to normal. What is lacking in their rosy optimism is the realization of the scale of the ongoing deterioration in credit markets globally, centered in the American asset-backed securities market, and especially in the market for CDOsÂ—Collateralized Debt Obligations and CMOsÂ—Collateralized Mortgage Obligations. By now every serious rea der has heard the term Â“ItÂ’s a crisis in Sub-Prime US home mortgage debt.Â” What almost no one I know understands is that the Sub-Prime problem is but the tip of a colossal iceberg that is in a slow meltdown. I offer one recent example to illustrate my point that the Â“Financial TsunamiÂ” is only beginning.

Deutsche Bank got a hard shock a few days ago when a judge in the state of Ohio in the USA made a ruling that the bank had no legal right to foreclose on 14 homes whose owners had failed to keep current in their monthly mortgage payments. Now this might sound like small beer for Deutsche Bank, one of the worldÂ’s largest banks with over Â€1.1 trillion (Billionen) in assets worldwide. As Hilmar Kopper used to say, Â“peanuts.Â” ItÂ’s not at all peanuts, however, for the Anglo-Saxon banking world and its European allies like Deutsche Bank, BNP Paribas, Barclays Bank, HSBC or others. Why?

A US Federal Judge, C.A. Boyko in Federal District Court in Cleveland, Ohio ruled to dismiss a claim by Deutsche Bank National Trust Company. DBÂ’s US subsidiary was seeking to take possession of 14 homes from Cleveland residents living in them, in order to claim the assets.

Here comes the hair in the soup. The Judge asked DB to show documents proving legal title to the 14 homes. DB could not. All DB attorneys could show was a document showing only an Â“intent to convey the rights in the mortgages.Â” They could not produce the actual mortgage, the heart of Western property rights since the Magna Charta of not longer.

Again why could Deutsche Bank not show the 14 mortgages on the 14 homes? Because they live in the exotic new world of Â“global securitizationÂ”, where banks like DB or Citigroup buy tens of thousands of mortgages from small local lending banks, Â“bundleÂ” them into Jumbo new securities which then are rated by MoodyÂ’s or Standard & Poors or Fitch, and sell them as bonds to pension funds or other banks or private investors who naively believed they were buying bonds rated AAA, the highest, and never realized that their Â“bundleÂ” of say 1,000 different home mortgages, contained maybe 20% or 200 mortgages rated Â“sub-prime,Â” i.e. of dubious credit quality.

Indeed the profits being earned in the past seven years by the worldÂ’s largest financial players from Goldman Sachs to Morgan Stanley to HSBC, Chase, and yes, Deutsche Bank, were so staggering, few bothered to open the risk models used by the professionals who bundled the mortgages. Certainly not the Big Three rating companies who had a criminal conflict of interest in giving top debt ratings. That changed abruptly last August and since then the major banks have issued one after another report of disastrous Â“sub-primeÂ” losses.

A new unexpected factor

The Ohio ruling that dismissed DBÂ’s claim to foreclose and take back the 14 homes for non-payment, is far more than bad luck for the bank of Josef Ackermann. It is an earth-shaking precedent for all banks holding what they had thought were collateral in form of real estate property.

How this? Because of the complex structure of asset-backed securities and the widely dispersed ownership of mortgage securities (not actual mortgages but the securities based on same) no one is yet able to identify who precisely holds the physical mortgage document. Oops! A tiny legal detail our Wall Street Rocket Scientist derivatives experts ignored when they were bundling and issuing hundreds of billions of dollars worth of CMOÂ’s in the past six or seven years. As of January 2007 some $6.5 trillion of securitized mortgage debt was outstanding in the United States. ThatÂ’s a lot by any measure!

In the Ohio case Deutsche Bank is acting as Â“TrusteeÂ” for Â“securitization poolsÂ” or groups of disparate investors who may reside anywhere. But the Trustee never got the legal document known as the mortgage. Judge Boyko ordered DB to prove they were the owners of the mortgages or notes and they could not. DB could only argue that the banks had foreclosed on such cases for years without challenge. The Judge then declared that the banks Â“seem to adopt the attitude that since they have been doing this for so long, unchallenged, this practice equates with legal compliance. Finally put to the test,Â” the Judge concluded, Â“their weak legal arguments compel the court to stop them at the gate.Â” Deutsche Bank has refused comment.

What next?

As news of this legal precedent spreads across the USA like a California brushfire, hundreds of thousands of struggling homeowners who took the bait in times of historically low interest rates to buy a home with often, no money paid down, and the first 2 years with extremely low interest rate in what are known as Â“interest onlyÂ” Adjustable Rate Mortgages (A

RMs), now face exploding mortgage monthly payments at just the point the US economy is sinking into severe recession. (I regret the plethora of abbreviations used here but it is the fault of Wall Street bankers not this author).

The peak period of the US real estate bubble which began in about 2002 when Alan Greenspan began the most aggressive series of rate cuts in Federal Reserve history was 2005-2006. GreenspanÂ’s intent, as he admitted at the time, was to replace the Dot.com internet stock bubble with a real estate home investment and lending bubble. He argued that was the only way to keep the US economy from deep recession. In retrospect a recession in 2002 would have been far milder and less damaging than what we now face.

Of course, Greenspan has since safely retired, written his memoirs and handed the control (and blame) of the mess over to a young ex-Princeton professor, Ben Bernanke. As a Princeton graduate, I can say I would never trust monetary policy for the worldÂ’s most powerful central bank in the hands of a Princeton economics professor. Keep them in their ivy-covered towers.

Now the last phase of every speculative bubble is the one where the animal juices get the most excited. This has been the case with every major speculative bubble since the Holland Tulip speculation of the 1630Â’s to the South Sea Bubble of 1720 to the 1929 Wall Street crash. It was true as well with the US 2002-2007 Real Estate bubble. In the last two years of the boom in selling real estate loans, banks were convinced they could resell the mortgage loans to a Wall Street financial house who would bundle it with thousands of good better and worse quality mortgage loans and resell them as Collateralized Mortgage Obligation bonds. In the flush of greed, banks became increasingly reckless of the credit worthiness of the prospective home owners. In many cases they did not even bother to check if the person was employed. Who cares? It will be resold and securitized and the risk of mortgage default was historically low.

That was in 2005. The most Sub-prime mortgages written with Adjustable Rate Mortgage contracts were written between 2005-2006, the last and most furious phase of the US bubble. Now a whole new wave of mortgage defaults is about to explode onto the scene beginning January 2008. Between December 2007 and July 1, 2008 more than $690 Billion in mortgages will face an interest rate jump according to the contract terms of the ARMs written two years before. That means market interest rates for those mortgages will explode monthly payments just as recession drives incomes down. Hundreds of thousands of homeowners will be forced to do the last resort of any homeowner: stop monthly mortgage payments.

Here is where the Ohio court decision guarantees that the next phase of the US mortgage crisis will assume Tsunami dimension. If the Ohio Deutsche Bank precedent holds in the appeal to the Supreme Court, millions of homes will be in default but the banks prevented from seizing them as collateral assets to resell. Robert Shiller of Yale, the controversial and often correct author of the book, Irrational Exuberance, predicting the 2001-2 Dot.com stock crash, estimates US housing prices could fall as much as 50% in some areas given how home prices have diverged relative to rents.

The $690 billion worth of Â“interest onlyÂ” ARMs due for interest rate hike between now and July 2008 are by and large not Sub-prime but a little higher quality, but only just. There are a total of $1.4 trillion in Â“interest onlyÂ” ARMs according to the US research firm, First American Loan Performance. A recent study calculates that, as these ARMs face staggering higher interest costs in the next 9 months, more than $325 billion of the loans will default leaving 1 million property owners in technical mortgage default. But if banks are unable to reclaim the homes as assets to offset the non-performing mortgages, the US banking system and a chunk of the global banking system faces a financial gridlock that will make events to date truly Â“peanutsÂ” by comparison. We will discuss the global geo-political implications of this in our next report, The Financial Tsunami: Part 2.

(end of article)

The leaders of the financial world don't trust one another because they know the system is corrupt. Banks can't foreclose on mortgages because they don't own the mortgage. They own CMOs. That is why people are looking to the Federal Reserve to print money and expecting the Bush Administration to go further into debt. Why? Because no one knows who owns the property. The financial industry needs someone to continue paying monthly payments otherwise the CMOs that they own are worth alot less than they bought them for.

Do you see how foolish men are in this generation.

In Christ

Jeff

Re:, on: 2008/1/28 15:14

(http://news.bbc.co.uk/1/hi/business/7079520.stm) UK 'faces more financial shocks'

The governor of the Bank of England, Mervyn King, has warned that the US sub-prime mortgages crisis poses more risk s for the UK's financial system.

Excerpt from File on Four (a radio programme)

(http://www.bbc.co.uk/mediaselector/check/player/nol/newsid_7080000/newsid_7084000?redirect7084065.stm&news1&nbwm1&bbwm1&nbram1&bbram1&asb1) Listen: rare interview by Robert Peston of Bank of England boss

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2008/1/31 0:57

Fed slashes rates in shock move

The US Federal Reserve has slashed interest rates to 3.5%, its biggest cut in 25 years.

(http://news.bbc.co.uk/1/hi/business/7218055.stm) From the BBC: US rates cut to avoid recession

(http://www.bbc.co.uk/mediaselector/check/player/nol/newsid_7210000/newsid_7218900?redirect7218924.stm&news1&nbram1&nbwm1&bbwm1&bbram1&asb1) Watch: Bush on the economy

Re: - posted by rookie (), on: 2008/1/31 8:34

'It's going to be much worse'
Famed investor Jim Rogers sees hard times ahead for the United States - and a big opportunity looming in China.
By Brian O'Keefe, senior editor

Jim Rogers says the Fed, and Fed Chairman Ben Bernanke, are out of control.
Legendary investor Jim Rogers made a bundle by anticipating a boom in commodities. Now he's focusing on the People' s Republic.

NEW YORK (Fortune) -- You might expect Jim Rogers to be gloating a little bit. After all, the famed investor has been pr edicting a recession in the U.S. economy for months and shorting the shares of now-tanking Wall Street investment ban ks for even longer. And with fears of a recession sparking both a worldwide market sell-off and emergency action from F ederal Reserve chairman Ben Bernanke, Rogers again looks prescient - just as he has over the past few years as the C hina-driven commodities boom he predicted almost a decade ago began kicked into high gear. But when I reached him by phone in Singapore the other day there was little hint of celebration in his voice. Instead, he took a serious tone.

"I'm extremely worried," he says. "I have been for a while, but I just see things getting much worse this time around than I expected." To Rogers, a longtime Fed critic, Bernanke's decision to ride to the market's rescue with a 75-basis-point cut in the Fed's benchmark rate only a week before its scheduled meeting is the latest sign that the central bank isn't willing to provide the fiscal discipline that he thinks the economy desperately needs.

"Conceivably we could have just had recession, hard times, sliding dollar, inflation, etc., but I'm afraid it's going to be much worse," he says. "Bernanke is printing huge amounts of money. He's out of control and the Fed is out of control. We are probably going to have one of the worst recessions we've had since the Second World War. It's not a good scene."

Rogers looks at the Fed's willingness to add liquidity to an already inflationary environment and sees the history of the 1970s repeating itself. Does that mean stagflation? "It is a real danger and, in fact, a probability."

Where the opportunities are
The 1970s, of course, was when Rogers first made his reputation - and a lot of money - as George Soros's original partner in the Quantum Fund. And despite his gloomy outlook for the U.S., he still sees opportunities in today's world. In fact, he sees the recent correction as a potential gift for investors who know where to head in global markets: China.

Rogers has been fascinated with China ever since he rode his motorcycle across the country two decades ago, and he's been a full-fledged China bull for several years. In December he published his latest book, an investor-friendly tome titled "A Bull in China: How to Invest Profitably in the World's Greatest Market." And that same month he sold his beloved Manhattan townhouse for $15.75 million to a daughter of oil tycoon H. L. Hunt and moved his family full-time to Singapore - the better to be closer to the action in Beijing and Shanghai. (He bought the New York mansion 30 years ago for just over $100,000; not a bad return on his investment.)

But in a November interview I conducted with Rogers, he admitted that he was rooting for a serious correction in China to cool off an overheating market and bring back prices to a reasonable level. With the bourses in Shanghai and Hong Kong both some 20% of their recent highs as of late January, Rogers says he's starting to consider new investments.

"I'm delighted to see what's happening in Shanghai and Hong Kong," he says. "As I've said, if things hadn't cooled off, the Chinese market was in danger of turning into a bubble. I find this most encouraging. The government's been doing its best to try and cool things off. Mainly they've been trying to deal with real estate but it's having an effect on stocks, too. I would suspect the correction isn't quite over in China. But I'm gearing up. I didn't put in any orders for tomorrow but I'm starting to prepare my list of things to buy in China. Whether I buy this week or this month or this quarter, who knows. But I'm starting to think about buying new shares in China for the first time in a while. And I'm not thinking about buying in America."

Ultimately, Rogers doesn't think that the troubles in the United States will be much of a drag on the prospects for the People's Republic. "Anybody who sells to Sears (SHLD, Fortune 500) or Wal-Mart (WMT, Fortune 500) is going to be affected, without question," he says. "Some parts of the Chinese economy are going to be untouched, however. They won't even know America's in recession. They won't care if America falls off the face of the earth."

Â“We are probably going to have one of the worst recessions we've had since the Second World War. It's not a good scene.Â”

(end of article)

The things that Rahman and Ironman saw coming began in 2007. The results will be long in manifestation. The leaders of this country are printing paper money to wall paper over the failed banking system.

In Christ
Jeff

Re:, on: 2008/1/31 10:06

Quote:
-------------------------Famed investor Jim Rogers sees hard times ahead for the United States - and a big opportunity looming in China.

(fyi) According to David Wilkerson's "The Vision", he states that countries that have a huge inventory of U.S. Dollars are going to be hurt badly, China is one of those countries.

Re: - posted by Compton (), on: 2008/1/31 10:53

I'll just say it once again...blending faith in biblical prophecy in with secular punditry is strange alchemy.

I think Sermon Index practices that alchemy now; half reminiscing revivals, half progressivism prophecy. Sooner or later someone is going to have to decide what the purpose of this forum is...and if the forum's function and personality is cong ruent with the sermons archived here.

As it is, I think speculative threads like this, make the forum as mere straw amidst gold.

Blessings brethren,

MC

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2008/1/31 14:15

Hi Mike,

Quote:
-------------------------as mere straw amidst gold

Do you mean you don't like the News and Current Events forum, or, just the topic of this thread, as it falls within the whol e range of opportunities for discussion on Sermonindex?

... and I do realise that what follows might be put in the category of *and she, willing to justify herself, said...* , but I honestl y don't have any background of understanding these matters, by which to guide my actions in 3D, which transfers readily or easily from the myrrh, frankincense and gold or three measures of meal, silver and denarius of the Bible.

Therefore, I see it as a matter of not being ignorant about the enemy's devices. Of course, knowing them is not a substit ute - nor intended to be one - for knowing, each individually, how the Lord would have one's finances distributed.

Today, I was considering the whole matter of saving and whether that is appropriate at all, and whether there is real nee d for Christians to invest in one another's businesses, rather than stock markets. Even, to consider that having that muc h money might be *sin*...

Up till now, I've believed that God knows we are 'in' the world but not 'of' it, and as long as we are not aware of the preci se evil which may be being done behind the scenes in a business, we do still have to trade our wages for the things we need to go on living. But, if it's true that the time will come when we literally cannot buy or sell because we *do* recognise the system we'd have to join as 'evil', then, how much too soon can we be preparing for the meaning of *going through wi th God?*

Genuinely, I am exercised by these thoughts, and knowing that many Christians are being given the idea around the wor ld that the more blessed they are, the more money they will have and the more comfortable their living, I believe it is vali d to make believers aware that money might lose them everything - even their spiritual life - if that's where their heart is.

Maybe this thread was not about this originally, but it's why I post on the topic. I'm not eating my heart out over anything else but how to steward what I find in my charge.

Re:, on: 2008/2/1 8:12

Quote:
-------------------------I'll just say it once again...blending faith in biblical prophecy in with secular punditry is strange alchemy.

I believe the Christian call is to walk by faith not by sight.

All this is keeping your eyes on the world, and off of Jesus Christ.

Katy

Re: - posted by rookie (), on: 2008/2/1 8:21

Everywhere one looks...the politicians of the world are comming up with new ideas on how to keep the system from failing...here is another scheme that would bailout the schemers...

New $20B subprime bailout on the table
Senator Chris Dodd proposes setting up a fund that would buy defaulting subprime mortgages and restructure loans for borrowers.

NEW YORK (CNNMoney.com) -- A proposal to bail out subprime mortgage borrowers who are at risk of foreclosure was floated at a Senate Banking Committee hearing Thursday.

Senator Chris Dodd, the committee chair, said he is working to create a Home Ownership Preservation Corporation, which would purchase mortgage securities that are backed by at-risk, subprime loans from lenders and investors.

This corporation would give these lenders and investors a better price for the securities than they would get if the properties backing them were put through foreclosure.

Additionally the loans on these properties would be restructured so that borrowers could afford the new payments and remain in their homes.

Lesser of two evils
Although economists believe that the mortgage backed securities would sell at a steep discount to their original values under this scenario, they contend that investors would still recoup more of their outlay this way, rather than going through the expensive foreclosure process.

Borrowers could see their monthly costs drop dramatically.

According to today's testimony, the fund might require $20 billion to $25 billion in seed money from taxpayers and, after that, it should self-fund.

Dodd said his proposal is supported by both ends of the ideological spectrum. He pointed out that two of the witnesses testifying on Thursday in support of this bailout - Michael Barr, from the progressive Center for American Progress, and Alex Pollack, with the conservative American Enterprise Institute - are usually on opposite sides of economic issues.

But there was dissent from members of the Banking Committee. Senator Bunning, R-Ky., said "Government meddling could make matters worse."

Senator Bob Corker, R-Tenn., was concerned about the "moral hazard" of rewarding borrowers' risky behavior.

But in his testimony, Barr insisted, "This is not a bailout for investors and speculators. Investors would take a hit in exchange for liquidity and certainty."

Barr added that they'll get back much less than what they paid for the securities, and pointed out that only owners who occupy their homes will be eligible for loan modification.

"Ninety percent of the time, intervention is not a good idea," said the more conservative Alex Pollock, who would generally prefer market corrections to address a problem. "But we're in the 10 percent of the time when it is needed."

A big step
Mark Zandi, chief economist for Moody's Economy.com, suggested a plan similar to Dodd's in early December, and agrees that it's a big and very complicated step. "But we have to prepare for the possibility that something like this will be necessary," he said.

And he contended that any bailout must be made with taxpayer money. "It has to have the triple A credit of the United States backing it," he said.

The biggest problem facing housing, according to Zandi, is that the market is frozen, because investors who buy mortgage-backed securities have abandoned that market. That's created a liquidity squeeze which has made it difficult for even well-qualified borrowers to obtain a loan.

Zandi thinks the fund should buy existing mortage-backed securities in an auction-type process, which would immediately establish what those securities are really worth.

"As soon as there's a price , there's a market," Zandi said. "Everyone can then start appropriately valuing what's on their books."

Jared Bernstein, an economist with the Economic Policy Institute, a progressive, Washington-based think-tank, agrees. "Auctioning the debt to discover its true price might be ugly but it's the way to go," he said. "You can't hit bottom until transparency is back in the system and this will help bring it back."

Bernstein added that such a plan is not unprecedented. "There's a long history of the government providing precisely this kind of help for people facing foreclosure," he said.

The American Enterprise Institute's Pollock compared the Dodd proposal with the Homeowners Loan Corporation, which operated during the Great Depression in the 1930s.

Pollock also conceded that the program is not without flaws. It could reward some people who bought more home than they could afford, while leaving more responsible borrowers unaided.

Might some of these people be tempted to stop making mortgage payments for a couple of months in order to get a government-sponsored cheaper loan?

"You're going to have some people going into default to get into the government program. That's part of the cost you have to reckon with," he said.

There are currently several government-backed efforts underway to combat the housing crisis.

The stimulus package now before Congress would raise the caps on loans that Freddie Mac and Fannie Mae can purchase in the secondary markets to create more liquidity, while a hike in FHA caps would do the same. Meanwhile,Federal Reserve has moved swiftly to cut interest rates, which will also put more money into credit markets.

"All these efforts may not be enough," said Zandi. " will cost taxpayers a lot less money than leaving the market in a deep freeze."

(end of article)

To highlight one thought of this article...

The American Enterprise Institute's Pollock compared the Dodd proposal with the Homeowners Loan Corporation, which operated during the Great Depression in the 1930s.

In Christ
Jeff

Re: - posted by davym (), on: 2008/2/1 11:43

Quote:
-------------------------I'll just say it once again...blending faith in biblical prophecy in with secular punditry is strange alchemy.

Quote:
-------------------------I think Sermon Index practices that alchemy now; half reminiscing revivals, half progressivism prophecy. Sooner or later someone is going to have to decide what the purpose of this forum is...and if the forum's function and personality is congruent with the sermons archived here.

Quote:
-------------------------As it is, I think speculative threads like this, make the forum as mere straw amidst gold.

Great post. All I would say is that some of the links provided on this thread have given me quite interesting insights into the current credit crisis which aren't available in newspapers and TV.

We could have had discussions like these (obviously without the aid of a computer) in 1929 and I suspect the speculative nonsense would have been much more inflated.

Re: - posted by ccchhhrrriiisss (), on: 2008/2/1 12:57

Hi dorcasÂ…

I think that I understand what Compton is trying to say. I also agree with the gist of his post.

Lately, there have been a lot of supposed Â“watchersÂ” who post news that they gather from the internet (or even Â“prophetic warningsÂ” that they personally receive).   The reason for this is simple: We are told by Christ to Â“watchÂ” (in Matthew 24). These individuals go about their activities as if it were a Â“dutyÂ” or a special and often misunderstood Â“callingÂ” to Â“watch.Â” But what things, exactly, are we told to Â“watch?Â” Are we supposed to watch the *events*? Are we purposed to watch for *conspiracies*? Are we supposed to watch for *evil*? Or are we supposed to watch for <u>Christ</u>? In my understanding of this command, we are supposed to look for our LordÂ’s return, and glimpse at the events around us as a prophetic Â“clockÂ” that makes us somewhat Â“awareÂ” of the hour.

Is this what is being done? Are we eagerly focusing upon the return of our Lord while paying attention to the events that remind us that His coming is soon? Or are we focused upon scrutinizing each of the daily events that may or may not be part of SatanÂ’s rush to conquer before the End of all things? Many of the supposed Â“watchmenÂ” are doing a wonderful job enlightening the world about the times in which we live. Still other supposed Â“watchmenÂ” are mingling their information with specific commentary (in regard to the exact nature of certain events).

Is this really what the Lord had in mind when He told us to Â“watch?Â”

Recently, I followed a link into a Â“discernmentÂ” website with a partial focus on eschatology that was literally discussing a recent photograph taken by one of NASAÂ’s Mars rovers. The image became popular because, if one looked hard enough, one of the rocks resembled an image of a Â“running bigfoot.Â” People were discussing what role this image might play in Biblical Eschatology.   There was talk about last day visions of angels and demons and signs in the heavens.

A rock. That looks like Bigfoot running. A discussion of Â“Bible prophecyÂ” because of our command to Â“watch.Â”

If people were a little more Â“discerningÂ” (or Â“watchfulÂ”), then perhaps they would understand that the rock is only about two inches tall (Is it me, or does that sound like a mighty small demon?) and distorted by shadows. Of course, this is simply an extreme example of the extent of such Â“watchingÂ” that takes place. While there is never a problem with the supply of Â“news and current eventsÂ” that people present (when we look at it objectively and prayerfully), I donÂ’t think this effort is left at that. There is the question about the addition of <u>commentary</u>. Sometimes, this commentary alleges something that is not distinguished by simply viewing or hearing the news reports. In addition, there is sometimes disappointment when someone doesnÂ’t completely agree with the commentary, interpretation or Â“linkÂ” between the news and Biblical eschatology.

Sometimes, the Â“linkÂ” that is silently implied between *news* and *views*. Sometimes the Â“linkÂ” might very well be correct; sometimes it might not be. At times, there appears to be an attempt to Â“read between the linesÂ” of paragraphs (well, stories) that arenÂ’t even pertaining to the same subject. For instance: Some believe that the Antichrist will command a one-world government. We know that Bush is the President of the most powerful nation on Earth. We know that Bush supports the NAFTA treaty approved by Congress and the Clinton Administration in 1992. Thus, we become suspicious that President Bush might secretly desire to create a one-world government in the Western Hemisphere. Hence, stories that speak of Â“secret meetingsÂ” and Â“secret alliancesÂ” tend to confirm our suspicions. The more we read Â“newsÂ” from certain websites and with a perspective that Bush might be part of an underlying conspiracy at work, the more Â“linksÂ” we are able to find. Sadly, those who disagree are considered by some to be either Â“blindÂ” or are in Â“dangerÂ” of being Â“deceived.Â”

Is this what we are called to do? Is this the extent of our call to Â“watch?Â”

Are we supposed to be Â“private investigatorsÂ” of the End Times? Are we called to rely on our Â“gift of discernmentÂ” and go about using the Internet and media to gather rumors and information in order to determine supposedly Â“preciseÂ” ideas about Bible prophecy? Is this the extent of our mandate to Â“watch?Â” It seems to me that the believers without access to such materials would be at a far greater disadvantage than those with a high speed DSL. How would they Â“watch?Â” Are they called to Â“subscribeÂ” to the monthly newsletters of such Â“ministries of discernmentÂ” and spend their lives finding such links? Or are we supposed to simply watch for our LordÂ’s return Â– focused on Him (rather than specific times and events) while understanding an indistinct timeline (Acts 1:6-7)? What are we supposed to be watching for?

Recently, my wife and I inherited a dog (sort of). After we were married, we moved into a home outside of town. It is a quiet road, which can be a little unnerving to my wife (especially if I am not home at the time). We have a small back yard, with a pasture of mesquite brush and horses and cows on the other side of our fence. Our nearest neighbor owns a small trucking company. He is gone most of the time, and his little black puppy began venturing out of the fence and wonder over to our house. After feeling pity for this hungry little dog, we bought some Milk-Bone doggie biscuits.

As the dog (we call her Â“PoochieÂ”) has grown quite a bit over the past few months, we have now started buying large bags of *Gravy Train* style of dog food. Poochie happily plays with the cows and calves behind the fence. We spend time with the dog on our car port. The dog truly feels like part of our family. The neighbor stopped by one day after noticing that the dog likes us so much, and he asked if we could watch him when he is gone. The neighbor just wants Poochie to be a watchdog when he is gone. Since we would like the same thing (and we have grown quite attached to the dog), we happily agreed. Poochies spends most of her time in our driveway. She is not on a leash, but travels from his property to ours.

Poochie has become quite attached to us. When my wife or I leave, Poochie will sit in our driveway looking quite sad. She will wait there for hours until we return. When my wife drives off, I sometimes look out the window and notice Poochie looking down the road in the direction my wife drives. She is smart enough to realize that this will be the direction in which she returns. During the meanwhile, she barks when something doesnÂ’t quite look right. The road in front of our house is well-traveled by illegal immigrants heading north, so Poochie alerts us of potential danger. Poochie is not doing this because he wants attention. Poochie is not doing this because he is fearful of danger. Poochie is doing this because he wants to alert us of possible danger.

IÂ’ve observed Poochie and wondered whether or not this is the type of Â“watchingÂ” that the Lord wants from us. Poochie doesnÂ’t try to read between the lines or find links between friends, strangers and illegal immigrants. He doesnÂ’t see a stranger and try to warn us that this could be a potential axe murderer or burglar. In fact, she isnÂ’t Â“lookingÂ” for danger at all. She spends most of her time simply looking and waiting for us to return and spend time with her. Poochie just makes observations about things around the house and alerts us when things arenÂ't normal. Poochies is smart enough now to realize that at certain times of the day (noon and 5 P.M.), we will be returning. At that time, she is almost always waiting in our driveway for us to return.

Please forgive my little anecdote. I know that the command of the Lord to Â"watchÂ" is somewhat different than that of a dog looking for her master. But I think that there is a parallel where people do mean well in their supposed Â"discernment.Â" However, I think that the error is made when they begin to read too far into the things that they are watching. Then, they often share their Â"knowledgeÂ" (which is often actually an opinion or an assumption) with anyone who will listen. And far too often, the focus of our Â"watchÂ" is taken from the Lord and placed upon the things of this world.

Sometimes, I feel that this is not what the Lord meant when He told us to watch. He simply wanted us to be aware of the times (through the things that he has told us). He wants us to be aware of deception. But if we are spending our lives truly fellowshipping with the Lord, is there so great a chance of deception? IÂ've noticed that many Â"watchersÂ" are quick to throw the Â"dÂ" word (Â"deceptionÂ") at anyone who doesnÂ't agree with their interpretation of events (or even doctrines about the manner of the LordÂ's return).

Lately, there has been a very noticeable rise in discussions about prophecy (either Biblical eschatology or Â"personal revelationÂ"). In both cases, IÂ've noticed that Â"warningsÂ" are given to those who arenÂ't Â"mature enoughÂ" to understand or accept the validity of such things. Is this the purpose of SermonIndex? Are we supposed to simply gather a bunch of believers together and allow them to discuss what they Â"discernÂ" will happen (specifically) in regard to notions of conspiracy? Are we supposed to gather the news and then decipher what that news means in specific terms of the LordÂ's timetable of prophetic events Â– or are we simply supposed to be <u>aware</u> of the times? I would much prefer to spend my life learning from the Lord (including how to know Him more, learn more about the things that He has done, and to learn how to bring that knowledge of HIM to others) than to spend my life in a forensic pursuit of a timetable and links between conspiracies and events in which He has already fully warned us about.

Anyway, forgive my intrusion. I donÂ't mean to speak for Brother Compton, and I certainly didnÂ't want to compare would be Â"watchersÂ" with our neighborÂ's dog. I simply concur that we should remember the focus of our pursuit (both in life and in the mission of SermonIndex) is to remain centered upon the Lord (while considering the old paths) and not upon the events around us (except as a means to be aware of the times). A Â"watchmenÂ" has his/her place. But what are they supposed to be looking for? When are they supposed to sound the alarm? Are they Â"watchingÂ" the facts about our times or venturing into conspiracy theories? Are they supposed to provide allegations of conspiracy Â– or a mere warning about issues? Are they raising our eyes to the hills (and to the LordÂ's return) or to a paranoia of the world around us? We should certainly be attentive of the things relating to prophecy, but we should not spend ourselves in the pursuit of forensic prophetic discovery that goes beyond merely pointing to pure facts. Why not simply point to the Â"signsÂ" and merely leave it at that (without the addition of allegation, assumption, interpretation and commentary)?

There is certainly a timeline that will take place in regard to the LordÂ's return. And there is certainly a sinister conspiracy that has been in operation since the Creation of this world. But are we to be led by these things? Are we supposed to spend our precious limited time in the pursuit of the events of the end Â– or in the glorification of our Lord? Have we complicated our Â"callÂ" to Â"watchÂ" by adding a mandate to explore various allegations of conspiracy? Or are we simply supposed to be aware of the times and events that transpire around us while remembering what the end of all things will be? How can we panic if our eyes are in the right place? Rather, Â"we would see Jesus.Â"

:-)

Please understand that this is neither an attack on those who feel called to such a ministry of discernment or a special calling to "watch" and "sound alarms." In a sense, I feel that SermonIndex (and all of us) are called to "sound the alarm" about how the modern "Church" is ill-prepared for the Lord's return. This has little to do with "doctrinal differences" or the "discernment of the times around us" more than it does the gravity of our love and regard for our Savior. Does our life and "vision" revolve around the person of our Lord?

Re: - posted by pastorfrin, on: 2008/2/1 14:25

Hi Chris,

A few questions;
Is not your extended post, here and elsewhere on these subjects, considered as Â‘commentaryÂ’?

Are we to believe you over someone else on what you perceive as fact, allegation, assumption, interpretation and commentary? Why?

Please understand that this is not an attack on you and please excuse my intrusion, I feel most everyone who reads these threads are capable of searching and finding the truth.

Too many times in the history of man, the truth has been hid and the results have been disastrous.
Many times the means by which the truth is hid is by the means of proclaiming it as a conspiracy theory. Should we be afraid of the search for the truth?
If so why, who is to gain by proclaiming all as conspiracy? Surly it would not be the truth.

I like to think of these things in this manner.

Acts 5:38-39
And now I say unto you, Refrain from these men, and let them alone: for if this counsel or this work be of men, it will come to nought: But if it be of God, ye cannot overthrow it; lest haply ye be found even to fight against God.

If it be a conspiracy, it will bare itself out as such, it will come to nought: But if it be the truth many have been warned an d are able to watch and pray and that is where all our wisdom is to come from.

John 14:26
But the Comforter, which is the Holy Ghost, whom the Father will send in my name, he shall teach you all things, and bring all things to your remembrance, whatsoever I have said unto you.

John 16:13
Howbeit when he, the Spirit of truth, is come, he will guide you into all truth: for he shall not speak of himself; but what soever he shall hear, that shall he speak: and he will shew you things to come.

I do believe our Lord through the Holy Spirit is well able to show us all truth and show us things to come and it could act ually come through what some call Â“a conspiracy theoryÂ”.

:-)

In His Love
pastorfrin

Re:, on: 2008/2/1 15:28

Chris said:
Quote:
-------------------------Are we supposed to watch the events? Are we purposed to watch for conspiracies? Are we supposed to watch for evil? Or are we s upposed to watch for Christ?

Great post Chris. I have to agree with you. There is wayyyyy to much emphasis on these things then on seeking the LO RD. Mind you conspiracies are curiously interesting, however most of them lead to superstitious nonsense., trying to fit t hem into bible prophecy and leading many away from fellowship with the LORD and fellowshipping with foolishness (we can thank dispensational theology for that).

I have no use for such information, but hey if you like it, have at it!

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2008/2/1 19:35

Hi Mike,

Since Chris posted, it seems maybe there are some misapprehensions going on around my posts in the News forum, which I may not be able to clear up. But, to take again your point about

Quote:
-------------------------straw

It is, of course, 'straw'. There will be no money in heaven. Money can't buy salvation. Knowing about money falls into t he category 'in part', as far as earthly knowledge goes, as do prophecies. We look forward to the day when there will be no more 'straw' to negotiate. The fire will have destroyed it. Amen.

Please genuinely forgive me for not elaborating more closely on my thoughts. First, I'm still learning, and secondly, I do appreciate that some people may be ahead on the matter. They have settled their hearts to go through with God as in a marriage - for better or for worse - and, they are trusting His provision, whatever that may be, just so long as they are co unted ready to go in with the Bridegroom. Amen. Me too.

Re: - posted by Compton (), on: 2008/2/1 20:25

Hello everyone,

Forgive me for the appearance of a drive by earlier...I was unable to dip back in for a couple of days.

Admittedly where 'the problem' ends and 'my problem' begins here is not even clear to me in this area. However, let me share my heart here if you will.

Quote:
-------------------------Do you mean you don't like the News and Current Events forum
----

A sly question if you ask me...if we consider the less then objective perspective of many of our posts, and our blending o f punditry and prophecy as "News and Current Events" then ...yes, I guess I do have a problem with this section in the fo rum. Whatever it's original intentions were, I see it now as a dilution of the greater theme.

Add to my concern the obvious fact that "News and Current events" are falling in truckloads on our heads these days, w hile pure fellowship and worshipful thoughts are growing more and more rare by the hour it seems. Many of us aren't ev en in local congregations, and we come here to partake of...what? More of the CNN and Time? Sigh. Truly, Imagine if yo u can, just one month without the news. Imagine if the piper didn't play the flute for us...whatever would we dance to?

War

Quote:
-------------------------Therefore, I see it as a matter of not being ignorant about the enemy's devices.

Whether by ignorance or not, you have participated in the enemies devices more then once with these points sister. Con sider, please humbly consider, how burdensome and unlike the New Testament some of the wanton conspiracy conject uring you have indulged in.

What a strain you have so easily put on our fellowship sister. You proclaim yourself to be for peace and non-violence, y et wantonly engage in political propaganda against my country. Am I not as spiritual as I should be to you? Am I a disappointment to care about such things? First consider the log in your own eye. Have you not considered how close are the devices of the enemy in the bloody and violent warfare around us? Will your public 'discernment' not achieve the same effect as Al Quiada or KGB efforts? They seem to know better then you that ideological attacks are one of the most important ways to participate in warfare. Are these ideological and political words also the tools of our spiritual warfare? I know they are not.

If you are shocked at the connection, then you may know just a small taste of the disappointment you and many others here have given me.

Consider that Neither Jesus, nor the apostles gave themselves the latitude that many here given themselves towards the political affairs of the nations. Jesus said My kingdom is not of this world: if my kingdom were of this world, then would my servants fight.... I wonder if Jesus would've included ideological and political fighting in his prohibition.

If you were truly 'not of this world' your speech would be less concerned with this world. As it is you, and many others here, talk out of both sides of their mouths...quoting bible verses and yet adding kindle to the earthly ideological struggle. (Something Christ and the apostles never did.)

At this point you can be shocked and offended, but accusing president Bush of plotting 9-11 (Different thread then this one...but the same spirit) entitles you to some offense. Compared to those poor souls dying in dutiful service to their various nations I do not have much honor I'm afraid. Yet, I have enough honor to not add to their misery by adding careless words in public internet space that only fuel the fires of war. If, for the sake of fellowship, we truly want to abstain from the wars of our nations, then let us abstain from all of war's cunning forms, practices, and guises.

Brothers, I do not ask anyone to be loyal to their nations if they feel God has called them to be nationless. But I think it is selfish to demand the same of your brothers and sisters in Christ who do not feel this extra-biblical calling. I do not recall Paul ever asking the people in his churches to publicly denigrate their nations or their governments. That is a mission that he was unconcerned with. Perhaps he knew better then to fracture the Church with his own political views.

Even John described the nations in spiritual terms. While he could've used contemporary and political terminology---he didn't. This is a discipline of love we in this international forum of saints must learn to practice. Our convictions must come under the law of love for one another. This, I believe is the way to be 'nationless'.

Our personal views may be rooted in valid and meaningful experiences. Yet we exceed the liberty of grace to force our burdens on others, when such a burden is not required from the Lord himself.

Money

Regarding any coming financial problems we are going to face...I think we would better spend our time exhorting one another to have godly character towards money, and to build one another in the faith of God's care, then reading to one another the worries and fears of unsaved men.

I have (recently) had the privilege of ministering to both the unsaved and the saved, and the middle class and the homeless, these past few weeks. Never once did I feel the need to talk to them about a coming depression or about the rise of China's economy. Never once did I feel to counsel them on their finances (or the dollar).

Oh the love of God in our shared hearts brethren! Let's be filled with the character of God before being angry and mistrustful towards this world. What shrewdness do we hope to acquire through all our digging and undercover work? Is there not enough provision in God for even the unschooled? Will we save ourselves by watching China, India and Russia? No! Only let Godly character be formed in us towards money and we can leave all this financial angling to the heathen.

Faith

Let me share something personal. I've made and lost millions. Much of what so called prophets describe, I lived through. Praise God I learned not to drink from the deep well of sorrow, but from the limitless river of His faithfulness! Sorrow is the lack of something you think you desperately need...yet abundant joy and deep peace comes to those who find that in jesus they have more then enough provision. Ho, every one that thirsteth, come ye to the waters, and he that hath no money; come ye, buy, and eat; yea, come, buy wine and milk without money and without price.

Now I didn't suffer financially because I lacked some prophet's insight on China, or missing some financial wisdom. My misfortune was because I lacked the character of God towards money. The bible speaks clearly how to regard money...if we ignore the scriptures and the Holy spirit then we find that God is not mocked.

And so I spent a long and difficult season of being beaten with my own rod. Yet in the pain of my own making I learned t o recognize the Lord's touch. The Lord is gentle and kind to take care of our daily needs. With his care, we walk through a mine field or worries and dangers and every footstep is his provision of grace.and a highway will be there; it will be call ed the Way of Holiness...No lion will be there, nor will any ferocious beast get up on it; they will not be found there.

Then why do we feel that there are so many lions and beasts in our hearts and minds? The Lord promises rest, but we a re the tempests that stir one another to fear and worry about not having enough money. Call it prophecy, discernment, o r watching if you dare, but I've learned there is no life in these things.

I'm not saying not to have political opinions or that having fears is wrong! Fears are quite natural. I am only saying that to batter one another with them in the name of Jesus is hurtful and burdensome. It has been my desire to practice this pati ent discipline for a couple of years now...but perhaps not enough. It becomes very difficult if others are goading and taun ting with their own license.

In the end, I would rather leave then feel resentment towards others. Is this what it will be like in the last days? The dear fellowship of saints huddled in a room together, sharing the latest news from CNN or some blog...how can we think deve loping such habits will save us then or now?

Thanks for the ear. I pray for all of us to be more like Christ to one another. Forgive me for being more outspoken then n ormal, but I truly do value our community here. (Including you Dorcas!) Am I so courageous as to rebuke everyone here for being afraid? Not on your life. I know my weakness. That is why I resist the addiction to know instead of trust. These t hings tempt fear and dispair...maybe not for big strong Christians, but perhaps for your brother or sister in Church. Have we been as diligent building up their faith as we have in digging up our news stories? If the bomb ever dropped, would we suddenly cease from these habits and turn to building up the saints then? This pattern of character is something to c onsider. Today, both in our churches and here on SI I believe, we are given the time to develop Christian habits, and to practicing for greater challenges.

Blessings,

MC

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2008/2/1 20:44

Hi Chris,

Thank you for the many questions about watching. I will certainly give more consideration to what I might *see* if I'm watc hing even more carefully, under the guidance of the Holy Spirit, as I believe I am.

Also, I feel I should own up that I'm not really watching for the Lord's return itself, as I believe His critical comments abou t the Pharisees being able to tell the weather from the sky, (Matt 16), but not being able to discern the times, is a hint tha t we *should* be able to discern the times. From that and others of His words, we may tell which prophecies *are* about to be fulfilled.

I don't go a bundle on non-scriptural terms like 'rapture' and at the moment I don't have an opinion about *when* I think th e Lord will return. Recent threads have pushed me back to scripture, and I'm still studying, (as you would say ;-)).

As far as posting links such as the clip to President Bush's speech, I expect that most Americans who have a tv would h ave had a chance to see that broadcast live or in a newscast. I post them more for those who are not in north America, whose access to the internet may be quite limited or very expensive, so there is a relevant marker available to them imm ediately and with a date on it. Perhaps also I should say that most of my comments are factual, rather than speculative. That is entirely deliberate, as those who *do* have a need to pick up on money news, can draw their own conclusions, pra y, and act according to God's leading. I know you do this already, and that as you seek the Lord, He will lead you in the path *you* should go. This same responsibility belongs to us all.

Quote:
-------------------------We know that Bush is the President of the most powerful nation on Earth.

Chris,

I know you know that power shifts around the globe. This is not a new thought. But, you might be very surprised to kno w just how recently the statement you made which I've quoted, has entered the public domain. It is, by comparason, *ver y* new. No-one was saying this as recently as five years ago. (I am not going to go searching for the earliest time it was heard publicly, but, feel free to prove me wrong.) This is a statement put out by the media. It may have begun as a quot e from a speech or a document, but it has entered the public consciousness with nothing but sophistry to support it.

Do you really believe the statement to be true? (You don't have to answer.) But if you want to answer, how are you qua ntifying greatness, please?

I don't ask by way of a competitive spirit over whose country is best, richest or whatever other comparator could be use d, but simply to ask you to think through whether you can really make that statement honestly, and if so, on what basis is it true? Also, I thought we already know from scripture (according to some people) that *the* Antichrist is going to appear i n a temple in Jerusalem, as the head of a one world government. Chris, I, too, have scepticisms, but that doesn't mean that the signs of the times are irrelevant. Some people's lives may depend on just one Christian knowing exactly how G od wants them to field a life or death situation. I have no idea how ready I am, but it bothers me immensely that I don't *k now* I'm ready!

Re: - posted by ccchhhrrriiisss (), on: 2008/2/1 20:58

Hi pastorfrin...
Quote:
-------------------------A few questions;
Is not your extended post, here and elsewhere on these subjects, considered as Â‘commentaryÂ’?

Are we to believe you over someone else on what you perceive as fact, allegation, assumption, interpretation and commentary? Why?

Just a clarification: I don't think that there is anything wrong with "commentary" (I actually own a few "commentaries" my self). Quite a bit can be gleaned from the words of others. But there is a very big difference between "commentary" and certain types of controversial allegations (news with commentary about some hidden "meaning" or "link") that are presen ted in a manner which places themselves and their allegations above reproof. Far too often, I find myself *suspicious* of t he public *suspicions* of such "watchmen." That is the rationale behind my "commentary."

There certainly needs to be a clear distinction between "truth," "news," and the same that is mingled with commentary th at "discerns" the "real meaning" of such things. It is a very easy thing to place a "disclaimer" in such matters (particular ly regarding the allegations of conspiracy). All you have to write is, "*It is my belief...*" or "*It is possible that...*" All to often , such things are presented in a manner meant to boldy influence the minds of others simply because someone felt that t hey were called to be a "watchman."

A watchman is certainly needed in this hour. But what are they supposed to watch? And what is the manner of alarm th at they are supposed to make? Are they supposed to allege specific conspiracy or simply to make us aware of the times and the imminent coming of the Lord? Far too often, I feel that many of today's "watchmen" are far too focused on the s pecific ideas and beliefs regarding the coming of the Antichrist rather than proclaiming the return of our Lord.

I feel that the call to "watch" is not simply to those called to supposedly be a "watchman" -- but to all of us. We can all w atch for our Lord's return. We can all be aware of the events around us in regard to the return of our Lord.

:-(

EDIT:
I apologize, Dorcas. You beat my post, so I didn't have the opportunity to read your post before replying. I agree with a

need to "discern" the signs of the Lord's return. But again, I think that this is very different than some of the allegations that are made (particularly of links between factual "news" reports and and "secret conspiracies").

Re: - posted by hisremnant, on: 2008/2/2 8:03

Praise Jesus!! Lion of Judah!!!

Pr 11:4 Riches do not profit in the day of wrath, But righteousness delivers from death.

This is not only a proverb it is also a prophesy.

Watch!

Hisservant rich

Matthew 4:17

Re: - posted by rookie (), on: 2008/2/2 10:50

Brother Mike wrote:

Quote:
-------------------------Brothers, I do not ask anyone to be loyal to their nations if they feel God has called them to be nationless. But I think it is selfish to demand the same of your brothers and sisters in Christ who do not feel this extra-biblical calling. I do not recall Paul ever asking the people in his churches to publicly denigrate their nations or their governments. That is a mission that he was unconcerned with. Perhaps he knew better then to fracture the Church with his own political views.

2Cr 6:12 You are not restricted by us, but you are restricted by your own affections.
2Cr 6:13 Now in return for the same (I speak as to children), you also be open.
2Cr 6:14 Do not be unequally yoked together with unbelievers. For what fellowship has righteousness with lawlessness? And what communion has light with darkness?
2Cr 6:15 And what accord has Christ with Belial? Or what part has a believer with an unbeliever?
2Cr 6:16 And what agreement has the temple of God with idols? For you are the temple of the living God. As God has said:

"I will dwell in them
And walk among them.
I will be their God,
And they shall be My people."

2Cr 6:17 Therefore

"Come out from among them
And be separate, says the Lord.
Do not touch what is unclean,
And I will receive you."
2Cr 6:18 "I will be a Father to you,
And you shall be My sons and daughters,
Says the LORD Almighty."

In this section of Scripture Paul points out that the Corinthians are suffering from double-mindedness. They have affections for God and still have affections for this world. Paul is speaking of the hopes that still reside in the hearts of the Corinthians. The Corinthians are still immature this is why he calls them children. (reference verses 12 and 13)

Paul identifies that there are two kings and two people. There is Christ and Belial. There are believers of Christ and unbelievers who are subjects of their father Lucifer. Paul states that there is no gray area for one to remain in spiritual adul

tery and say they are sons of God.
(reference verses 14-16)

Paul then commands those who claim Christ to depart from this double-mindedness....

2Cr 6:17 Therefore

"Come out from among them
And be separate, says the Lord.
Do not touch what is unclean,
And I will receive you."
2Cr 6:18 "I will be a Father to you,
And you shall be My sons and daughters,
Says the LORD Almighty."

We often say that there is wisdom in only the NT. Yet Paul goes back to the OT in hopes that we would learn from the examples given to us in Scripture. I have never added up the verses of the OT which speak of evil and good. I do not know the correct portion of Scripture which speaks of good. I do not know the correct portion of Scripture which speaks of evil. Yet, as a general perception, the OT Scripture seems to give us many many examples of how each generation was compromised by evil.

The world has not changed in these 4000 years. There is nothing new under the sun. Many in these NT times still live under this spiritual adultery. They have hope in Christ and the worldly system. They do not like to hear how this worldly system is compromising their walk with Christ.

In this present thread, the topic is about the greed, fear, and the foolishness of the kings and princes of this world and the path they have chosen to lead the sea of humanity down in this present generation. As in other threads, the topic widens and many times looses it focus.

Quote:
-------------------------Then why do we feel that there are so many lions and beasts in our hearts and minds? The Lord promises rest, but we are the tempests that stir one another to fear and worry about not having enough money. Call it prophecy, discernment, or watching if you dare, but I've learned there is no life in these things.

This reminds me of a promise in Scripture...

Isa 35:8 A highway shall be there, and a road,
And it shall be called the Highway of Holiness.
The unclean shall not pass over it,
But it shall be for others.
Whoever walks the road, although a fool,
Shall not go astray.
Isa 35:9 No lion shall be there,
Nor shall any ravenous beast go up on it;
It shall not be found there.
But the redeemed shall walk there,
Isa 35:10 And the ransomed of the LORD shall return,
And come to Zion with singing,
With everlasting joy on their heads.
They shall obtain joy and gladness,
And sorrow and sighing shall flee away.

The unclean shall not travel this highway. Because they choose not to walk this highway, they will continually encounter the lion and the ravenous beasts. Rest only comes when one stops struggling to find reason to hope in kings and princes of this earth.

Rev 14:8 And another angel followed, saying, "Babylon* is fallen, is fallen, that great city, because she has made all nations drink of the wine of the wrath of her fornication."
Rev 17:2 with whom the kings of the earth committed fornication, and the inhabitants of the earth were made drunk with the wine of her fornication."
Rev 18:3 For all the nations have drunk of the wine of the wrath of her fornication, the kings of the earth have committed fornication with her, and the merchants of the earth have become rich through the abundance of her luxury."

The inhabitants of this generation are being made drunk with the wine created by the kings fornicating with the great whore Babylon. These kings are now changing the scales of our money system. They are now socializing the risk created by their greed and immoral acts. They speak of free markets and yet seek to be saved from adhereing to free market principles.

Mat 17:24 When they had come to Capernaum, those who received the temple tax came to Peter and said, "Does your Teacher not pay the temple tax?"
Mat 17:25   He said, "Yes." And when he had come into the house, Jesus anticipated him, saying, "What do you think, Simon? From whom do the kings of the earth take customs or taxes, from their sons or from strangers?"
Mat 17:26   Peter said to Him, "From strangers." Jesus said to him, "Then the sons are free.
Mat 17:27   "Nevertheless, lest we offend them, go to the sea, cast in a hook, and take the fish that comes up first. And when you have opened its mouth, you will find a piece of money; take that and give it to them for Me and you."

The sons of the king do not pay custom or taxes.

We know that all Scripture is given to us for the purpose to enable us to "discern both good and evil." Those who do not want to discern evil have not heard Scripture.

Your brother in Christ
Jeff

Re: - posted by Compton (), on: 2008/2/2 12:06

Hi brother Jeff,

Thank you for your thoughts here. I certainly am in agreement to come away from this world's systems...it's affections and devices. The actual seperation can sometimes be a learning process. Sometimes we move too slow, or not fast and far enough. Sometimes we fail to see the evil in our culture, sometimes we become focused on it. In all of this we have patience for one another.

I am not loathe to have political opinions. However, I do feel that SI is an unusual situation comprised of international Christians on display before countless people. In this cirucumstance, I am wary that side concerns of the gospel over shadow the central fellowship.

This is not to say that we can not discuss the issue of war, or banking systems, or other controversial issues. But I feel we go to far to make synomymous our current convictions on these things with true Christianity. Perhaps there should be some places where these things are held at bay for a greater good. (At least I call it a greater good.) I sometimes feel we labor one another too hard on things that are important but not the Gospel.

I remember Michael Horton telling a story about two Christian men arguing with one another at a Vietnam protest. Later that day those same two brothers were praying for one another at the altar of a church. Obviously this place is not an altar...but it's as close any of us may ever come to one another.

Thanks you Jeff, for calling me a brother. I am in agreement with you on many many things. Most importantly we know in Christ we can affirm that our disagreements are inconsequential to the fellowship between us.

Blessings,

MC

Re: Just a quick comment, on: 2008/2/4 18:33

Quote:

Katy-did wrote:

Quote:
-------------------------I'll just say it once again...blending faith in biblical prophecy in with secular punditry is strange alchemy.

I believe the Christian call is to walk by faith not by sight.

All this is keeping your eyes on the world, and off of Jesus Christ.

Katy

Hi everyone

I have no head for financial matters, but just to share an illustration I learned through a friend who had the disease of macular degeneration.

This is the "wearing away" of the retina (a thin layer at the back of the eye, that actually senses light) in the central part of the eye, where we focus when we look at anything. I was surprised that she was perfectly able to walk through town and avoid bumping into anyone, or stumbling on rough ground or steps; while my mother, who had cataracts, had to hold my arm and let me help her navigate.

The reason was that my friend's *peripheral* vision was unaffected. She could see perfectly well out of the sides of her eyes; it was only when she tried to look directly at someone or something that she had problems.

Pondering on this, I realised that it is a parable!

If (assuming we have healthy spiritual "eyes") we focus on the Lord, rather than obstacles or dangers that may be in our way, then we can "navigate" better.

It is also much easier to avoid a missile if you are *not* looking directly at it. If something is coming at us from the side we instinctively move to avoid it, it's only when its coming directly towards us that we have problems judging speed and direction and are more likely to get hit.

Focus on Jesus and we will also be aware of the Enemy's attacks and schemes and better able to take avoiding action. Focus only on what the Enemy is up to, or what is happening in the world, and we will be in real danger.

That isn't to say we should be ignorant of current affairs, such as this, or fail to read the signs of the times - far from it - but *He* has to be our main focus.

A passage from Isaiah keeps coming to mind recently, in all sorts of contexts. The situation at the time of Isaiah was that there *was* a real threat (in this case two enemies making a league to attack Judah), but Isaiah was told to focus on the Lord and trust Him for protection:

Isaiah 8:9 Â¶ Associate yourselves, O ye people, and ye shall be broken in pieces; and give ear, all ye of far countries: gird yourselves, and ye shall be broken in pieces; gird yourselves, and ye shall be broken in pieces.
10 Take counsel together, and it shall come to nought; speak the word, and it shall not stand: for God is with us.
11 ***For the LORD spake thus to me with a strong hand, and instructed me that I should not walk in the way of this people***, saying,
12 Say ye not, A confederacy, to all them to whom this people shall say, A confederacy; neither fear ye their fear, nor be afraid.
13 ***Sanctify the LORD of hosts himself; and let him be your fear, and let him be your dread.***

14 And he shall be for a sanctuary...

I think you will see the relevance

in Him

Jeannette

Re: - posted by rookie (), on: 2008/2/12 14:58

Here is another attempt to stop what has happened due to greed and moral decay...

Paulson, U.S. Banks Forge Foreclosure-Freeze Deal (Update2)

By Alison Vekshin

Feb. 12 (Bloomberg) -- Bank of America Corp., Citigroup Inc. and four other U.S. lenders agreed with Treasury Secretar y Henry Paulson to take new steps to help borrowers in danger of foreclosure stay in their homes.

Paulson and the banks offered a 30-day freeze on some foreclosures while loan modifications are considered. The Trea sury chief, with Housing and Urban Development Secretary Alphonso Jackson, said today at a news conference in Was hington that ``Project Lifeline'' would help stabilize communities disrupted by mortgage defaults.

``If someone is willing to make a call, to reach out, there's a chance they can save their home,'' Paulson said. ``As our e conomy works through this difficult period, we will look for additional opportunities to try to avoid preventable foreclosure s.''

The program is designed to help a broad range of homeowners, not just subprime debtors who borrowed more than they could afford. Still, it won't help everyone, Paulson said. The U.S. housing correction ``is not over'' and ``the worst is just beginning'' for subprime borrowers who face higher interest rates in the next two years, he said.

In a statement, the banks said the program would start with a letter to homeowners more than 90 days delinquent on pa yments that lays out procedures for them to ``pause'' the foreclosure process. The homeowner has 10 days to respond t o the notice and give additional financial information so the lender is able to weigh new payment options.

Loan Types

Subprime, Alt-A and prime borrowers are eligible, according to the plan. Subprime mortgages are made to borrowers wit h poor credit or high debt. Alt-A loans are for borrowers who want atypical terms, such as proof-of-income waivers or inv estment- property collateral, without sufficient compensating attributes, such as larger down payments.

JPMorgan Chase & Co., Wells Fargo & Co., Washington Mutual Inc. and Countrywide Financial Corp. will also participat e in the plan. All six are members of Hope Now, the alliance of lenders, trade groups and counselors formed last year to head off a surge of foreclosures by identifying and working with borrowers struggling to meet higher payments.

The Treasury chief said the six banks account for half of the U.S. mortgage market, and called on other lenders to adopt the plan as well.

Rate Freeze

Paulson, who as recently as last month opposed a moratorium on foreclosures, wants lenders to go beyond earlier pled ges to freeze subprime interest rates for five years. The deepest housing slump in a generation is threatening consumer spending and the job market, pushing the economy to the verge of a recession.

Jackson said the plan is a ``responsible, timely effort'' aimed at encouraging borrowers to come forward if they're having trouble making payments.

``In some parts of our nation, the foreclosure crisis is have a devastating impact on neighborhoods and communities,'' s aid Floyd Robinson, head of Bank of America's home-loan business. He stressed that ``homeowners can only take adva ntage of this program by taking action -- they must respond when they hear from us."

Democratic Complaints

Paulson last week heard complaints from Democrats in Congress that the number of homeowners receiving relief so far has been insufficient. ``We are now in the midst of one of the most serious economic crises we have seen in recent year s,'' Barney Frank, the Massachusetts Democrat who heads the House Financial Services Committee, said in Boston yes terday.

Federal Reserve officials project about 2 million homeowners face higher mortgage rates over the next two years as thei r loans reset higher. Economists at the Federal Deposit Insurance Corp. estimate foreclosures this year will be about 1 million more than average, a level that FDIC Chairman Sheila Bair has said ``is just too high.'' They average about 600,0 00 in a typical year.

``This is good, but we've seen this over and over again,'' said Kathleen Day, a spokeswoman for the Center for Respons ible Lending in Washington. ``The fact that they keep having to roll out subsequent rescue plans every few weeks under scores that each plan is inadequate.''

House Prices

Declining house prices have made it harder for some borrowers to refinance as the value of their homes drops, sometim es to less than what they owe. Sales of existing homes fell the most in 25 years last year and values dropped for the first time since the Great Depression.

The accord among the six banks is the latest effort backed by the Bush administration to rescue troubled borrowers, and followed a week of talks between lenders and officials. In December, Paulson negotiated a deal that would freeze rates on some subprime loans for five years.

Democratic Senator Christopher Dodd of Connecticut, chairman of the Senate Banking Committee, is exploring the crea tion of a federal program to buy and restructure delinquent and near-delinquent loans ``to help many borrowers as quickl y as possible.''

Asked about Dodd's proposal today, Paulson said ``no I don't see that.''

``That is modeled on a program that was put in place during the Depression,'' Paulson said. ``We have many institutions that are now in place that weren't there'' to help in the 1930s, while the unemployment rate is now 4.9 percent, compare d with 25 percent back then, Paulson said.

(end of article)

Back in the 1970s is was okay for the common person to loose their job to oversea labor markets. Many promote the gl obal economy and free market principles. Yet this time it is different...much different. Now we are supposedly saving th e common person from losing their home. Yet, the real purpose is to save the banking system from imploding with wort hless CDOs and other financial gimicks. No longer is the private sector saying to government "hands off." Now they are pleading for more intervention....

Just a thought about this fallen world...Jesus said that one can not have two masters...hatred would focus on mammon f or the believer or hatred for God's kingdom for those who's master is mammon.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/2/13 14:55

This German bank would have failed just like the American banks...

Germany's IKB to Get Third Bailout for EU1.5 Billion (Update1)

By Aaron Kirchfeld and Andreas Cremer

Feb. 13 (Bloomberg) -- IKB Deutsche Industriebank AG will receive a 1.5 billion-euro bailout ($2.2 billion) led by the German government, the third rescue package for the bank as it reels from U.S. subprime investments.

Germany will provide 1 billion euros in capital to the Dusseldorf-based lender, government officials told reporters in Berlin today. The country's banks should help pay for the rest and talks on how to raise the remaining 500 million euros are continuing, the officials said.

``We have agreed to do everything to ensure that IKB can stay in business,'' Economy Minister Michael Glos told reporters in Berlin. ``Part of the agreement is an appeal to banks to make their own contribution to help create the preconditions which would enable us to keep IKB alive.''

The rescue package will bring total financial aid to IKB to about 7.7 billion euros. The bank became the first German casualty of the worst U.S. housing market in a quarter century, which has led the world's biggest banks to post more than $ 145 billion euros in writedowns and loan losses.

``An insolvency of IKB would have had unforeseeable consequences on the German financial market,'' Finance Minister Peer Steinbrueck told reporters. Glos and Steinbrueck are the chairman and deputy head of KfW Group, the state-owned development bank that controls IKB.

IKB has dropped almost 60 percent in Frankfurt trading in the last six months, cutting its market value to 514 million euros.

Stake Sale

The bank and its finance affiliates received about 6.15 billion euros in aid last year from Frankfurt-based KfW, which owns about 38 percent of IKB, and German banking associations. KfW alone has committed 4.95 billion euros, depleting most of its special fund for banking risks.

KfW plans to sell its IKB stake and started the sales process on Jan. 18. The 11.8 percent stake owned by Stiftung Industrieforschung will also be part of the offering. The German government estimates it will raise about 700 million euros from the holding, lawmaker Christine Scheel, who is also a member of KfW's administrative board, told reporters in Berlin.

An agreement on the bailout was necessary because IKB needed 500 million euros immediately to have sufficient capital to fulfill demands by German financial regulator BaFin to avoid insolvency, Scheel said. BaFin President Jochen Sanio threatened to close the bank last week if it didn't quickly receive new capital, Handelsblatt newspaper reported.

Need for Capital

The German lender faced near collapse in the summer when Rhineland Funding, a finance affiliate, couldn't raise money because investors were shunning debt backed by assets such as subprime loans. Four IKB management board members, including Chief Executive Officer Stefan Ortseifen, were relieved of their duties last year after an audit found the crisis was a result of ``flawed'' risk management.

IKB needs new capital because the price of structured credit products has declined amid the subprime crisis. The German bank has about 22 billion euros invested in such debt, including 16 billion euros held by two conduits and 6 billion euros at the bank itself, according to Deutsche Bank analyst Alexander Hendricks.

IKB warned in September that it may post a loss of as much as 700 million euros for the fiscal year ending March 31, 2008, and said future earnings will be ``significantly lower'' than in previous years as it curtails investments in international securities funded by commercial paper.

(end of article)

The scales are changed to save this corrupt system.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/2/22 8:03

Florida schools flee troubled bond market
The auction rate bond market is under fresh scrutiny after the $330 billion marketÂ’s recent breakdown cost issuers thousands of dollars in extra interest costs. California and the Port Authority of New York and New Jersey are among the entities pulling out of the market, Bloomberg reports, while the Wall Street Journal reports that lawyers and regulators are looking at possible actions on behalf of aggrieved issuers and investors.

The auction rate market allowed cities, school districts and the like to issue long-term debt at lower short-term rates by regularly allowing holders to sell their bonds at auction. But it now seems that Wall Street dealers such as Citi (C) and Merrill Lynch (MER) were among the biggest buyers of the bonds - and now that they have pulled back, in a bid to protect their strained balance sheets, thereÂ’s little demand for the bonds. ThatÂ’s why auctions have failed in recent weeks, briefly saddling highly rated issuers such as the Port Authority with rates as high as 20 percent. Bloomberg reports that the Port Authority now plans to get out of the auction rate market within six to eight weeks while redeeming some $200 million worth of debt that ended up carrying higher rates. Also refinancing are schools in Florida and a medical center in Washington state. As for individuals, investment adviser Michael Shedlock at Sitka Pacific suggests holders of muni bond funds that own auction-rate securities should get out while the gettingÂ’s good.

Re: - posted by rookie (), on: 2008/3/3 10:13

Auction Supply `Tsunami' Portends Municipal Losses (Update1)

By Michael McDonald

March 3 (Bloomberg) -- U.S. states and local governments may extend the worst slump in municipal bonds on record as they replace as much as $166 billion of auction-rate securities.

California, Boston's biggest hospital and Duke Energy Corp. are converting their bonds to other types of tax-exempt debt after auction failures drove rates as high as 20 percent. The potential supply equals almost 40 percent of the municipal securities sold last year, overwhelming a market that tumbled 4.9 percent last month, according to indexes maintained by Merrill Lynch & Co., which began compiling market data in 1989.

Rates increased last month as investors shunned the securities on concern the insurers that guaranteed the debt may be downgraded, and as dealers refused to buy bonds that went unsold at auctions. The higher borrowing costs are squeezing states and towns just as slowing growth threatens to cut revenue.

``It's a supply tsunami,'' said Robert Fuller, principal of Capital Markets Management LLC in Hopewell, New Jersey, a financial adviser to municipalities. ``All of that is going to be redone, and it's going to be redone fast,'' he said of auction-rate bonds.

Twenty-one states face budget deficits in fiscal 2009, including 16 that are short at least a combined $30 billion, according to the Washington-based Center on Budget and Policy Priorities.

Jefferson County

Standard & Poor's slashed the ratings on $3.2 billion of debt issued by Jefferson County, Alabama, to below investment grade on Feb. 29, citing costs from auction-rate and other bonds and interest-rate swaps used to finance its sewer syste m.

``The county can provide no assurance that net revenues from the sewer system will be sufficient to permit the county to meet the interest rate and amortization requirements of the liquidity facilities,'' officials said in a notice last week.

For at least a decade, auction-rate bonds allowed municipalities, closed-end funds and student lenders to borrow long te rm while getting short-term rates with securities whose yields are reset by bids every seven, 28 or 35 days. When there aren't enough buyers, the auction fails and rates are set at a level determined in official statements issued at the initial b ond sale. Investors are suddenly left holding securities they may have wanted to sell.

Municipalities sold about $166 billion of the bonds, or half the $330 billion total, according to estimates by Bank of Ameri ca Corp.

Failure Rate

The market started falling apart last month as banks from Goldman Sachs Group Inc. to Citigroup Inc. permitted thousan ds of auctions to fail by not buying bonds that went unsold. At least 60 percent of auctions haven't attracted enough bidd ers since Feb. 13, based on Bank of America and Bloomberg data. There were fewer than 50 failures in total from 1984 t hrough 2007, Moody's Investors Service said.

``We're in a brave new world right now,'' said Ross Berger, head of proprietary municipal credit and a portfolio manager at Wells Fargo Bank in San Francisco.

Yields on top-rated, fixed-rate bonds due in 30 years reached 4.89 percent on Feb. 28, the highest since August 2004, b ased on data from Municipal Market Advisors. A Bloomberg index of variable-rate demand note yields jumped almost 2 percentage points to 3.17 percent last week.

Market Anomaly

Municipal yields are rising as those on Treasuries fall, creating a market anomaly, since local government debt is exemp t from taxes and bonds sold by the federal government isn't. Top- rated, 30-year municipals offered yields last week that were 10 percent higher than Treasuries of comparable maturity, the most in more than 11 years, Citigroup strategist Ge orge Friedlander said in a Feb. 29 report.

Hedge fund managers sought to sell as much as $3 billion of municipal securities last week, traders said. ``Bids wanted'' totaled $1.1 billion on Feb. 29, after averaging $600 million the past 90 days, according to a Bloomberg index.

The auction-market fallout has spread to student loan organizations and corporations. The Pennsylvania Higher Educati on Assistance Agency, the second-largest seller of auction-rate debt for the past seven years, said it will stop making stu dent loans after paying $24 million in extra interest. Louisiana-Pacific Corp., the Nashville, Tennessee-based lumber co mpany, said last week it will take a charge of about $46 million to $54 million to write down its investments in auction- rat e securities.

California Converts

California, the biggest municipal borrower, is exploring ways to replace $1.25 billion of auction-rate bonds after yields on some of the debt almost doubled to 6 percent. States including Wisconsin are also working on plans to convert their high -cost debt, as are agencies such as the New Jersey Economic Development Authority.

The board of Charlotte, North Carolina-based Duke Energy last week approved plans to replace $883 million in auction-r ate securities that its utility subsidiaries sold in the municipal market. Boston's Partners Healthcare System Inc. this wee k plans to begin converting $150 million into variable-rate demand notes, which unlike auction securities permit investors to ``put'' the bonds back to the issuer or liquidity provider.

Partners, Boston's largest hospital system, is also exploring replacing another $300 million in auction bonds. Some issue rs are preparing to refinance debt with another form of variable-rate bonds and others are considering selling fixed- rate debt.

``When you've got many issuers representing hundreds of billions of dollars trying to restructure their bonds all at once, t here's obviously a glut,'' said Paul Rosenstiel, California's deputy treasurer. ``It doesn't make for any easy solutions.''

Re: - posted by rookie (), on: 2008/3/4 8:21

Citigroup May Need Cash as Losses Mount, Dubai Says (Update2)

By Will McSheehy and Matthew Brown

March 4 (Bloomberg) -- Citigroup Inc., the biggest U.S. bank, may need additional capital from outside investors as loss es stemming from the collapse of the U.S. subprime mortgage market increase, the head of Dubai International Capital LLC said.

Citigroup received $7.5 billion in November from Dubai's neighbor, Abu Dhabi, after record mortgage losses wiped out al most half the company's market value and led to the departure of Chief Executive Officer Charles Prince. The New York-based company said in January it was getting another $14.5 billion from investors, including the governments of Singap ore and Kuwait.

``It will take a lot more than that to rescue Citi and other financial institutions,'' said Sameer al-Ansari, the chief executive officer of Dubai International, at a private-equity conference in Dubai today. Dubai International is among the investment funds controlled by Dubai ruler Sheikh Mohammed bin Rashid al-Maktoum.

Citigroup probably will report a first-quarter loss of $1.66 a share after $15 billion of mortgage-related writedowns, Merrill Lynch & Co. analyst Guy Moszkowski said in a report issued today. The company also may have $3 billion of markdown s from loans used to finance leveraged buyouts and commercial real estate, Moszkowski estimates.

Sovereign Funds

Citigroup slumped 54 percent in New York trading during the past 12 months. The stock fell 30 cents today to $22.79 in German trading.

Moszkowski also cut his earnings estimates today for Bank of America Corp., the second-largest U.S. bank by assets, a nd Wachovia Corp., the country's No. 4 bank, because of the deteriorating credit markets. Both companies are based in Charlotte, North Carolina.

Arab states led by Qatar, Kuwait and the United Arab Emirates, which are loaded with cash from record oil and gas reve nue, have purchased stakes in U.S. and European financial institutions, including Merrill Lynch & Co., Morgan Stanley a nd UBS AG, as losses mounted from the U.S. mortgage market.

In all, banks and securities firms have so far raised about $105 billion from sovereign wealth funds, governments and pu blic investors, according to data compiled by Bloomberg. Dubai International has invested in companies including Londo n-based HSBC Holdings Plc, Europe's biggest bank by market value, and New York-based hedge fund Och-Ziff Capital Management Group LLC.

``Gulf sovereign wealth funds will continue to be interested in the major U.S. financial institutions,'' said Giyas Gokkent, t he head of research at National Bank of Abu Dhabi, the third- largest bank in the United Arab Emirates by market value. ``The scope for investments is going to be more limited than what we have seen so far.''

Prince Alwaleed

Qatari Prime Minister Sheikh Hamad bin Jasim bin Jaber al- Thani said Feb. 18 that the emirate is buying shares of Zuri ch- based Credit Suisse Group and plans to spend as much as $15 billion on European and U.S. bank stocks in the next year.

Abu Dhabi is Citigroup's largest shareholder, ahead of Los Angeles-based Capital Group Cos. and Saudi billionaire Prin ce Alwaleed bin Talal, Bloomberg data show.

The assets of state-managed funds have increased to $3.2 trillion, fueled by record oil prices and rising currency reserves. Analysts at New York-based Morgan Stanley estimate the funds' assets will reach $12 trillion by 2015.

(end of article)

Our banking system would fail if it wasn't for these Arab investment fund's cash infusions. They would fail because of their love of money...

Re:, on: 2008/3/4 8:46

We do pray for America, but think about it, should we? what exempts us from the troubles brought about by disobedience and false Gods....

Now it is said that religion or rather people are changing faith, I do not know what God has in store for us, but I do not think that we will escape.

If we do, then I am all the more grateful for it to God....let us pray brethren

Re: - posted by psalm1, on: 2008/3/4 10:44

The greed of these big corporations is appalling.
there will always be greed but this is greed on steroids.

They think,turn up the profits a little higher,higher higher.
"what goes up must come down"
this is true with our walk. "for God opposes the proud"

This financial house of cards has become a monster.
It will carry all who want a ride into the desert and then roll over and die.
Thank you Jesus for your provision.

TRUST HIM AND WATCH THE WICKED LAMENT FOR THEIR DEAD god.

David

Re: - posted by rookie (), on: 2008/3/10 12:34

CNBC
Billionaire Investor Sees Bank Failures Ahead
Monday March 10, 10:52 am ET

Billionaire investor Wilbur Ross says the current market downturn differs from previous slumps in that no American banks have yet failed this time, but he suggests that's about to change.
"I think that's going to be the next wave, and coupled with problems in the commercial real estate market; I think they'll be the next bubbles that burst," the chairman and CEO of W. L. Ross and Company told CNBC's "Squawk Box" in an exclusive interview.

He was asked about the risks to big banks.

"I think that the big banks won't fail in the sense that they will go to zero and depositors would lose money," Ross replied. "I think the Fed and other regulators will make things happen.| I think it's the medium-sized banks, and particularly some of those that got overextended with the subprime and other kind of mortgage debt.| I think those are the ones that had the serious mismatch, making 20- and 30-year loans based on 90-day deposits."

Ross's comments echo those made by Federal Reserve Chairman Ben Bernanke, who told a Senate committee on Feb. 28 that some smaller regional banks that heavily invested in real estate could go under.

Ross and other high-profile investors have made recent moves in the credit markets, explaining that they have done so to snap up bargains. Last week it was reported that Ross had invested $1 billion into municipal bonds.

In the meantime, Ross said he didn't think the U.S. economy would recover any time soon.

"I think at best we're in for stagflation," Ross said, referring to the combination of higher inflation and weak economic growth. "I think the consumer has been tapped out for quite a while and is frightened by the poverty effect of seeing the house go down."

Straightening out the problems in the bond industry, particularly the situation of the insurers who backstop bond offerings, would go a long way toward fixing the current paralysis in the credit markets, Ross intimated. That process is underway, he suggested, with the current reassessment by ratings agencies of the bond insurers.

"Making real triple-As will solve a lot of the problem," he said. "The problem is we've had a lot fake triple-As before."|

That effort is far from over, indicated New York State Insurance Commissioner Eric Dinallo, who has been at the center of efforts to stabilize the sector. Troubled bond insurers MBIA (NYSE:MBI - News) and Ambac (NYSE:ABK - News) successfully raised fresh capital last week, he noted. Now attention now turns to FGIC, he said, also during an appearance on "Squawk Box."(Read more here).

(end of article)

The big banks are not subject to free market principles. They will be saved from failure...

Re: - posted by rookie (), on: 2008/3/11 10:15

Stocks Soar After Fed Credit Plan
Tuesday March 11, 10:00 am ET
By Joe Bel Bruno, AP Business Writer
Wall Street Moves Sharply Higher After Fed, Other Central Banks Move to Ease Credit Crisis

NEW YORK (AP) -- Wall Street rebounded sharply Tuesday after the Federal Reserve and other central banks said they will pump $200 billion into the financial markets to help ease the strain from the credit crisis. The Dow Jones industrials surged nearly 250 points.

The program is part of a worldwide effort to help struggling banks and mortgage providers. The Fed -- acting in concert with the European Central Bank, the Bank of Canada and the Swiss National Bank -- agreed to loan banks money in exchange for debt that includes slumping mortgage-backed securities.

The Fed's latest move was seen as a direct boost to struggling banks by avoiding having to dramatically slash interest rates when the central bank's policymaking Open Market Committee meets next week. Economists continued to be concerned about the unrelenting rise in oil prices and the dollar's weakness, which contribute to inflation -- and cutting rates only add to these pressures.

"The big problem has been the financials, and this helps supply money directly to the banks and may take some of the need for aggressive rate cutting off the table," said Peter Dunay, chief investment strategist at Meridian Equity Partners. "The Fed is basically going to take the bad loans off the banks' books, and the market seems to be loving that idea."

....

Let the bailout of the king's sons begin....

Re: - posted by rookie (), on: 2008/3/13 8:30

How a lender bailout hurts the economy
The Federal Reserve's efforts to ease the credit crunch risk stoking inflation - and letting reckless, well-paid execs off the hook.
By Colin Barr, senior writer

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NEW YORK (Fortune) -- The government is showing considerable ingenuity in devising new tactics to fight the credit crunch. But some observers fear that the innovations risk making matters worse - by fueling inflation and insulating executives who made reckless bets from the full wrath of the market.

The Federal Reserve set off a ferocious stock market rally Tuesday with its plan to lend banks as much as $200 billion over 28 days later this month. The plan sent shares of hard-hit lenders such as Fannie Mae (FNM), Freddie Mac (FRE, Fortune 500) and Washington Mutual (WM, Fortune 500) soaring, because the Fed will allow borrowers to use privately issued mortgage-backed securities as collateral. Investors have fled those securities because they see a rising risk that mortgage bonds will become impaired as housing prices slide and defaults tick higher.

Tuesday's plan, dubbed the Term Securities Lending Facility, wasn't the first Fed move aimed at loosening up the debt markets. Late last year the Fed rolled out a similar plan called the Term Auction Facility that briefly succeeded in bringing down the interest rates banks charge one another for overnight loans.

"Think of Ben Bernanke as action hero," Felix Salmon wrote this week at Portfolio.com. "Every time the credit markets seize up and threaten to bring down the U.S. financial system, he pulls out a new weapon."

Not quite a fan club
Not everyone is a fan of Action Ben, however. David Rosenberg, chief North American economist at Merrill Lynch (MER, Fortune 500), wrote Wednesday that this week's Fed action will do little to counter the impression that Bernanke & Co. is struggling with problems that the Fed ultimately has little control over.

"This latest experiment, as with the others undertaken thus far, does not address underlying credit problems, does not materially improve the solvency of the institutions exposed to assets under stress, does nothing to put a floor under home prices," Rosenberg wrote in a note to clients. "We see no reason based on this for anyone to change their economic or earnings outlook despite the stock market's initial reaction to this latest initiative."

Rosenberg, who has been predicting for some time that the economy will slip into recession this year, expects the Fed to cut its fed funds rate to as low as 1% later in 2008, down from 3% now and 5.25% back in August. Observers expect the rate cuts to continue next week, with a cut as deep as 75 basis points at the Fed's regularly scheduled meeting. But there's little optimism that the cuts will do anything to stimulate demand for houses, which remain pricey by historical measures, or even bring down mortgage rates, which have been rising since the Fed's slashed rate by more than a percentage point over eight days at the end of January.

The fear is that by expanding its emergency lending programs and sharply cutting rates, the Fed will turbocharge alread y healthy parts of the economy - at the cost of reduced purchasing power by dollar holders. Meanwhile, the big problem - bad loans tied to houses whose value is now declining - continues to fester.

"We're in the helicopter phase now," says Howard Simons, a strategist at Bianco Research in Chicago. He references the nickname Helicopter Ben, which Bernanke got tagged with after a 2002 speech on how central banks can steer away from deflation by dropping money into the economy.

Simons says he appreciates the Fed's need to make sure the economy has sufficient liquidity. But with gasoline prices approaching an all-time inflation-adjusted high and the price of milk having jumped 12% last year, inflation "is a very real concern," Simons says.

Betting on inflation
He points to the action in Treasury Inflation Protected Securities - bonds whose principal amount is adjusted upward when the consumer price index shows inflation and drops when it shows deflation. The yield on five-year TIPS recently turned negative - meaning that investors buying the securities now are accepting a lower interest rater than they would get on comparable Treasury notes, in the expectation of making up the difference in coming years via the inflation adjustment. In essence, they are betting that buying TIPS will shield them from the loss of purchasing power they would suffer over time by holding nominal Treasurys.

David Merkel, chief economist at broker-dealer Finacorp Securities, agrees that inflation is worrisome but adds that the makeup of the current board of governors ensures the Fed will "err on the side of inflation." Along with Bernanke, Fed Vice Chairman Donald Kohn and governor Frederic Mishkin "are students of the Great Depression," Merkel says. "So you're going to see more loosening" of monetary policy when the economy runs into trouble.

Inflation isn't the only worry on the minds of Fed critics. Dean Baker, co-director of the Center for Economic and Policy Research in Washington, says the Term Securities Lending Facility and moves like it amount to a government bailout of corporate executives who made reckless bets - and who should be made to pay the tab with their jobs.

"The Fed's actions are keeping banks from having to write down large losses and quite likely go into bankruptcy," he writes on his blog at the American Prospect. "The result is that the bank executives, whose inept management pushed them into bankruptcy, get to keep their jobs and their salaries, which run into the tens of millions a year." Meanwhile, homeowners facing foreclosure - not to mention ordinary savers who are watching inflation erode the value of their nest eggs - remain quite unbailed-out.

Simons says the whole mess points up the limitations of the Fed. "They're not crisis managers," he says. "There's no playbook for this."

(end of article)

The banks lent with no regard to the ability of the borrower to pay back. The assets were artificially inflated beyond any reason. The only reason, of course, is greed.

And now those who pay taxes will be required to support the "leaders" of this country who created this moral abyss....

The only hope is Christ...

Re: - posted by rookie (), on: 2008/3/14 10:00

JPMorgan Chase Funding Bear Stearns
Friday March 14, 9:32 am ET
JPMorgan Chase, With Federal Reserve Bank of NY, to Provide Funding to Bear Stearns

NEW YORK (AP) -- JPMorgan Chase says that in conjunction with the Federal Reserve Bank of New York it will provide temporary funding for Bear Stearns.
The funding will be provided as necessary for up to 28 days. During that time, JPMorgan Chase will also help Bear Stearns find permanent financing.

Bear Stearns says its liquidity significantly deteriorated over the past day and the temporary funding will help it continue operating normally. The investment bank added there is no guarantee any permanent strategic alternatives will be successful.

There has been speculation this week that Bear Stearns was struggling with liquidity problems.

Bear Stearns shares spiked in premarket trading but then fell back on the news.

(end of article)

In other words, if Bear Stearns was subject to free market principles, they would declare bankruptcy today....

Re: - posted by rookie (), on: 2008/3/14 14:58

Fed Pledges to Supply Cash
Friday March 14, 1:53 pm ET
By Martin Crutsinger, AP Economics Writer
Fed Endorses Rescue Effort for Bear Stearns and Pledges to Supply Cash to Financial System

WASHINGTON (AP) -- The Federal Reserve invoked a rarely used Depression-era procedure Friday to bolster troubled Bear Stearns Cos. and said it will provide even more help to combat a serious credit crisis.
ADVERTISEMENT

The action won praise from the administration, with President Bush saying that Fed Chairman Ben Bernanke was "doing a good job under tough circumstances."

The Fed announcement came in a brief two-sentence statement that was issued as stocks were plunging on Wall Street over worries that a plan to ease a liquidity crisis at Bear Stearns Cos. might not work. Federal Reserve Chairman Ben Bernanke, delivering a speech later Friday, told a housing group he had had a "busy morning." He did not elaborate on the Fed's action regarding Bear Stearns.

"The Federal Reserve is monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly functioning of the financial system," the board said in its statement. It said members had voted unanimously to approve the arrangement, announced by JP Morgan Chase and Bear Stearns earlier.

Delivering a speech on the economy in New York, Bush voiced confidence in the Fed's actions to aggressively cut interest rates and the Fed announcement last week that it would supply up to $200 billion in loans to cash-strapped financial institutions.

"It was a strong action by the Fed and they did so because some financial institutions that borrowed money to buy securi ties in the housing industry must now repair their balance sheets before they can make further loans," Bush said. "Today 's actions are fasting moving, but the chairman of the Federal Reserve and the secretary of the treasury are on top of the m and will take the appropriate steps to promote stability in our markets."

The plan announced Friday will supply secured funding to Bear Stearns for an initial period of 28 days, seeking to provid e short-term relief for Bear Stearns.

Senior Federal Reserve staffers said the arrangement allows JP Morgan Chase to borrow from the Fed's discount windo w and put up collateral from Bear Stearns to back up the loans. JP Morgan, a bank, has access to the discount window t o obtain direct loans from the Fed, but Bear Stearns, an investment house, does not.

This type of procedure, Fed officials said, dates back to the Great Depression of the 1930s but has rarely been used sin ce that time.

In his speech, Bush said the administration had a plan to deal with the problems in credit and housing markets and said he opposed a number of measures pending in Congress to go further by allocating billions of dollars to purchase abando ned and foreclosed home and changing the bankruptcy code to allow judges to adjust mortgage terms.

However, Senate Banking Committee Chairman Christopher Dodd, D-Conn., said the problems at Bearn Stearns, one of the country's largest investment banks, highlighed the need for more aggressive efforts.

"Instead of cheerleading and reacting with tepid measures, the administration should act boldly and decisively to prevent the looming foreclosure crisis from having catastrophic consequences for our economy and our markets," Dodd said in a statement.

Treasury Secretary Henry Paulson praised the Fed's leadership and said that the country's financial system would be ab le to weather the problems.

"As we have been saying for some time, there are challenges in our financial markets and we continue to address them, " Paulson said in a statement. "This is another challenge that market participants and regulators are addressing. We are working closely with the Federal Reserve" and the Securities and Exchange Commission.

Paulson said he appreciated the leadership of the Fed "in enhancing the stability and orderliness of our markets."

The action by the Fed board in Washington represented an endorsement of a rescue effort for Bear Stearns that had alr eady been arranged by JPMorgan and the Federal Reserve's New York regional bank.

It was seen as a last-ditch effort to save the investment bank, which on Friday acknowledged its serious financial proble ms after a week of denials.

JPMorgan Chase is providing an undisclosed amount of secured funding to Bear for 28 days, backstopped by the Feder al Reserve Bank of New York.

The Securities and Exchange Commission issued a statement saying it has been "in close contact" with Treasury, the F ederal Reserve and the Federal Reserve Bank of New York during discussions concerning an agreement by J.P. Morga n Chase & Co. to provide a secured loan facility to The Bear Stearns Companies.

"We will continue to work closely together in a way that contributes to orderly and liquid markets," the SEC said.

Last week, the Fed announced an industry-wide rescue package that would provide as much as $200 billion in loans to banks and investment houses and allow them to put up risky home-loan packages as collateral. It was the Fed's latest ef fort to stem a global credit crisis that began last August with rising loan defaults for subprime mortgages, loans provided to borrowers with weak credit histories.

Re: - posted by rookie (), on: 2008/3/17 6:10

JPMorgan acquires troubled Bear
The deal values Bear Stearns at just $2 a share. Regulators hope purchase will stave off wider chaos in financial markets.

NEW YORK (CNNMoney.com) -- JPMorgan Chase & Co. said Sunday that it would acquire troubled Wall Street firm Bear Stearns for a mere fraction of what it was once worth amid deepening fears about further erosion of the world's financial markets.

The rock-bottom price left investors feeling queasy. Asian markets tumbled, with Japan's benchmark Nikkei index finishing Monday's session nearly 4% lower. U.S. stock futures plunged, indicating a miserable start for Wall Street.

The all-stock deal values Bear Stearns at $236 million, or just $2 a share. The company's stock had closed at $30 on Friday, down a staggering 47% for the day.

Regulators support the deal and the Federal Reserve provided $30 billion in funding: With the global credit crisis worsening, the Fed has been taking dramatic action to help banks and prevent widespread panic.

Over the past three days, roughly 200 JPMorgan staffers were working on the deal, assessing the strengths of Bear Stearns' different businesses and its exposure to toxic mortgage securities, JPMorgan executives said during a conference call held Sunday night.

They noted that the offering price, which comes at a steep discount to Bear Stearns book value price of $84 per share, was to provide a cushion to protect JPMorgan in turbulent times and would provide the company "margin for error."

The fire-sale price raises questions about the value of other investment banks.

"A $2 per share price will send a shudder through every investment bank investor in the world," said James Ellman, head of San Francisco-based Seacliff Capital, a hedge fund specializing in financial services. "Many will say that stand-alone investment banks' days are numbered."

That could spell trouble for firms such as Lehman Brothers and Jefferies Group, which, like Bear Stearns, don't have large asset or wealth-management businesses for support. These divisions are helping prop up firms such as Morgan Stanley during these tough times on Wall Street.

Bear Stearns was on the brink of financial collapse Friday when JPMorgan (JPM, Fortune 500) and the Federal Reserve Bank of New York said they would provide the brokerage a short-term loan. Bear was dealing with a classic run-on-the-bank: The firm's short-term creditors refused to lend the firm any more money and simultaneously demanded repayment of outstanding debt.

Treasury Secretary Henry Paulson said on Sunday that talks about how to rescue Bear had continued throughout the weekend. He defended the Fed's bailout on Friday as "the right decision" and said the Bush administration was ready to take other actions to bring stability to the financial markets.

The fast-track deal, which is expected to close by the end of June pending shareholder approval, is expected to generate roughly $1 billion in after-tax earnings for JPMorgan over the next 12 to 18 months.

(end of article)

In the old days this event was called a "run on the bank." There is speculation that Lehman Brothers and Merril Lynch are next...

Re: - posted by rookie (), on: 2008/3/17 8:27

Auction-Bond Failures Deplete New Hampshire Universities Fund

By Michael McDonald

March 17 (Bloomberg) -- The fallout from the collapse of the auction-rate bond market has infected New Hampshire, where the state college and university system was forced to tap its reserves to cover more than $1 million in extra borrowing costs.

``It hurts,'' Ken Cody, associate vice chancellor of finance for New Hampshire's state college and university system, said in a phone interview. ``We have very limited resources.''

Yields on the system's bonds rose to as high as 7.8 percent last month from 3.9 percent in January after auctions run by Wall Street firms failed, depleting funds for campus maintenance, Cody said. The system converted $84.3 million of the debt to bonds with fixed payments and plans to bid at an auction of its remaining $63.6 million of securities this week to reduce rates, he said.

New Hampshire is among municipal borrowers that are likely to offer to buy their own securities after the U.S. Securities and Exchange Commission said March 14 that the bids wouldn't run afoul of laws against market manipulation. Lehman Brothers Holdings Inc., which managed the auctions, prevented the system from bidding last month, Cody said.

The $330 billion market for auction-rate securities imploded in February after dealers who supported it for more than two decades stopped bidding for bonds investors didn't want, pushing interest costs to as high as 20 percent. Since then, almost 70 percent of the auctions for debt sold by cities, colleges, student lenders and closed-end funds have failed each week, according to data compiled by Bloomberg.

Rising Rates

Auction-rate bonds have interest rates determined through bidding run by dealers every seven, 28 or 35 days. When there aren't enough buyers, the auction fails and rates are set at a predetermined level set in documents when the bonds were issued.

Auction rates on debt that reset every seven days jumped to 6.73 percent this month from an average 3.94 percent in the previous year, according to a Securities Industry and Financial Markets Association index. Bondholders who wanted to sell are left holding securities.

Zurich-based UBS AG, Europe's biggest bank by assets, was sued on March 14 by a client for investing in auction-rate bonds. UBS marketed the securities as being ``just as good as cash,'' according to the complaint filed in Manhattan federal court. A UBS spokeswoman, Kris Kagel, said in an e-mailed statement that the bank is ``working with clients on a case-by- case basis, to restore their immediate liquidity needs.''

Paying 20 Percent

Issuers from Cleveland to Chicago's school system to Jefferson County, Alabama, which was downgraded to below investment grade as a result of the higher auction costs, face resets on their debt this week.

The Port Authority of New York and New Jersey, owner of bridges, tunnels and airports around New York City, sold $700 million of bonds March 12 to refinance auction securities after rates on its debt soared to 20 percent Feb. 12 from 4.3 percent the week before. California's Department of Water Resources sold $1 billion of bonds backed by electric fees to repay auction debt.

State and local governments sold more than $20 billion of bonds the past two weeks, about the same amount for all of February, data compiled by Bloomberg show. About $4.2 billion of bonds are scheduled to be offered this week.

As issuers rush to get out of auction debt, the new bonds they sell are weighing on the municipal market. Long-term tax-exempt municipals fell last week, pushing 30-year yields 5 basis points higher to 4.88 percent, Municipal Market Advisors data show. A basis point is 0.01 percentage point.

The bonds, which are tax-exempt, yield more than Treasuries, whose interest is taxable. The 30-year Treasury bond yielded 4.36 percent on March 14.

Bond Insurer Woes

The University System of New Hampshire converted two series of its auction-rate securities last week to one-year bonds yielding 3 percent, according to Cody. The $84.3 million in debt is insured by Ambac Assurance Corp.

Ambac, a unit of New York-based Ambac Financial Group Inc., was cut to AA from AAA by Fitch Ratings in January. It's still rated AAA by Standard & Poor's and Moody's Investors Service. Concern that the creditworthiness of bond insurers may deteriorate amid writedowns on debt tied to subprime mortgages led investors to shun auction-rate securities backed by the guarantees.

New Hampshire's university system has $63.6 million in auction debt outstanding insured by XL Capital Assurance, which was downgraded from AAA by all three rating companies. It will convert that debt to variable-rate demand bonds this month, Cody said.

``It's worse than worthless,'' he said, about the XL insurance. The system is also converting $97.3 million in variable-rate demand bonds insured by XL, which is a unit of Hamilton, Bermuda-based Security Capital Assurance Ltd.

(end of article)

Many many local governments are beginning to see increased burdens on their debts.

Re: The Dynamics of the 8/9/07 Stock Market Panic ... continue ..., on: 2008/3/17 9:49

Author of the above article said

Quote:
-------------------------municipal borrowers that are likely to offer to buy their own securities after the U.S. Securities and Exchange Commission said March 14 that the bids wouldn't run afoul of laws against market manipulation.
----
rookie said

Quote:
-------------------------Many many local governments are beginning to see increased burdens on their debts.

'According to Devvy Kidd, "Why A Bankrupt America?" The Federal Reserve pays the Bureau of Engraving & Printing approximately $23 for each 1,000 notes printed. 10,000 $100 notes (one million dollars) would thus cost the Federal Reserve $230. They then secure a pledge of collateral equal to the face value from the U.S. government. **The collateral is our land, labor, and assets... collected by their agents, the IRS**.

By authorizing the Fed to regulate and create money (and thus inflation), Congress gave private banks power to create profits at will.

As Lindberg put it: "The new law will create inflation whenever the trusts want inflation...they can unload the stocks on the people at high prices during the excitement and then bring on a panic and buy them back at low prices...the day of reckoning is only a few years removed." That day came in 1929, with the Stock Market crash and Great Depression.

One of the most important powers given to the Fed was the right to buy and sell government securities, and provide loans to member banks so they might also purchase them. **This provided another built-in mechanism for profit to the banks, if government debt was increased. All that was needed was a method to pay off the debt. This was accomplished through the passage of the income tax** in 1913...

As presented to the American people it seemed reasonable enough: income tax on only one percent of income under $20,000, with the assurance that it would never increase.

Since it was graduated, the tax would "soak the rich", ...**but the rich had other plans**, already devising a method of prot ecting wealth ... described by Gary Allen in his 1976 book "The Rockefeller File," ...

Exchanging ownership for control of wealth, foundations are also a handy means for promoting interests that benefit the wealthy. Millions of foundation dollars have been "donated" to causes such as promoting the use of drugs, while deg rading preventive medicine. Since many drugs are made from coal tar derivatives, both oil companies and drug manufac turing concerns ... are the main beneficiaries.

With the means to loan enormous sums to the government (the Federal Reserve), a method to repay the debt (in come tax), and an escape from taxation for the wealthy, (foundations), all that remained was an excuse to borro w money. By some happy "coincidence," in 1914 World War I began, and after American participation national d ebt rose from $1 billion to $25 billion.'

(https://www.sermonindex.net/modules/newbb/viewtopic.php?topic_id21873&forum48&14) By William Blase (extracted from doctoral thesis)

Hi Jeff,

I realise the above extract is only part of the story, and probably is technically out of date now, on some legal details, but it is the most useful thing I have ever read to explain how notional money is turned into money in the pockets of the weal thy.

A system with the same meaning, is in operation over here, and the government is getting bolder in the way it is mixing economic models, to keep the tax-payer paying for stuff it already owns by a previous way of reckoning.

Re: - posted by rookie (), on: 2008/3/25 12:18

Money-Market Rates Rise, Defy Central Bank Measures (Update4)

By Gavin Finch

March 25 (Bloomberg) -- The cost of borrowing in dollars, euros and pounds for three months or less rose as efforts by p olicy makers to revive lending failed to stop banks from hoarding cash.

The three-month London interbank offered rate, or Libor, for dollars increased 5 basis points to 2.66 percent, the highest level since March 14, the British Bankers' Association said today. The comparable euro rate climbed 2 basis points to 4. 70 percent, the highest since Dec. 27.

``There's really only a handful of banks that are offering cash,'' said Ronald Tharun, a money-market trader at a unit of L andesbank Baden-Wuerttemberg, Germany's biggest state-owned bank. ``Everyone is just waiting for the next bank to g o down. There is no trust in the market. They're very afraid.''

Banks are unwilling to lend to all but the safest borrowers after at least $200 billion in losses and writedowns since the st art of 2007. Bear Stearns Cos. had to be rescued by JPMorgan Chase & Co. last week after a run on the bank. Central banks agreed this month to inject $240 billion into the banking system to counter the credit squeeze.

Credit losses linked to the collapse of the U.S. subprime- mortgage market will probably swell to $460 billion, Andrew Tilt on, New York-based senior economist at Goldman Sachs Group Inc., wrote in a report yesterday.

Central Bank Loans

The difference between the rate banks charge for three-month dollar loans relative to the overnight indexed swap rate s howed a decline in the availability of cash today. The so-called Libor- OIS spread widened 7 basis points to 64 basis poi nts. It averaged 8 basis points in the first half of 2007.

The cost of borrowing in euros rose even after the European Central Bank provided 216 billion euros ($336.5 billion) of cash to banks today, 50 billion euros more than it estimated was needed. The marginal rate was 4.23 percent, up from 4.16 percent last week.

The ECB also said it loaned banks $15 billion for 28 days in a separate dollar auction with the Federal Reserve. The Fed said it received 88 bidders at its auction of $50 billion of loans yesterday.

``There's still a lot of uncertainty in the market,'' said Jan Misch, money-market trader at Landesbank Baden-Wuerttemberg in Stuttgart. ``Banks are hesitant to lend among each other and nervous due to the closing of the quarter.''

`Credit Bubble'

The three-month rate for pounds climbed 1 basis point to 6 percent, its 11th straight increase, according to the BBA. The Bank of England injected an extra 5 billion pounds ($10 billion) in loans last week.

Concerted central bank action announced Dec. 12 temporarily eased the credit shortage at the end of last year. Still, money- market rates began rising again this month, prompting a second round of emergency lending.

``Institutions still have written off less than half of the losses associated with the bursting of the credit bubble,'' Goldman Sachs's Tilton wrote. ``There is light at the end of the tunnel, but it's still rather dim.''

Merrill Lynch & Co. fell for the first time in three days today after JPMorgan cut its 2008 profit estimate for the third- largest U.S. securities firm by 45 percent on concern that further writedowns may reduce earnings.

Merrill slipped 93 cents, or 1.9 percent, to $47.45 by 11:26 a.m. in New York Stock Exchange composite trading. The stock has fallen 44 percent over the past year, compared with a 27

Re:, on: 2008/4/2 7:44

'...the Bank of England's figures show that there was a record increase in other types of loans to individuals, excluding mortgages and credit card borrowing.

They rose by Â£2bn in the month, but the Bank said it thought this was largely due to students having to borrow more from the Student Loans Company because of an increase in tuition fees in the current academic year....'

I am appalled that governments are this willing to dump this level of financial pressure on the young of our country, when there is nothing to say either those so laden or the governments themselves, will ever be able to repay what has been borrowed. Is this sheer wickedness? Is such knowledge (as our kids will gain at universities) worth this kind of psychological sacrifice?

Is this not more reason than ever, for our young people to be intent on doing only God's will, and to get into this kind of financial dilemma only with His great strength undergirding them?

(http://news.bbc.co.uk/1/hi/business/7326000.stm) BBC Business news: Mortgage approvals at 13 year low - full article

"**The continuing decline in activity in the UK property market has been underlined by the latest Bank of England figures on mortgage lending.**

The number of new mortgages approved for house purchase fell slightly in February to just 73,000, said the Bank.

That was a 39% drop on the same month a year ago, and leaves prospective mortgage lending still at its lowest level for 13 years.

Housing equity withdrawal also slumped in the last quarter of 2007 to Â£7.3bn.

Re: - posted by rookie (), on: 2008/4/2 8:16

IMF Cuts Global Forecast on Worst Crisis Since 1930s (Update2)

By Shamim Adam

April 2 (Bloomberg) -- The International Monetary Fund cut its forecast for global growth this year and said there's a 25 percent chance of a world recession, citing the worst financial crisis in the U.S. since the Great Depression.

The world economy will expand 3.7 percent in 2008, the slowest pace since 2002, according to a document obtained by Bloomberg News at a meeting of Southeast Asian deputy finance ministers and central bankers in Da Nang, Vietnam. In January the fund projected growth of 4.1 percent.

The reduction is the third by the Washington-based lender since last July, when it predicted the world economy would co pe with the U.S. credit squeeze and grow 5.2 percent this year. Central banks will need to conduct policy ``as flexibly'' as the circumstances warrant, the statement said, adding that the European Central Bank has room to lower borrowing cost s.

``The financial shock that originated in the U.S. subprime mortgage market in August 2007 has spread quickly, and in un anticipated ways, to inflict extensive damage on markets and institutions at the core of the financial system,'' the stateme nt said. ``The global expansion is losing momentum in the face of what has become the largest financial crisis in the Unit ed States since the Great Depression.''

The world's biggest financial companies have reported about $232 billion in credit losses and writedowns since the start of 2007, data compiled by Bloomberg show. UBS AG said yesterday it will have $19 billion more writedowns on assets r elated to mortgage assets, and Deutsche Bank AG reported $3.9 billion of further value reductions.

Lending Freeze

That's prompting banks to stop lending to all but the safest borrower, undermining consumer spending and business inv estment.

``The IMF's forecast is now below the world economy's longer- term trend so there is certainly some significance in what it is now seeing,'' said Andy Cates, a global economist at UBS in London. ``The world economy is slowing quite consider ably and will be very different from what we've become accustomed to.''

The IMF gave a 25 percent chance that global growth will drop to 3 percent or less in 2008 and 2009, a pace the fund de scribed as equivalent to a world recession. The last time that happened was in 2001.

U.S. European Growth

The fund lowered its forecast for U.S. economic growth to 0.5 percent this year, according to the document, below a 1.5 percent prediction made in January. The world's biggest economy will expand 0.6 percent in 2009, it said.

The euro region will expand 1.3 percent in 2008, the document said, down from the fund's 1.6 percent projection in Janu ary.

``Growth in the U.S. and Europe is slowing sharply,'' the IMF document said. ``The ECB can now afford some easing of t he policy stance.''

The ECB has left its benchmark rate at a six-year high of 4 percent as inflation runs at 3.5 percent, above its goal of 2 pe rcent and almost the fastest pace in 16 years.

``The greatest risk comes from the still-unfolding events in financial markets, particularly the potential that deep losses o n structured credits related to the U.S. subprime mortgage market and other sectors would seriously impair financial-syst em capital and initiate a global de-leveraging that would turn the current credit squeeze into a full-blown credit crunch,'' t he statement said.

Asian Forecasts

Japan's economy, the world's second largest, will grow 1.4 percent in 2008, less than the 1.5 percent the IMF predicted i n January, according to the statement. China will grow 9.3 percent this year, slower than the 10 percent projection made in January, the statement said.

The Asian Development Bank today lowered its forecasts for Asia, and said central banks in the region would pursue pol icies to quell inflation rather than spur economic growth. The World Bank earlier this week also warned of the threat of ri sing energy and food prices.

Asia excluding Japan is predicted to expand 7.6 percent this year, less than a September estimate of 8.2 percent, the M anila- based ADB said in a report today.

``The divergence between advanced and emerging economies is expected to continue, with growth in advanced econo mies generally expected to fall well below potential,'' the IMF document said.

Roger Nightingale, global strategist at Pointon York Ltd. in London, said the IMF had been slow in spotting the slowdown .

Diverging Growth

``The IMF only really forecasts these things after they've begun,'' he told Bloomberg Television. ``You've got America, Ita ly and several other European countries and one or two Asian countries, actually in or very close to recession, and yet th e IMF just now begins to talk about this phenomenon.''

The IMF statement said world inflation would remain elevated in the first half of 2008.

The U.S. dollar is strong relative to fundamentals and China's yuan remains ``substantially undervalued,'' the document said.

``The main counterpart of the dollar's depreciation since August has been the appreciation of freely floating currencies, n otably the Canadian dollar and the euro, with the latter now being on the strong side relative to fundamentals,'' the state ment said.

Re: - posted by rookie (), on: 2008/4/3 14:54

AP
Bernanke Defends Bear Stearns Rescue
Thursday April 3, 2:31 pm ET
By Martin Crutsinger, AP Economics Writer
Bernanke, Other Government Officials Defend Bear Stearns Rescue to Protect US Financial System

WASHINGTON (AP) -- The Federal Reserve moved to assist a Wall Street investment bank on the brink of bankruptcy t o prevent a failure that could have dealt serious consequences to the U.S. economy, Federal Reserve Chairman Ben Be rnanke said Thursday.

"Given the exceptional pressures on the global economy and financial system, the damage caused by a default by Bear Stearns could have been severe and extremely difficult to contain," Bernanke told the Senate Banking Committee.

Bernanke was the top witness at a hearing called to examine whether the Fed was justified in providing up to $30 billion to facilitate the sale of Bear Stearns Cos. to JP Morgan Chase & Co.

The nation's fifth largest investment bank became the biggest victim of a severe credit crunch that has roiled markets sin ce last August and made it harder for consumers and businesses to get credit.

Democrats on the Senate Banking Committee said they wanted to find out what pressures the Bush administration had brought to close the sale and whether big investment banks were getting preferential treatment over millions of America ns in danger of defaulting on their mortgages.

"Was this a justified rescue to prevent a systemic collapse of financial markets or a $30 billion taxpayer bailout for a Wall Street firm while people on Main Street struggle to pay their mortgages?" Senate Banking Committee Chairman Christop her Dodd asked at the beginning of the hearing.

Dodd said he planned to focus on a period of 96 hours including the weekend of March 15-16, in which the federal gover nment took unprecedented actions to "stabilize our markets, to infuse them with liquidity and to prevent additional firms f rom being swept under the riptide of panic that threatened to have taken hold."

While members of the panel were generally supportive of the decisions, Sen. Jim Bunning, R-Ky., asked, "How big do yo u have to be to be too big to fail? ... Who let our financial system become so fragile that one failure jeopardizes the healt h of the entire system?"

Bernanke said that if Bear Stearns had been allowed to fail, it would have led to a "chaotic unwinding" of Bear Stearns in vestments held by individuals and other financial institutions.

"Moreover, the adverse impact of a default would not have been confined to the financial system but would have been fe lt broadly in the real economy through its effects on asset values and credit availability," Bernanke said.

Bernanke testified on a panel that also included Treasury Undersecretary Robert Steel, Christopher Cox, chairman of th e Securities and Exchange Commission, and Timothy Geithner, the head of the Fed's New York Regional Bank.

Also appearing before the committee were Alan Schwartz, the head of Bear Stearns, and Jamie Dimon, the head of JP Morgan, who described marathon sessions at both firms as executives searched for the best way out of the Bear Stearn s liquidity crisis.

Schwartz told the panel that Bear Stearns was brought down by "unfounded" market rumors that led to what was essenti ally a "run on the bank" as Bear Stearns creditors began demanding payment out of fears the company was about to coll apse.

"Facing the dire choice of bankruptcy or a forced sale under exigent circumstances, we salvaged what we could to avoid wiping out our shareholders, bondholders and 14,000 employees," Schwartz told the panel.

Dimon took issue with reports that the Fed had taken Bear Stearns' riskiest securities as collateral for the $30 billion loan the central bank made to facilitate the sale. He also maintained that a Bear Stearns bankruptcy would have been "disast rous" for the financial system.

"A Bear Stearns bankruptcy could well have touched off a chain reaction at other major financial institutions. that would have shaken confidence in credit markets that already have been battered," Dimon said in his testimony.

Steel said the Bush administration supported the Fed's actions.

"The failure of a firm that was connected to so many corners of our markets would have caused financial disruptions bey ond Wall Street," Steel said in his testimony.

Many economists believe the credit and housing problems already have pushed the country into a recession.

Bernanke, testifying before the congressional Joint Economic Committee on Wednesday, raised the prospect of a reces sion for the first time since the current slowdown began. He said it was possible that the overall economy may not grow at all during the first half of this year. However, he continued to predict that growth will resume in the second half of 2008 .

In his testimony, Bernanke said the Fed and other government agencies were informed on March 13 that without help Bear Stearns would have to file for bankruptcy the next day.

(end of article)

Again...they say...

"Schwartz told the panel that Bear Stearns was brought down by "unfounded" market rumors that led to what was essentially a "run on the bank" as Bear Stearns creditors began demanding payment out of fears the company was about to collapse."

Every week our government or the federal reserve does something else to "stabilize the markets." Why?

Is it because each week needs more financial engineering to meet new and growing threats?

These are interesting times we live in.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/4/8 10:21

IMF Says Financial, Economic Losses May Swell to $945 Billion

By Christopher Swann

April 8 (Bloomberg) -- The International Monetary Fund said financial losses stemming from the U.S. mortgage crisis may approach $1 trillion, citing a ``collective failure'' to predict the breadth of the crisis.

Falling U.S. house prices and rising delinquencies may lead to $565 billion in mortgage-market losses, the IMF said in its annual Global Financial Stability report, released today in Washington. Total losses, including the securities tied to commercial real estate and loans to consumers and companies, may reach $945 billion, the fund said.

The forecast signals the worst of the credit crunch may be yet to come, because banks and securities firms so far have posted $232 billion in asset writedowns and credit losses. Policy makers, concerned that lenders' deteriorating balance sheets will hobble economic growth, are pushing companies to raise capital.

``The current turmoil is more than simply a liquidity event, reflecting deep-seated balance-sheet fragilities and weak capital bases, which means its effects are likely to be broader, deeper and more protracted,'' the report said. The fund warned of the risk of ``a serious funding and confidence crisis that threatens to continue for a significant period.''

Today's report comes days before finance ministers and central bank governors from the IMF's 185 members gather in Washington for spring meetings of the fund and World Bank. Group of Seven policy makers meet April 11.

Casting Blame

The fund, which predicted a year ago that any ripple effects from a subprime mortgage crisis would be limited, blamed lax regulations and a lack of understanding about the risks in structured financial products for the crisis.

Today's estimate exceeds those by other economists, including analysts at UBS AG, who projected in February that financial firms may lose $600 billion.

While financial innovations have brought some benefits, ``the events of the past eight months have also shown that there are costs,'' the IMF said. At the same time, the fund urged governments against a rush to increase regulation, especially changes that ``unduly stifle innovation or that could exacerbate the effects of the current credit squeeze.''

Banks should improve disclosure and take writedowns ``as soon as reasonable estimates of their size can be established,'' the fund said. It also urged stronger supervision of capital adequacy, and said policy makers should prepare for further disruptions, the IMF said.

`Contingency Plans'

``Authorities may wish to prepare contingency plans for dealing with large stocks of impaired assets if writedowns lead to disruptive dynamics and significant negative effects on the real economy,'' the report said.

The fund added that policy makers should ``stand ready to promptly address strains within troubled financial institutions.''

Federal Reserve officials prevented a disorderly failure of Bear Stearns Cos. last month by agreeing to lend against $30 billion of the company's assets, as part of a takeover agreement with JPMorgan Chase & Co.

The fund noted in the report that while ``risks to financial stability remain elevated'' worldwide, emerging market economies ``have been broadly resilient.'' Still, the lender highlighted the risk of faster inflation should the subprime rout cause the dollar's slump to accelerate.

``Further downward pressure on the dollar, particularly if it'' comes ``from subprime or similar shocks, could boost liquidity and lead to an intensification of inflationary pressures in some emerging markets,'' the fund said.

Strauss-Kahn

IMF Managing Director Dominique Strauss-Kahn, who took office in November, has conceded that the fund wasn't as vocal as it could have been about the risks that a subprime collapse posed for the global financial system.

In April 2007, the fund said there was little risk of a ``serious systemic threat.'' It also said that ``stress-tests conducted by investment banks show that, even under scenarios of nationwide house price declines that are historically unprecedented, most investors with exposure to subprime mortgages through securitization will not face losses.''

At least 14 banks and securities firms have sought cash from outside investors in the past year.

Since credit markets seized up in the U.S. in August, the Standard & Poor's 500 stock index is down about 7 percent, the trade-weighted dollar index has dropped more than 9 percent and the yield on two-year U.S. Treasury notes has fallen to 1.88 percent. Home prices tracked by S&P Case-Shiller have slumped in every month.

``There was a collective failure to appreciate the extent of leverage taken on by a wide range of institutions -- banks, monoline insurers, government-sponsored entities, hedge funds -- and the associated risks of a disorderly unwinding,'' the IMF concluded in the report.

(end of article)

In addition to this sum of money, we also have a 10 billion a month war to fund...

Isa 30:28 His breath is like an overflowing stream, Which reaches up to the neck, To sift the nations with the sieve of futility; And a bridle in the jaws of the people, Causing to err.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/4/23 8:39

Japan: Tackle crisis with U.S. public money
Cabinet minister says taxpayer bailout is needed before situation worsens

Shizuo Kambayashi / AP
Financial Services Minister Yoshimi Watanabe, one of Japan's most vocal proponents for economic reforms, has urged Washington to use public money to tackle the credit crisis.

Japan: Tackle crisis with U.S. public money
Most viewed on msnbc.com

TOKYO - Likening the U.S. credit crisis to a broken bathtub draining water, Japan's financial services minister urged Wa shington on Wednesday to inject public money to fix the problem before it gets worse.

Sounding almost alarmist, Yoshimi Watanabe used unusually blunt language to warn that drastic action was needed to a ddress the crisis that has battered global markets.

"If there is a big hole in the bottom of the tub, no matter how much hot water you keep adding, you will never have enou gh hot water," Watanabe said in an interview with The Associated Press.

Fixing the leak requires "an overall package, including monetary policy and public money," he said.

As the subprime fallout grows, the idea of a public bailout isn't sounding as far-fetched as it once did.

In an interview with The Wall Street Journal last month, Senator Hillary Clinton, a candidate for the U.S. Democratic pres idential nomination, said the U.S. government should be ready to buy troubled mortgages from investors and avoid a pro longed slowdown.

"We might be drifting into a Japanese-like situation," she was quoted as saying.

Biggest dilemma since 1930s?
Last month, the U.S. resorted to a public bailout of sorts for Bear Stearns, a major brokerage. The Federal Reserve allo wed JPMorgan Chase & Co. to borrow from the Fed, and provide that funding to Bear Stearns. Fed officials said the pro cedure dates back to the Great Depression of the 1930s but has rarely been used since then.

But Watanabe said the looming global credit crisis, which started with the subprime mortgage woes that surfaced last ye ar, was the biggest financial dilemma for the world, and Japan, since the 1930s.

Watanabe, head of the Financial Services Agency, said Japan has a lesson to share with the rest of the world in how it d ealt with the bad debt problems of the 1990s Â— and that the U.S. can learn from Japan's mistakes.

Japan acted too late, procrastinating for six years in tackling the piles of bad debts major banks had racked up during th e excessive "bubble economy" years.

After wasting stimulus packages and other halfhearted efforts, Japan was forced to resort to billions of dollars of taxpaye rs' money to rescue the banks, said Watanabe.

He brushed off the differences in the historical backdrop between Japan's and U.S. problems. He insisted the basic resul t, lenders running out of capital, was exactly the same Â— and would ultimately need the same fix.

'Parallels'
Experts also said the U.S. credit problems were similar to those of Japan in the 1990s.

"There are parallels," said Eva Marikova Leeds, professor of economics at Temple University in Tokyo, pointing to the re al estate bubble in both.

"The underlying problem was the assumption that housing prices would rise forever," she said. "Japanese regulators mo ved too late."

Watanabe, a lower house lawmaker who also oversees economic and administrative reforms, appeared convinced the U.S. government would use public money. He said that decision may not come during the presidential election because of the inevitable question about political accountability.

'Deep trouble'
Watanabe also said he was worried about export-reliant Japan and its massive dollar holdings if the U.S. fails to wrest it self out of the credit crisis. Direct subprime exposure among financial organizations here is believed to be relatively smal l.

"Japan's recovery is dependent on U.S. economic health and so we could be in deep trouble," Watanabe said.

Iwan Azis, professor of professor of management and regional science at Cornell University in Ithaca, New York, said co mparing the U.S. and Japanese lending fiascos weren't particularly useful because the causes and mechanisms were so different.

What the U.S. needs is more regulation, while Japan needs to do away with restrictions to open its markets to foreign in vestment and new businesses, he said in a telephone interview.

"There are too many regulations in Japan," Azis said.

(end of article)

Do the king's sons pay taxes?

No....

But we and our children and their children will pay for our foolish leaders and princes.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/4/28 21:48

Paper Skyscrapers
The long road to fiscal responsibility
BY TONY ALLISON

The numbers thrown around during the ongoing credit crisis are so large; they effectively lose their meaning to most of u s. I would like to put the millions, billions and trillions in some perspective by referring back to an article I wrote years ag o (The Debt Bomb) about our growing debt problems. Unfortunately our debt has only worsened since 2004, and many of the issues are even more relevant today. The example provides some clarity to how large one trillion is, and how long a road we must still travel to become a fiscally responsible nation again.

Warren Buffett For a Day

Most of us hear billions and trillions tossed around and our eyeÂ’s glaze over, unable to grasp the enormity of the numb ers. However, suppose you were Warren Buffett for a day, and drove to your favorite bank to retrieve one million dollars, in crisp thousand dollar bills. The tightly wound stack would be about 4 1/2 inches high. You could stuff it in a small bag and off you go.

If you decided to withdraw a billion dollars (in thousand dollar bills), it would stack over 365 feet high, roughly the height of a small skyscraper. You would need a large, and well-guarded, truck to haul it home. A trillion dollars is another story, even beyond the reach of Warren BuffettÂ’s savings account. A trillion dollars would stack 69 miles into the blackness of suborbital space, beyond the sight of the human eye, and perhaps the human imagination. A trillion is a ridiculously larg e number, even in todayÂ's over-inflated, derivative-addled markets.

200 Years to One Trillion

Our federal financial obligation is so big that it is hard to fathom. From the beginning of our nation in the late 18th centur y until the mid 1970Â's, roughly 200 years, our accumulated National Debt was less than one trillion dollars. This takes i nto account the Revolutionary War, the Civil War, two World Wars, the Great Depression, the Korean War and Vietnam. Today our federal debt is now $9.3 trillion, over half of which has been borrowed in the last dozen years. Today that debt , in thousand dollar bills, would reach well over 655 miles into space. Mount Everest only reaches 5.5 miles into our atm osphere. Mount National Debt is over 119 times higher!

While it took 200 years of American history to reach one trillion dollars in national debt, it took only six years to build our debt from five trillion to six trillion dollars. Incredibly, in less than two years the National Debt soared another trillion dolla rs, reaching seven trillion in January 2004. By September 2007, the National Debt surpassed nine trillion dollars. Do you detect a frightening trend here? The curve is accelerating as new debt is rapidly created and annual interest payments c ompound, already exceeding $400 billion. At the current rate, each and every day adds $1.5 billion more, or 1 1/2 new p aper skyscrapers to the thousands already inhabiting our National Debt skyline. Printing more dollars appears to be the only way in the short to medium term to keep the ship of state afloat. Looming longer term this century, beyond the curre nt National Debt, are unfunded federal mandates for Social Security and Medicare that exceed $70 trillion. These skyscr apers may one day reach the moon.

Stimulus Life Rafts

As the government debt skyscrapers multiply, so do those of its citizens. Americans owe more than $950 billion in credit card debt, and $1.6 trillion in auto loans and other non-revolving debt. As our nation has evolved into a consumer econo my, Americans have evolved into a state of chronic credit addiction. Clever financial engineering and declining interest r ates have kept the party going for 25 years, but the lights are dimming and a hangover looms ahead. Rising personal de bt service and the bursting of the housing ATM are putting tremendous pressure on the middle class. The weakening dol lar, a result of our decades of consuming more than we produce, makes the basic food and energy needs of Americans ever more expensive. The government Â“stimulusÂ” package will be welcome, but it is a band-aid approach in an electio n year. Expect more stimulus packages from Washington dropped from the sky as life rafts to its debt-burdened populac e.

Debt Compounds on Debt

The debt is not going to magically go away. Debt compounds on debt and just grows faster. And a severe recession will mean less tax revenues, and yes, even more debt. This problem was decades in the making and will not be solved easil y, quickly or without pain. Perhaps thatÂ's part of the problem itself. During the credit expansion bubble of the last 25 ye ars the culture seems to have evolved to the point where everyone feels deserving of cars, houses, clothes and travel, ri ght now, without the onerous task of earning or saving the money first.

Politicians, ever diligent to the wind direction, have become terrified of even suggesting belt tightening or self-discipline i n any form. They have rapidly expanded government spending without regard to future consequences. Â“ItÂ's morning i n AmericaÂ” they proclaim. We are such a great nation that we no longer have to manufacture anything, or even save fo r a rainy day. Â“We are now a consumer economy, so do the patriotic thing and go shopping!Â” (on borrowed money of course).

Trade Deficit Blues

In addition to the National Debt of $9.3 trillion, there is the chronic trade deficit, totaling $700 billion in 2007, the result of importing much more than we export. That number came down a bit last year as our declining dollar helped boost export s. Unfortunately, as long as we import 70% of our energy needs, the trade deficit will not go away. Our manufacturing ba se is no longer large enough to export us to Â“creditor nationÂ” status.

The long term trade deficit is perhaps the most alarming debt skyscraper of all. As the worldÂ’s largest debtor nation, we are steadily transferring our nationÂ’s Â“net worthÂ” abroad. And with our national net worth increasingly owned by foreign sources, our ability to act as an independent, sovereign nation is undermined as well.

Squandersville and Thriftsville

Warren Buffett wrote about this issue in Fortune Magazine back in late 2003. He used the fictional example of two islands, Squandersville and Thriftsville, to illustrate how persistent trade deficits ultimately take a great toll. Even though the US dollar has eroded significantly since BuffettÂ’s article was published, the trade deficit is still roughly 5% of GDP. In the following excerpt, Buffett clearly explains the dilemma in which we now find ourselves.

Â“Simply put, after World War II and up until the early 1970Â’s we operated in the industrious Thriftsville style, regularly selling more abroad than we purchased. We concurrently invested our surplus abroad, with the result that our net investment, our holdings of foreign assets less foreign holdings of US investments, increased from $37 billion in 1950 to $68 billion in 1970.

Additionally, because the US was in a net ownership position with respect to the rest of the world, we realized net investment income that, piled on top of our trade surplus, became a second source of investable funds. Our fiscal situation was thus similar to that of an individual who was both saving some of his salary and reinvesting the dividends from his existing nest egg.

In the late 1970Â’s the trade situation reversed, producing deficits that initially ran about 1% of GDP. That was hardly serious, particularly because net investment income remained positive. Indeed, with the power of compound interest working for us, our net ownership balance hit its high in 1980 at $360 billion.

Since then, however, itÂ’s been all downhill, with the pace of decline rapidly accelerating in the past five years. Our annual trade deficit now exceeds 4% of GDP (5.1% of GDP in 2007). Equally ominous, the rest of the world owns a staggering $2.5 trillion more of the US than we own of other countries. Some of this $2.5 trillion is invested in claim checks, US bonds, both governmental and private, and some in such assets as property and equity securities.

In effect, our country has been behaving like an extraordinarily rich family that possesses an immense farm. In order to consume 4% more than we produce, thatÂ’s the trade deficit, we have, day by day, been both selling pieces of the farm and increasing the mortgage on what we still own.

To put the $2.5 trillion of net foreign ownership in perspective, contrast it with the $12 trillion value of publicly owned residential real estate or what I would estimate as a grand total of $50 trillion in national wealth. Those comparisons show that whatÂ’s already been transferred abroad is meaningful, in the area of 5% of our national wealth.

More important, however, is that foreign ownership of our assets will grow at about $500 billion per year at the present trade deficit level, which means that the deficit will be adding about one percentage point annually to foreignersÂ’ net ownership of our national wealth. As that ownership grows, so will the annual net investment income flowing out of this country. That will leave us paying ever-increasing dividends and interest to the world rather than being a net receiver of them, as in the past. We have entered the world of negative compounding. Goodbye pleasure, hello pain.Â”

In the article, Buffett suggests a tariff system of Â“import certificatesÂ” to force a dollar for dollar trade balance between imports and exports. It appears the plan was never acknowledged by the current administration.

It is interesting to note that the US behaved much like Thriftsville until the early 1970Â’s according to Buffett. In 1971 the US went off the gold standard and the dollar became a fiat currency subject to unlimited Fed printing power. Perhaps this was just a coincidence, perhaps not.

(end of partial article)

How foolish we have been since 1980....

In Christ
Jeff

Re: - posted by rookie (), on: 2008/5/2 12:32

Bernanke-Geithner `Rogue Operation' Spurs Further Bailout Calls

By Craig Torres

May 2 (Bloomberg) -- A month after the Federal Reserve rescued Bear Stearns Cos. from bankruptcy, Chairman Ben S. Bernanke got an S.O.S. from Congress.

There is ``a potential crisis in the student-loan market'' requiring ``similar bold action,'' Chairman Christopher Dodd of Connecticut and six other Democrats wrote Bernanke. They want the Fed to swap Treasury notes for bonds backed by student loans. In a separate letter, Pennsylvania Democratic Representative Paul Kanjorski and 31 House members said they want Bernanke to channel money directly to education-finance firms.

Student loans are just the start. Former Fed officials and other Fed-watchers say that Bernanke's actions in saving Bear Stearns will expose the central bank to continuing pressure to use its $889 billion balance sheet to prop up companies or entire industries deemed important by politicians.

``It is appalling where we are right now,'' former St. Louis Fed President William Poole, who retired in March, said in an interview. The Fed has introduced ``a backstop for the entire financial system.''

Critics argue that the result will be to foster greater risk-taking among investors emboldened by the belief that the government will bail them out of bad decisions.

The Fed's loans to Bear Stearns were ``a rogue operation,'' said Anna Schwartz, who co-wrote ``A Monetary History of the United States'' with the late Nobel laureate Milton Friedman.

`No Business'

``To me, it is an open and shut case,'' she said in an interview from her office in New York. ``The Fed had no business intervening there.''

There are already indications that investors perceive the safety net to be widening as a result of the actions by Bernanke, 54, and New York Fed President Timothy Geithner. The Bear Stearns bailout and an emergency facility to loan directly to government bond dealers triggered a decline in measures of credit risk for investment banks and for Fannie Mae, the Washington-based, government-chartered company that is the nation's largest source of funds for home mortgages.

Yield differences between Fannie Mae's five-year debt and five-year U.S. Treasuries have fallen to 0.55 percentage point, from 1.15 percentage points on March 14, the day the Fed's Board of Governors invoked an emergency rule to lend $13 billion to Bear Stearns.

``The market understood that this is the method by which Fannie Mae and Freddie Mac could be bailed out if necessary,'' Poole said.

Wall Street Impact

The cost of default protection on Merrill Lynch & Co. debt fell to 1.4 percentage point by April 30 from 3.3 percentage points on March 14, CMA Datavision's credit-default swaps prices show. The cost of protection on Lehman Brothers Holdings Inc. securities has fallen to 1.5 percentage points from 4.5 percentage points over the same period.

Fed Board spokeswoman Michelle Smith declined to comment, as did New York Fed spokesman Calvin Mitchell.

On March 16, two days after the Fed provided its Bear loan, it agreed to finance $30 billion of the firm's illiquid assets to secure its takeover by JPMorgan Chase & Co.

The Standard & Poor's 500 Financials Index had lost 12 percent in the three weeks prior to March 14; Geithner defende d the loans before the Senate Banking Committee on April 3, saying that the Fed needed to offset risks posed to the entire financial system.

A systemic collapse on Wall Street would also mean ``higher borrowing costs for housing, education, and the expenses of everyday life,'' Geithner, 46, said.

While the Fed must by law withdraw its financing backstop for investment banks once the credit crisis passes, investors will probably still bet on its readiness to intervene.

Genie's Out

``There is no way to put the genie back in the bottle,'' Minneapolis Fed President Gary Stern said in an interview with Fox Business Network on April 18. ``What worries me most about where we wind up is that we will have an expansion of the safety net without adequate incentives to contain it.''

Stern noted that he supported the Fed's moves to restore financial stability.

Fed Board officials haven't explained in detail how they plan to curtail moral hazard, the danger of encouraging investors to take on more risk out of confidence in a rescue.

``It is very hard in the middle of a crisis to know where to draw lines,'' said Harvard University professor Kenneth Rogoff, a former research director at the International Monetary Fund. ``They reduced the immediate risk of a crisis, but upped the ante of raising the possibility of a bigger crisis down the road.''

Congressional Debate

Lawmakers plan to debate the management of risk and role of supervisors in coming weeks and months. House Financial Services Committee Chairman Barney Frank said April 23 that new rules are needed to deal with a lack of regulation of risk.

Geithner told Congress April 3 that the direct lending needs to be complemented with ``a stronger set of incentives and requirements for the management of liquidity risk.''

The risk to the Fed is that it is routinely asked to step in and support insolvent companies whose creditors are on the run, economists say.

``Discount-window accommodation to insolvent institutions, whether banks or nonbanks, misallocates resources,'' Schwartz said in a 1992 lecture available on the St. Louis Fed Web site. ``Institutions that have failed the market test of viability should not be supported by the Fed's money issues.''

`Moral-Hazard Problem'

Richmond Fed chief Jeffrey Lacker and policy adviser Marvin Goodfriend wrote in a 1999 paper that central bank lending creates ever-expanding expectations. ``The rate of incidence of financial distress that calls for central bank lending should tend to increase over time,'' they wrote. That ``creates a potentially severe moral-hazard problem.''

Whatever regulations and incentives the Fed tries to put in place now would be evaded by the market's innovation of new types of products, Goodfriend said in an interview. Investors would nonetheless still count on the safety net, he added.

``We have to start now to recognize the strategic instability of the path we are on,'' said Goodfriend, now a professor at Carnegie Mellon University's Tepper School of Business in Pittsburgh. The Fed needs to prepare markets for how it won't intervene, which it didn't do before the Bear Stearns meltdown, he said.

The Fed also influenced market incentives last month when it introduced the so-called Term Securities Lending Facility. The program is designed to lend up to $200 billion of Treasury securities from the Fed's holdings to Wall Street bond dealers in return for commercial and residential mortgage bonds among other collateral. Congress has noticed the program favors mortgage credits, and Dodd has asked the Fed to swap some of its $548 billion in Treasury holdings for bonds backed by student loans.

Back to Congress

Bernanke rejected Dodd's request in an April 25 letter, saying it's up to Congress and the Bush administration to address diminishing profits on the loans. He didn't explain why the Fed is reluctant to swap Treasuries for bonds backed by student loans.

``If there is a public purpose in lending to investment banks, and taking dodgy mortgage securities as collateral, then it is a question of degree about other potential lending,'' Vincent Reinhart, former director of the Fed board's Division of Monetary Affairs, said in an interview. ``That's the consequence of crossing a line that had been well established for three- quarters of a century.''

Re: - posted by rookie (), on: 2008/5/6 8:30

Bernanke: Foreclosure woes require action
Price declines have become one of the biggest contributors to high default rates, Fed chief says. Stopping foreclosures is in 'everybody's interest.'
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See all CNNMoney.com RSS FEEDS (close) By Les Christie CNNMoney.com staff writer
Last Updated: May 6, 2008: 6:40 AM EDT

Fed Chairman Ben Bernanke said 'traditional' approaches to current foreclosure crisis may not be good enough.

NEW YORK (CNNMoney.com) -- The wave of foreclosures sweeping the nation are driven in part by a nearly unprecedented decline in home prices and require a concerted government and private-sector response, Ben Bernanke, chairman of the Federal Reserve, said Monday.

"Realistic public- and private-sector policies must take into account the fact that traditional foreclosure avoidance strategies may not always work well in the current environment," Bernanke said in a speech before the Columbia School of Business.

Bernanke's comments come as concern about the housing crisis and debate about how to help homeowners in trouble is growing.

Foreclosure filings of all kinds - delinquency notices, auctions sale notices and bank repossessions - were up 112% during the first three months of 2008 compared with the same period a year ago. Community advocates and policy makers are worried that the problem will worsen as the interest rates on as many as 1.8 million mortgages reset this year.

"High rates of delinquency and foreclosure can have substantial spillover effects on the housing market, the financial markets, and the broader economy," concluded Bernanke. "Doing what we can to avoid preventable foreclosures is not just in the interest of lenders and borrowers. It's in everybody's interest."

In explaining the forces behind the problem, Bernanke cited the "increasing role" of declines in home values. He unveiled a series of "heat maps" that showed delinquency rates, job losses and home price changes.

Unemployment statistics, according to Bernanke, do not explain the increased delinquencies of many areas, including California, Florida and parts of Colorado, where foreclosure filings have increased even when unemployment generally have fallen.

More revealing was the close correlation between declining home prices and high delinquency rates. On the home price decline map, states like California and Florida were drenched in red, indicating the worst losses. On the map revealing the highest foreclosure rates, the same states were also covered in red.

Piggy-back problems
Bernanke pointed to the use of so-called piggy-back loans in helping drive foreclosures. These loans, which required low down payments or none at all, were used with increasing frequency during the bubble years to enable borrowers to purchase homes in high-priced states.

Because of price drops, many of the borrowers are now "upside-down," meaning they owe more than their homes are worth. Many of the owners had counted on the idea that their home values would continue to soar, increasing their home equity, which they could then tap to pay their bills. Now, they can't afford to pay off their mortgages and they have no assets to rely on.

In the past, said Bernanke, lenders and companies that service loans were "used to dealing with mortgage delinquencies related to life events such as unemployment or illness. . . . A widespread decline in home prices, by contrast, is a relatively novel phenomenon, and lenders and servicers will have to develop new and flexible strategies to deal with this issue."

In some cases, such as when the value of a home has fallen below the mortgage balance, a writedown of principal may be the best solution, according to Bernanke, although, he added, to be effective they must be targeted to cases facing the highest risks of foreclosure.

What Washington can do
Bernanke outlined the steps that the Federal Reserve was taking to try to minimize the impact and scope of the foreclosure crisis.

The response includes working with community groups trying to acquire and restore vacant properties; encouraging lenders and mortgage servicers to work with at-risk borrowers; and developing new lending standards to prevent some of the abusive lending practices of the past from continuing.

The Fed, according to Bernanke, has worked closely with the Hope Now alliance - an industry foreclosure-relief effort spurred on by the Bush administration - to support help for troubled borrowers, develop protocols to standardize loss-mitigation approaches and improve reporting standards.

Bernanke also threw his support behind the expanded use of the Federal Housing Administration (FHA) and government-sponsored enterprises such as Fannie Mae (FNM, Fortune 500) and Freddie Mac (FRE, Fortune 500) to address problems in mortgage markets.

Opening up the lending markets has already helped thousands of at-risk borrowers to refinance into lower cost loans and save their homes, Bernanke said.

But with more than 156,000 families who lost their homes during the first three months of the year and with as many as 1.8 million adjustable rate mortgages scheduled to reset to higher rates this year, there's still much work that needs to be done, he said.

(end of article)

The Federal Reserve is a private institution that represents private banking interests. To the common person, they preach free markets propaganda, yet we find that they are begging for the U.S. tax payer to shoulder the burden for the consequences of their greed.

For those who are willing to see, this economic system is one of the lies that Satan has sown...

Babylon the Great Whore is distilling her wine...

In Christ
Jeff

Re: - posted by ccchhhrrriiisss (), on: 2008/5/6 14:02

The nation is certainly experiencing difficult times (in regard to the economy). Is it turning into a "Great Depression?" I think that it is a little premature to make such a conclusion. As bad as it has been over the past year, the economy actually grew. Here is an article from THE TIMES *about the situation...*
- Chris

The Great Depression or The Great *Disappointment*?
SteinbeckÂ's grapes lack wrath this time around
by Gerard Baker
THE TIMES: ONLINE
May 6, 2008

Whatever happened to the Great Depression? Not the real one from 70 years ago, the lost decade of unimagined misery and Steinbeckian angst, the worst period in the history of modern capitalism. I mean the replay we were promised this year. The one we were told was the inevitable counterpart to the greatest financial crisis since a couple of medieval Italians first sat down on a Florentine bench and invented the word Â"bankÂ".

I donÂ't know about you but I feel a bit cheated. There we all were, led to believe by so many commentators that the sub-prime crisis was going to force the United States into a new era of dust bowls and breadlines, a slump that would call into question the very functioning of the capitalist system in the worldÂ's largest economy. Carried away on the surging wave of their own economically dubious verbosity, the pundits even speculated that this unavoidable calamity might presage some 1930s-style global political cataclysm to match.

Well, itÂ's early days, to be fair, but so far the Great Depression 2008 is shaping up to be a Great Disappointment. Not so much The Grapes of Wrath as Raisins of Mild Inconvenience. Last week the Commerce Department reported that the US economy Â– battered by the credit crunch, pummelled by a housing market collapse and generally devastated by the wild stampede of animal spirits Â– actually grew in the first three months of the year.

The rate of expansion Â– 0.6 per cent Â– was weak for sure, and it followed a previous quarter of identically weak growth at the end of 2007, but as Depressions go it was singularly unGreat. In the 1930s, youÂ'll recall, GDP fell by more than 25 per cent. Even the periodic mild recessions weÂ've had in the past 20 years at least resulted in some declines in economic activity.

Lest you object Â– perhaps fairly Â– that the GDP data are way too backward-looking to be of any use, last week we also got the news that the labour market, the canary in the coalmine of economic data, is actually improving. The US economy lost 20,000 jobs in April, while the unemployment rate ticked down a little to 5 per cent. You donÂ't have to compare this performance to the Great Depression to think it looks, as downturns go, really quite uplifting. It is, in fact, the gentlest start to a period of labour market weakness since the 1960s.

For comparison, in the first four months of the 2001 recession (which was, by the way, the mildest one in postwar history) employment fell at an average monthly rate of 105,000. In the first four months of this current downturn, the average monthly job losses have been 62,000.

You wonÂ't need me to remind you that in the other Great Depression unemployment rose to an estimated 30 per cent. Worse still for todayÂ's Steinbeck wannabes, as my colleague Anatole Kaletsky noted yesterday, it is starting to look as though world financial markets might be past the worst of the crisis that started all this.

Financial conditions are cautiously returning to something approaching normal. Barometers of distress have shown a distinct turn for the better. Take, for example, the so-called TED spread, a pretty good proxy for the state of financial anxiety. It represents the difference between three-month Libor interest rates and the yield on three-month US Treasury bills. In other words, it measures how risky banks think lending to each other for relatively short periods is compared with the riskless alternative of lending to the Government.

Last Friday the spread fell to its lowest level since the end of February, shortly before the collapse of Bear Stearns. Now, at about 125 basis points, it is still elevated relative to periods of clear normality: the historic norm is between 25 and 50 points. But itÂ's way down from where it was in March, December and August, when it exceeded 200 points.

So should we be putting out the bunting, declaring victory over the Depression, offering prayers of thanks that we have a voided another Munich or Dunkirk? Not quite. The depression scenario was always overdone, of course, but it is still not clear that the US will actually escape as lightly as this. The principal challenge remains the health of the American consumer.

House prices are still falling and there is plenty of evidence that many Americans, suddenly scared about the value of their house as a nest egg, are retrenching. Even with the GovernmentÂ's tax rebate cheques dropping on to doormats, caution seems to be the watchword. That also raises the troubling possibility that a period now of shrinking demand could feed back into renewed weakness in the financial system, just as it is starting to heal.

Still, the picture is starting to look quite encouraging. Even if the US has a recession this year, the chances that it will turn into a full-blown slump are not high. Another disappointment for the hyperactive scribbling masses. But rather welcome news for everybody else.

Click (http://business.timesonline.co.uk/tol/business/columnists/article3876863.ece) HERE to read the full article.

Re: - posted by rookie (), on: 2008/5/6 14:51

Quote:
-------------------------The rate of expansion Â– 0.6 per cent Â– was weak for sure, and it followed a previous quarter of identically weak growth at the end of 2007, but as Depressions go it was singularly unGreat. In the 1930s, youÂ'll recall, GDP fell by more than 25 per cent. Even the periodic mild recessions weÂ've had in the past 20 years at least resulted in some declines in economic activity.

This growth rate is true only if we believe the government's stated rate of inflation that is below 4 percent. If we were to use a real rate of inflation the 0.6 percent rate of growth would actually be negative. If we were to use the original methods of accessing inflation, the rate is closer to 10 percent...

Quote:
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The rate of unemployment was not 30% at the beginning of the Great Depression in October of 1929. Please remember that this financial crisis first came to light just 9 months ago. The Great Depression took many years to resolve.

Quote:
-------------------------Financial conditions are cautiously returning to something approaching normal. Barometers of distress have shown a distinct turn for the better. Take, for example, the so-called TED spread, a pretty good proxy for the state of financial anxiety. It represents the difference between three-month Libor interest rates and the yield on three-month US Treasury bills. In other words, it measures how risky banks think lending to each other for relatively short periods is compared with the riskless alternative of lending to the Government.

The U.S. just anounced another 75 Billion injection to ease the crisis in the Libor rate. The total money printed so far since August is 435 Billion. There is also suspicion that the central banks are lying about their actual borrowing cost...

Here is a portion of an article written in the Wall Street Journal...

LIBOR FOG
Bankers Cast Doubt On Key Rate Amid Crisis

By CARRICK MOLLENKAMP
April 16, 2008
The Wall Street Journal

LONDON -- One of the most important barometers of the world's financial health could be sending false signals.

In a development that has implications for borrowers everywhere, from Russian oil producers to homeowners in Detroit, bankers and traders are expressing concerns that the London inter-bank offered rate, known as Libor, is becoming unrel iable.

Libor plays a crucial role in the global financial system. Calculated every morning in London from information supplied by banks all over the world, it's a measure of the average interest rate at which banks make short-term loans to one anothe r. Libor provides a key indicator of their health, rising when banks are in trouble. Its influence extends far beyond bankin g: The interest rates on trillions of dollars in corporate debt, home mortgages and financial contracts reset according to L ibor.

In recent months, the financial crisis sparked by subprime-mortgage problems has jolted banks and sent Libor sharply u pward. The growing suspicions about Libor's veracity suggest that banks' troubles could be worse than they're willing to admit.

The concern: Some banks don't want to report the high rates they're paying for short-term loans because they don't want to tip off the market that they're desperate for cash. The Libor system depends on banks to tell the truth about their borro wing rates. Fibbing by banks could mean that millions of borrowers around the world are paying artificially low rates on t heir loans. That's good for borrowers, but could be very bad for the banks and other financial institutions that lend to the m.

True Borrowing Costs

No specific evidence has emerged that banks have provided false information about borrowing rates, and it's possible th at declines in lending volumes are making some Libor averages less reliable. But bankers and other market participants have quietly expressed concerns to the British Bankers' Association, which oversees Libor, about whether banks are rep orting rates that reflect their true borrowing costs, according to a person familiar with the matter and to government docu ments. The BBA is now investigating to identify potential problems, the person saysÂ…

In Christ
Jeff

Re:, on: 2008/5/6 15:38

Quote:
----
davym wrote:
14And Joseph gathered up all the money that was found in the land of Egypt, and in the land of Canaan, for the corn which they bought: and Joseph brought the money into Pharaoh's house.
15And when money failed in the land of Egypt, and in the land of Canaan, all the Egyptians came unto Joseph, and said, Give us bread: for why shoul d we die in thy presence? for the money faileth.
16And Joseph said, Give your cattle; and I will give you for your cattle, if money fail.

Genesis 47 v14-16

This passage of scripture came into my mind when watching and reading these events. Money can 'fail' i.e. become worthless if the economic system breaks down as is what happened in Joseph's day albeit a result of famine.

I just think we all need to remember that we can't eat money. It's simply a tool which enables us to trade, but has no intrinsic value in and of itself. The current crisis is a result of irresponsible manipulation of 'money'.

....
Good Word. As Krispy said you can see how God feels about money by some of the people he gave much of it to.

Gen 45:1-7   Matt 12:48-13:1   Rom 8:23-27
This passage of scripture came to my mind when I read your post. The life of Joseph is paralleled somewhat to Jesus, in that Joseph, in an earthly sense, Joseph was his families redeemer. He became earthly redeemer in his obedience to God and doing God's his perfect will. One good point in this first passage and you don't want to miss this part. what happened when Joseph called his brothers in for a supper when they arrived for trade. He had all the gentiles leave the room (non-jews) right(rapture)you think. Only Jews were allowed in the room. Joseph's brothers benefited greatly from Joseph's obedience to God. They were not deserving (grace) but they came asking for mercy.
Gen 45:1-7
45:1 Then Joseph could no longer control himself before all his attendants, and he cried out, "Have everyone leave my presence!" So there was no one with Joseph when he made himself known to his brothers. 2 And he wept so loudly that the Egyptians heard him, and Pharaoh's household heard about it.
3 Joseph said to his brothers, "I am Joseph! Is my father still living?" But his brothers were not able to answer him, because they were terrified at his presence.
4 Then Joseph said to his brothers, "Come close to me." When they had done so, he said, "I am your brother Joseph, the one you sold into Egypt! 5 And now, do not be distressed and do not be angry with yourselves for selling me here, because it was to save lives that God sent me ahead of you. 6 For two years now there has been famine in the land, and for the next five years there will not be plowing and reaping. 7 But God sent me ahead of you to preserve for you a remnant on earth and to save your lives by a great deliverance.

By grace we are saved, through faith, and we have became brothers with Jesus (Jews)by adoption.

Matt 12:48-13:1
48 He replied to him, "Who is my mother, and who are my brothers?" 49 Pointing to his disciples, he said, "Here are my mother and my brothers. 50 For whoever does the will of my Father in heaven is my brother and sister and mother."

Gal 4:3-7
4 But when the time had fully come, God sent his Son, born of a woman, born under law, 5 to redeem those under law, that we might receive the full rights of sons. 6 Because you are sons, God sent the Spirit of his Son into our hearts, the Spirit who calls out, "Abba, Father." 7 So you are no longer a slave, but a son; and since

Rom 8:23-27
23 Not only so, but we ourselves, who have the firstfruits of the Spirit, groan inwardly as we wait eagerly for our adoption as sons, the redemption of our bodies. 24 For in this hope we were saved. But hope that is seen is no hope at all. Who hopes for what he already has? 25 But if we hope for what we do not yet have, we wait for it patiently.
26 In the same way, the Spirit helps us in our weakness. We do not know what we ought to pray for, but the Spirit himself intercedes for us with groans that words cannot express. 27 And he who searches our hearts knows the mind of the Spirit, because the Spirit intercedes for the saints in accordance with God's will.

Re: - posted by ccchhhrrriiisss (), on: 2008/5/6 22:57

Hi rookie...

Quote:

-------------------------This growth rate is true only if we believe the government's stated rate of inflation that is below 4 percent. If we were to use a real rate of inflation the 0.6 percent rate of growth would actually be negative. If we were to use the original methods of accessing inflation, the rate is closer to 10 percent...

Really? What are you basing this inflation figure on -- and what makes it different from the figures used in each of the four quarters LAST YEAR?

It seems that the media uses every opportunity to question the government. They constantly report on discrepancies or supposed discrepancies in government data. You would think that they would have caught up on this, wouldn't you?

My point is: There has been quite a bit of talk in Christian circles calling this current economic trend the start of a downward spiral of God's judgment. I'm not saying that this is what you espouse or is the direction by which this thread has taken. I just don't think that it is wise to spread a economic message of doom -- when the doom has little to do with the economy. The world is going to Hell -- but it has very little to do with capitalism or communism.

I fear what can happen when we publicly call the current economic trend something that it just might not be. I remember listening to preachers speak about the judgment of God during the last major recession in the early 1990s. And then, it went away. I never saw any of those same preachers stand up and admit that they missed it. Yet I have often wondered if their credibility was shot simply because they proclaimed something that just happened to have been wrong.

The same thing happened locally following the events of Hurricane Katrina. So many people called it "the beginning of the end." Preachers talked about it signaling the beginning of the judgment of God on America. People began to pay attention to global warming "prophets" who forcast the end of civilization. The very next year went down as one of the quietest on record.

We know that the end is coming. We just don't know just HOW it will come about. Sure, we know certain things -- like the fact that the antichrist will rule from a union of 10 nations. We know that the world's economy will be terrible during that time. But we don't know if that is developing as a result of decisions now...or will be a result of decisions made during the Tribulation.

God's judgment can be incredibly sudden -- and doesn't need years to build up (like the Great Depression of the 1930s). We just need to be careful about our public proclamations. If we are hasty in such utterances, we may find ourselves eating our words. What would happen if the present economic problems are resolved during the next few years? Will we add a disclaimer to our messages in the future?

Of course, I know that this isn't something that you are guilty of. I haven't followed this thread very faithfully, so I don't even know what you have written (if anything). But I just think that it is fair to be extremely diligent in our rhetorical patience. This could be the start of something ominous...or it could just be indicative of a bear market caused by a slumping housing market, high oil prices, inflation reflected by higher gas and food costs (due to higher gas and biofuel demand) and a harsh "bounceback" of the home loan procedures.

That might be about as prophetic as the Savings and Loan crisis of the 1980s, the recession of the early 90s or the DotCom bust of the early 2000s.

Regardless, it is always good information to consider with much prayer and contemplation.

:-)

EDIT:

I've noticed that some people are fast on the blame. Every time there is a bad hurricane, Al Gore blames it on "global warming." Yet when there is a nice summer with few storms, he doesn't say anything. Similarly, I noticed that some people are willing to cry out "JUDGMENT!" when the economy gets rough. Yet they don't say it when the economy is doing well. It is as if they are waiting for the next bad thing to happen to continue their song.

Again, this isn't an indictment of your ideas or the direction of this thread. It is just something to think about when considering this issue as a whole.

Re: - posted by Tears_of_joy, on: 2008/5/7 7:19

Chris, read these words in trembling:

Jer 4:10 Then said I, Ah, Lord GOD! surely thou hast greatly **deceived this people** and Jerusalem, saying, Ye shall have peace; whereas the sword reacheth unto the soul.

Jer 14:13 Then said I, Ah, Lord GOD! behold, the prophets say unto them, Ye shall not see the sword, **neither shall ye have famine;** but I will give you assured peace in this place.

Jer 14:14 Then the LORD said unto me, The prophets prophesy lies in my name: I sent them not, neither have I commanded them, neither spake unto them: they prophesy unto you a **false vision and divination, and a thing of nought, and the deceit of their heart.**

Also:

2Ch 36:16 But they **mocked** the **messengers of God, and despised his words**, and misused *his prophets*, until the wrath of the LORD arose against his people, till there was no remedy.

1Co 10:11 Now **all** these things happened unto them **for ensamples**: and *they are written **for our** admonition*, upon whom the ends of the world are come.

Re:, on: 2008/5/7 8:02

I would add this one also:

Rev 18:9 "The kings of the earth who committed fornication and lived luxuriously with her will weep and lament for her, when they see the smoke of her burning,
Rev 18:10 standing at a distance for fear of her torment, saying, 'Alas, alas, that great city Babylon, that mighty city! **For in one hour your judgment has come**.'
Rev 18:11 **And the merchants of the earth will weep and mourn over her, for no one buys their merchandise any more**:
Rev 18:12 merchandise of gold and silver, precious stones and pearls, fine linen and purple, silk and scarlet, every kind of citron wood, every kind of object of ivory, every kind of object of most precious wood, bronze, iron, and marble;
Rev 18:13 and cinnamon and incense, fragrant oil and frankincense, wine and oil, fine flour and wheat, cattle and sheep, horses and chariots, and bodies and souls of men.
Rev 18:14 **The fruit that your soul longed for has gone from you, and all the things which are rich and splendid have gone from you, and you shall find them no more at all**.

When the world system of benefit, prosperity, and convenience is shaken to the foundations and tumbles down in one hour, many, who have trusted in it, will weep and wonder how this came to be. They will chew on their useless credentials and drink the gall of their purported blessings. They will curse the God of Heaven for bringing this disaster upon them.

They will then cry out to the Government, perhaps to the UN also, to seek their inalienable rights.

Re: - posted by ccchhhrrriiisss (), on: 2008/5/7 9:38

Hi Tears, NotMe...

I completely agree with those passages. However, they don't rebuff what I was trying to say.

My great-grandmother once told me that during the Great Depression of the 1930s, preachers spoke about it being "the beginning of the end." Ironically, there were some economic depressions and panic before that time. There have been some after that time. However, they were interlaced with times of plenty. Can we now call those messages preached during the 1930s -- that said that things would only get worse -- to be "truth?"

Is there a danger when a preacher stands up and calls Hurricane Katrina the "beginning of God's judgment on America" and loudly proclaims how "things will immediately get worse" when they in fact haven't grown worse in America? What about those who claimed that the current economic cycle is the "beginning of the end?" Of course, the cop out is that people who make such proclamations can say that we have ALWAYS been living in the "beginning of the end" -- at least since the day of Pentecost. But do you think that this is what modern preachers have in mind when they declare such things? Are they trying to use current events to proclaim an immediate explanation -- or just remind us that these are a series of events that would probably take place before the end?

Do you see how such specific "doom and gloom" messages can be just as dangerous as, well, saying that the end will begin by January 1, 2008? While all such messages can serve to remind people that our God is not in this world or its system, it has a very different effect upon nonbelievers (or those who believe during crises). What if a preacher proclaimed that the Great Depression was the judgment of God upon America that would begin the last of the last days? What would unbelievers or haphazard believers think when America went on to "enjoy" several more decades of prosperity?

Of course, I don't think that there is anything wrong with talking about the condition of the US economy. In fact, I feel that it is important to consider such things. However, what if the United States were to recover from this economic slowdown and then continue for another ten years with great strength? Since we do not know the timing of the Lord's return, then what would it profit to continue proclaiming the end?

Of course, I am not saying this about Rookie or anyone else in this thread. I haven't really read through this thread adequately enough to get a gist of what is being said. However, I have been listening to stories about preachers who have begun talking about these things as signs of the end (and even some saying that we are in the Great Tribulation). In my opinion, this is like preaching "88 Reasons that Jesus is Coming Back in 1988" without using a set number of reasons or naming a date.

We should be careful, because we are going to be held accountable for every idle word. Like I said before, none of us are acutely aware of just when the End will happen (except that it is soon and that it will happen after now). My dad use d to remind me that, "It is easy to 'prophesy' something after it has already started." "It is far more difficult," he explained , "to prophesy impending doom during times of prosperity." While a person might be mocked or rejected at the time, the y will be acknowledged when the calamity strikes.

But I guess that my fear is that some local preachers have been guilty of fear-mongoring over the current state of world affairs. The problem, as I see it, is that we should already be so detached from this world that we are ready to leave at a ny moment. If the economy fails and continues to fail, it is still so very temporary. Our message should remain, "*Flee fr om the wrath to come*." But we shouldn't consider an economic condition to be a part of that wrath -- unless we know th at it is so. It could very well be a part of an economic cycle. If we proclaim a specific event or condition as part of such " wrath" (and not just a part of the bigger, prophetic picture), would we also be willing to let others know about how we cou ld be wrong? Would we be willing to confess that we were wrong if the economy gets "better" over the next couple of ye ars?

Anyway, I hope that this makes sense -- since it is directed at those who proclaim the current events as part of the "judg ment of God." It is not directed at those who view such things in a larger, less specific prophetic scale. There is no nee d to feel that I am defending this nation, this world system or even prosperity. That is not the case at all. I just feel that we should use care when we preach such things...and make 100% certain that our words are directed by God.

:-)

Re: - posted by rookie (), on: 2008/5/7 10:28

The Dynamics of a Stock Market Panic suggests that this thread is dedicated to reporting the "Dynamic" conditions that are being brought to light as the days pass.

We often hear daily from the Federal Reserve, The Treasury, and CNBC reporters that things are under control. Yet ev ery week we also hear that both the Treasury and Federal Reserve continue to roll out new programs to help 'stablize' th e financial system.

Since the financial system bears the fruit of Satan's world, it is obvious that this system is supported by lies that promote allegiance to it's precepts.

In Christ

Jeff

Re: - posted by rookie (), on: 2008/5/7 10:32

This is the latest "method" being tried to "stabilize" the financial markets....

Bernanke Wants Fed to Pay Interest on Bank Reserves (Update2)

By Craig Torres

May 7 (Bloomberg) -- Federal Reserve Chairman Ben S. Bernanke, seeking ways to stabilize money markets, will ask Congress for authority to pay interest on commercial-bank reserves this year, a person familiar with the discussions said .

The central bank isn't authorized by Congress to begin making such payments until 2011. Allowing interest on bank rese rves may enable the Fed to pump more funds into the banking system without pushing its main policy rate lower, in effec t separating action to boost liquidity from monetary policy.

``It would have the effect of putting a floor under the federal funds rate,'' said Walker Todd, a research fellow at the Amer ican Institute for Economic Research in Great Barrington, Massachusetts.

Bernanke has expanded the Fed's tools during the credit crisis, rolling out three new facilities aimed at getting funds to t he financial system more effectively. The Fed's Board of Governors discussed paying interest on reserves in a closed se ssion on April 30. The Federal Open Market Committee, which includes governors and presidents of the 12 district bank s, cut the benchmark federal funds rate to 2 percent the same day.

Banks are required to hold a proportion of customers' deposits in an account at the Federal Reserve. In addition, they ho ld reserves in excess of their required balances to meet payments.

Talks With Congress

Fed staff started discussions this week with Congress about bringing forward the date that interest can be paid, the pers on said on condition of anonymity. Technical details of how the program would work, and what rate the Fed would pay, would likely need further study and discussion by the FOMC, the person said.

If the Fed paid an interest rate equal to the federal funds rate, commercial banks would avoid dumping any excess cash into the money market, which in the past has driven rates below the Fed's target.

The New York Fed bank's Open Market Desk is charged with buying and selling Treasuries with 20 Wall Street securitie s firms to keep the main rate close to the target set by the FOMC.

The desk has struggled to keep the federal funds rate stable as banks attempted to manage their reserves at a time whe n credit markets were seizing up.

On May 2, the federal funds rate ranged from 0.1 percent to 2.5 percent even though the target was 2 percent. On April 23, the rate fell as low as 1 percent and rose as high as 10 percent, compared with the then-target of 2.25 percent.

Stabilize the Market

``The inter-bank interest rate is going to be stabilized with this policy,'' said Marvin Goodfriend, a professor at Carnegie Mellon University's Tepper Graduate School of Business and a former Richmond Fed policy adviser who has published r esearch on interest on reserves.

Under the current statute, the Fed may pay interest ``at a rate or rates not to exceed the general level of short-term inter est rates'' starting in October 2011.

The Fed's initiative comes at a time when the central bank is expanding its backstop for financial institutions and taking more credit risk by holding private-industry assets on its balance sheet.

In March, the New York Fed financed $30 billion of illiquid securities owned by Bear Stearns Cos. to help facilitate the merger with JPMorgan Chase & Co. Because sales of the securities will repay the loan, Fed watchers said the central bank in effect purchased the assets.

Treasury Swaps

On May 2, the Fed expanded a facility where it swaps Treasury securities for mortgage bonds to include asset-backed debt, including that linked to student loans. The change to the so-called Term Securities Lending Facility followed two separate requests from Congress to help aid the student loan market.

While the Fed's goal was to add liquidity to the specific asset classes, the swaps can also affect the pricing of the securities.

If the Fed wanted to expand the program further, for example by taking on municipal bonds, then paying interest on reserves could help policy makers avoid depressing the federal funds rate, Todd said. The interest payments could help attract the cash ``back in'' to balances held at the Fed, he said.

The moves by the Board of Governors, on the advice of the New York Fed, have proved controversial with some reserve bank presidents. The central bank's actions ``seem likely to weaken market discipline and extend moral-hazard problems to a much wider financial marketplace,'' Kansas City Federal Reserve Bank President Thomas Hoenig said yesterday

Re: - posted by ccchhhrrriiisss (), on: 2008/5/7 10:56

Hi rookie...

Quote:

-------------------------The Dynamics of a Stock Market Panic suggests that this thread is dedicated to reporting the "Dynamic" conditions that are being brought to light as the days pass.

We often hear daily from the Federal Reserve, The Treasury, and CNBC reporters that things are under control. Yet every week we also hear that both the Treasury and Federal Reserve continue to roll out new programs to help 'stablize' the financial system.

Actually, such measures are taken even during times of economic prosperity. I took MicroEconomics, MacroEconomics and Economic Statistics as an undergrad. In those classes, we learned about how the economy is changing every single day -- and how the government and Federal Reserve work to keep it healthy -- even when it appears to be healthy.

Quote:

-------------------------Since the financial system bears the fruit of Satan's world, it is obvious that this system is supported by lies that promote allegiance to it's precepts.

The "*fruit of Satan's world*?!?" If it is so evil, then why do we use money? Why did Paul ask for collections? Why don't we live like the Amish? Is the financial system part of "Satan's fruit" or a biproduct of human existence? Money is just a document (or idea about value) that is traded for a product or service. If I am a fisherman, you could trade that document of value in exchange for a fish. If I were a carpenter, you could agree to trade a set of documents (or a contract that promises such a trade) in exchange for work or a home.

While I might not agree with a government policy, I owe it to my family to provide for their needs. Therefore, I take part in this little system of exchange. I recognize the value of a dollar is approximately $1 -- and that the exact value of a dollar changes everyday. I endeavor to be a good steward of my earnings in order to support my family and further the Gospel of Jesus Christ in this world.

Most of us do not own a home. Some of us rent, while others buy. Even those who "purchase" a home have to realize that it only "ours" to the extent that we have invested in it. Unless it is bought with cash or has already been paid off, it is owned by the bank or home lender. We must also pay our property taxes each year in order to keep the house. Thus, all homeowners are participating in this "fruit of Satan's world."

Don't get me wrong: I am not an adherent of the "prosperity" message at all. There is a difference between simply providing for our needs and financial and material greed.

When you say that "it is obvious that this system is supported by lies that promote allegiance to it's precepts" -- what do you mean? Are you presenting information or facts that are more accurate or present something better? What are the e xamples of these "lies?"

Again, I am not concerned with the presentation of facts. However, I do worry about those who might use these facts as "proof" of a particular idea and persuasion that might not be totally accurate. There is a preacher down the road who cla ims that the current economic status is going to grow worse and continue through the coming of the Lord. What will bec ome of his message if things start going well? What if this nation begins to experience a period of economic stability an d prosperity for an extended period of time?

I think that I understand what you are trying to accomplish by this thread. But do you understand my concern?

Re:, on: 2008/5/7 12:17

Quote:
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ccchhhrrriiisss wrote:
Again, I am not concerned with the presentation of facts. However, I do worry about those who might use these facts as "proof" of a particular idea an d persuasion that might not be totally accurate. There is a preacher down the road who claims that the current economic status is going to grow worse and continue through the coming of the Lord. What will become of his message if things start going well? What if this nation begins to experience a p eriod of economic stability and prosperity for an extended period of time?

I think that I understand what you are trying to accomplish by this thread. But do you understand my concern?

Good points Ccchhhrrriiisss.
It is all in what spin you put on it. I have some pretty neat spin myself and when I go to the gas pump and the grocery sto re, it is validated. But as you said we don't know for sure. When we take all things into consideration before we start prea ching.

This email comes in three parts:
Part 1
In just one year. Remember the election in 2006?
Thought you might like to read the following:
A little over one year ago:

1) Consumer confidence stood at a 2 1/2 year high;
2) Regular gasoline sold for $2.19 a gallon;
3) The unemployment rate was 4.5%.

Since voting in a Democratic Congress in 2006 we have seen:

1) Consumer confidence plummet;
2) The cost of regular gasoline soar to over $3.50 a gallon;
3) Unemployment is up to 5% (a 10% increase);
4) American households have seen $2.3 trillion in equity value evaporate (stock and mutual fund losses);
5) Americans have seen their home equity drop by $1.2 trillion dollars;
6) 1% of American homes are in foreclosure.

Remember it's Congress that makes law not the President. He has to work with what's handed to him.

Part 2:
Taxes...Whether Democrat or a Republican you will find these statistics enlightening and amazing.
www.taxfoundation.org/publications/show/151.html
Taxes under Clinton 1999 Taxes under Bush 2008
Single making 30K - tax $8,400 Single making 30K - tax $4,500
Single making 50K - tax $14,000 Single making 50K - tax $12,500
Single making 75K - tax $23,250 Single making 75K - tax $18,750
Married making 60K - tax $16,800 Married making 60K- tax $9,000
Married making 75K - tax $21,000 Married making 75K - tax $18,750
Married making 125K - tax $38,750 Married making 125K - tax $31,250

Re: - posted by rookie (), on: 2008/5/7 12:31

Brother Chris wrote:

Quote:
-------------------------When you say that "it is obvious that this system is supported by lies that promote allegiance to it's precepts" -- what do you mean? Are you presenting information or facts that are more accurate or present something better? What are the examples of these "lies?"

All of God's attributes are true and never change. However, Satan, according to Scripture promotes the lie because he is the father of lies.

In terms of our financial system how does it compare with God's system?

Pro 20:10 Divers weights, divers measures, both of them alike abomination to the LORD.

In the book of Ezekiel we find these instructions... which also pretain to Proverbs 20:10

Eze 45:8 In the land shall be his possession in Israel: and my princes shall no more oppress my people; and the land shall they give to the house of Israel according to their tribes.

Eze 45:9 Â¶ Thus saith the Lord GOD; Let it suffice you, O princes of Israel: remove violence and spoil, and execute judgment and justice, take away your exactions from my people, saith the Lord GOD.

Eze 45:10 Ye shall have just balances, and a just ephah, and a just bath.

Eze 45:11 The ephah and the bath shall be of one measure, that the bath may contain the tenth part of an homer, and the ephah the tenth part of an homer: the measure thereof shall be after the homer.

Eze 45:12 And the shekel twenty gerahs: twenty shekels, five and twenty shekels, fifteen shekels, shall be your maneh.

Since you have studied economics, is the financial system based on God's precepts or Satan's?

In Christ
Jeff

Re: - posted by ccchhhrrriiisss (), on: 2008/5/7 13:13

Hi Brother rookie...

Quote:
-------------------------Since you have studied economics, is the financial system based on God's precepts or Satan's?

I'm not saying that the American economic system is perfect. In fact, I am not defending ANY economic system. As far as God's precepts, I don't think that He even CARES about money (in an *eternal* sense). In Eternity, I seriously doubt th at we will need money. We can tell how little God values money or gold -- because He paves the streets out of them in Heaven. But the fact remains that we are currently living in this world. We interact with this world. We pay taxes. We u se money. We buy homes, cars, food and clothing. In fact, most of us even purchase BIBLES.

I don't think that there is a perfect financial system in the world. I tend to agree with capitalism simply because it provide s freedom to succeed or fail. While it may be a little more difficult to make a living for some rather than others (due to ce rtain financial or economic handicaps), it isn't impossible for anyone in America to live.

My wife and her family immigrated (legally) to the United States while she was finishing grade school. They literally cam e with only the shirts on their backs. They worked as migrant workers for years. At one point, all twelve of them lived in a one bedroom travel trailer (where they even took showers outside with a waterhose behind a blanket). Eventually, the y earned enough money to purchase land and build a home with their own bare hands. Their first attempt was a SHAC K (that resembles something from the Third World). However -- it was theirs and they were very thankful for it. We rece ntly completed another home that we built with our own hands. It is a much nicer brick home. And for the first time in th eir lives, they have an air conditioner (quite an accomplishment in the typical 100 degree south Texas spring, fall and su mmer).

Since they immigrated to the United States, all of my wife's siblings have graduated from college with at least a Bachelor 's degree (with the exception of one who is currently an Architectual Engineering major and the other is in high school an d will begin at Stanford University in the fall). Thus, they understand the advantages of the American economic system and the fact that America is still a "land of opportunity."

If you think that the economic system is Satanic, let me ask: Do you use money? Do you use a bank? Did you ever buy anything on credit (such as a house, a car, education, etc...) that required monthly payments? If so, would that be an ad mission of personal involvement in an economic system based upon "Satanic" precepts?

But this question is second to the question of just what this inclusion of economic articles is supposed to imply. Are you saying that since the system is supposedly "Satanic" that we should completely withdraw from any interaction (such as b uying a house, a car, or using money)? Are you just trying to illustrate that the world is currently headed in a questionabl e direction and we should be careful? Or are you trying to suggest that these things are a catalyst for the End?

I suspect that our dear brother Rahman began this thread in response to his "prophecy" about a Great Depression begin ning by January 1, 2008. He halted his participation shortly after the new year. Then, you picked up this thread by inclu ding many media articles that support a dire economic prediction. I'm just not certain what it is that you are saying. I su ppose that an clear clarification would help me understand the new direction or message of this thread a little more.

:-)

Re:, on: 2008/5/7 13:40

Quote:
------------------------- rookie wrote: Since you have studied economics, is the financial system based on God's precepts or Satan's?

God did not change from Genesis to Ezekiel. God's system is still the same for his people. "The Lord will Provide"

Joseph is paralleled somewhat to Jesus, in that Joseph, in an earthly sense, Joseph was his families redeemer. He bec

ame earthly redeemer in his obedience to God and doing God's his perfect will. One good point in this first passage and you don't want to miss this part. what happened when Joseph called his brothers in for a supper when they arrived for trade. He had all the gentiles leave the room (non-jews) right(rapture)you think. Only Jews were allowed in the room. Joseph's brothers benefited greatly from Joseph's obedience to God. They were not deserving (grace) but they came asking for mercy.
Gen 45:1-7
45:1 Then Joseph could no longer control himself before all his attendants, and he cried out, "Have everyone leave my presence!" So there was no one with Joseph when he made himself known to his brothers. 2 And he wept so loudly that the Egyptians heard him, and Pharaoh's household heard about it.
3 Joseph said to his brothers, "I am Joseph! Is my father still living?" But his brothers were not able to answer him, because they were terrified at his presence.
4 Then Joseph said to his brothers, "Come close to me." When they had done so, he said, "I am your brother Joseph, the one you sold into Egypt! 5 And now, do not be distressed and do not be angry with yourselves for selling me here, because it was to save lives that God sent me ahead of you. 6 For two years now there has been famine in the land, and for the next five years there will not be plowing and reaping. 7 But God sent me ahead of you to preserve for you a remnant on earth and to save your lives by a great deliverance.

By grace we are saved, through faith, and we have became brothers with Jesus (Jews)by adoption.

Matt 12:48-13:1
48 He replied to him, "Who is my mother, and who are my brothers?" 49 Pointing to his disciples, he said, "Here are my mother and my brothers. 50 For whoever does the will of my Father in heaven is my brother and sister and mother."

Gal 4:3-7
4 But when the time had fully come, God sent his Son, born of a woman, born under law, 5 to redeem those under law, that we might receive the full rights of sons. 6 Because you are sons, God sent the Spirit of his Son into our hearts, the Spirit who calls out, "Abba, Father." 7 So you are no longer a slave, but a son; and since

Rom 8:23-27
23 Not only so, but we ourselves, who have the firstfruits of the Spirit, groan inwardly as we wait eagerly for our adoption as sons, the redemption of our bodies. 24 For in this hope we were saved. But hope that is seen is no hope at all. Who hopes for what he already has? 25 But if we hope for what we do not yet have, we wait for it patiently.
26 In the same way, the Spirit helps us in our weakness. We do not know what we ought to pray for, but the Spirit himself intercedes for us with groans that words cannot express. 27 And he who searches our hearts knows the mind of the Spirit, because the Spirit intercedes for the saints in accordance with God's will.

Re:, on: 2008/5/8 5:08

Dear Chris,

There are a couple of things we need to make clear. The first is that God will *never* judge or pour His wrath on the righteous *with* the ungodly. The second thing is that there is *nothing wrong* with money in of itself--and I don't believe God is going to judge money or fish or gold as a means of human exchange of goods, but He has promised that He ***will judge*** *the people who use those things unlawfully*.

You asked:

Quote:
-------------------------If you think that the economic system is Satanic, let me ask: Do you use money? Do you use a bank? Did you ever buy anything on credit (such as a house, a car, education, etc...) that required monthly payments? If so, would that be an admission of personal involvement in an economic system based upon "Satanic" precepts?

In an economic system where people use money to buy and sell according to the will of God, there is nothing wrong. So here the issue is not whether money *is* used, but whether it is used in a way **approved and directed of God**, who searches the motives of the human heart. Has money become an instrument of greed, a source of security, an idol for you? "The love of money is the root of all sorts of evil." So God's judgment is going to come upon **those people**--the ungodly, unrighteous--who have neither known Him, nor walked in His ways; upon those who have trusted in uncertain riches and have been led not by the Spirit, but by the evil lusts of their flesh. We cannot be deceived: for as God judged Sodom and Gomorrah, and the whole ancient world, of which only eight people were saved (Noah's household), and made them examples to us, that we should not be like them, He will also judge this world, as He *has* promised. And He does judge it. (You may ask: is there anything inherently wrong in the world? In byuing, in selling, in being given in marriage? I think you know the answer. It is the same with the economic system, which has for many become a god and a provider. It is the same difference as between money and mammon.) The question we need to answer is: **Are we among the righteous or among the ungodly?** For if we are among the righteous, we cannot fear the wrath of God--for Christ took it all upon Himself on the Calvary. But if we have deceived ourselves, we shall surely be brought down--which may be the only road to our repentance and salvation.

Quote:
-------------------------Are you saying that since the system is supposedly "Satanic" that we should completely withdraw from any interaction (such as buying a house, a car, or using money)? Are you just trying to illustrate that the world is currently headed in a questionable direction and we should be careful? Or are you trying to suggest that these things are a catalyst for the End?

What I am talking about--or implying--in this thread is the following (which is also, I believe, key to our living in this present world, of being *in* it, but not *of* it): that the judgment of God is coming upon the world of the ungodly and we are called to **get out**, so we don't suffer with them, as it reads in the Book of Revelation: "Come out of her, my people, lest you share in her sins, and lest you receive of her plagues" (Rev. 18:4). It will be the same as in the days of Lot and the days of Noah. God will withhold his wrath until the **last** righteous man has left, so He can pour His wrath upon the unrighteous. But, just like Abraham, I believe, by revelation the righteous and faithful will foresee the coming judgment and take refuge. Some of them may be a little late (like Lot), who, by the prayers and instrumentality of righteous men, may God deliver in the last moment, but others will choose to go back or even stay in the place of judgment, rejecting the warnings, and be destroyed with the ungodly. These are they who say, "Peace, peace," and sudden destruction comes upon them.

So Noah was in the world, but not of it. And when the world was to be executed, He had to get out of it. So it was with Lot in Sodom. So it was with the early Christians before the destruction of Jerusalem, who, forewarned by the Holy Spirit, had departed from the city in time not to suffer judgment at the hands of the Romans.

I am not talking about a casual or self-initiated departure. I am talking about a time when God says, "The appointed time has come," and we obey. But for this time to come we must be like Noah, as is written of him: "And Noah did according to all that the Lord commanded him" (Gen. 7:5). Noah was a man **who heard the voice of God and obeyed it**, and *so necessarily must we be*, if we are to escape judgment. Which escape is not an end in itself, but a by-product of our continuous obedience. For God has not called us to be refugees, but priests and kings and a light unto the nations, conduits of His wisdom to the principalities and powers of heaven. May, when our Lord returns, He find us doing what He has assigned to us!

Dan 12:10 Many shall be purified, made white, and refined, but the wicked shall do wickedly; and none of the wicked shall understand, but the wise shall understand.

I realize that without the Lord we can't do anything. We cannot lean upon our undestanding, or wisdom, or experience. We cannot save ourselves. A time is coming "when the power of the holy people completely shattered" (Dan. 12:7), but our God will keep us and make all things work for our good--even in the *wilderness of the nations* which He is calling us to.

Re:, on: 2008/5/8 5:41

To give some facts about the economic system (you judge whether these are God's or Satan's principles):

1) never has been food so contaminated and adulterated; we have companies doing great evil for profit's sake: from poisoning food with chemicals and artificial ingredients to decrease production costs to modifying living organisms and patenting seeds, thus enslaving farmers;

2) the pharmaceutical industry which sells guaranteed poison to people, also rewriting medicine textbooks and outlawing in many cases herbal medicine, again for profit;

3) the petroleum and car industry which inhibits the use of (already-invented) cheaper and more self-reliant technologies;

4) the brazenly lawless pro-corporate business legislature worldwide (i.e. corrupt governments);

5) (this one is big) the banking system which lends money it does not have and gets the interest off them; which creates poverty, dependence, and inflation; which, as a brother of mine says, "creates money from the air";

6) the financial markets which lessen the value of money and human productivity (who wants to work the land to get uncertain produce when they can work in and according to rules of the system and make enough money to buy ten times the fruit and vegetables they would otherwise produce?).

These are just a few examples I can think of on top of my head. Add education as a main instrument for brainwashing, the entertainment industry, sports, you name it.

Re:, on: 2008/5/8 6:17

Quote:

NotMe wrote:
Dear Chris,

Dan 12:10 Many shall be purified, made white, and refined, but the wicked shall do wickedly; and none of the wicked shall understand, but the wise shall understand.

I realize that without the Lord we can't do anything. We cannot lean upon our undestanding, or wisdom, or experience. We cannot save ourselves. A time is coming "when the power of the holy people completely shattered" (Dan. 12:7), but our God will keep us and make all things work for our good--even in the *wilderness of the nations* which He is calling us to.

Amen
Faith is confidence in HIM that HE has everything under control, even the salvation of ours souls.
Prov 3:5-7

5 Trust in the LORD with all thine heart; and lean not unto thine own understanding.

6 In all thy ways acknowledge him, and he shall direct thy paths.

7 Be not wise in thine own eyes: fear the LORD, and depart from evil.
KJV

Heb 10:35-11:3

35 Cast not away therefore your confidence, which hath great recompence of reward.

36 For ye have need of patience, that, after ye have done the will of God, ye might receive the promise.

37 For yet a little while, and he that shall come will come, and will not tarry.

38 Now the just shall live by faith: but if any man draw back, my soul shall have no pleasure in him.

39 But we are not of them who draw back unto perdition; but of them that believe to the saving of the soul.

Hebrews 11

11:1 Now faith is the substance of things hoped for, the evidence of things not seen.

2 For by it the elders obtained a good report.

3 Through faith we understand that the worlds were framed by the word of God, so that things which are seen were not made of things which do appear.
KJV

1 Thess 4:13-5:1

13 But I would not have you to be ignorant, brethren, concerning them which are asleep, that ye sorrow not, even as oth ers which have no hope.

14 For if we believe that Jesus died and rose again, even so them also which sleep in Jesus will God bring with him.

15 For this we say unto you by the word of the Lord, that we which are alive and remain unto the coming of the Lord shal l not prevent them which are asleep.

16 For the Lord himself shall descend from heaven with a shout, with the voice of the archangel, and with the trump of G od: and the dead in Christ shall rise first:

17 Then we which are alive and remain shall be caught up together with them in the clouds, to meet the Lord in the air: a nd so shall we ever be with the Lord.

18 Wherefore comfort one another with these words.

1 Thessalonians 5

5:1 But of the times and the seasons, brethren, ye have no need that I write unto you.
KJV

1 Cor 15:51-16:1

51 Behold, I shew you a mystery; We shall not all sleep, but we shall all be changed,

52 In a moment, in the twinkling of an eye, at the last trump: for the trumpet shall sound, and the dead shall be raised inc orruptible, and we shall be changed.

53 For this corruptible must put on incorruption, and this mortal must put on immortality.

54 So when this corruptible shall have put on incorruption, and this mortal shall have put on immortality, then shall be brought to pass the saying that is written, Death is swallowed up in victory.

55 O death, where is thy sting? O grave, where is thy victory?

56 The sting of death is sin; and the strength of sin is the law.

57 But thanks be to God, which giveth us the victory through our Lord Jesus Christ.

58 Therefore, my beloved brethren, be ye stedfast, unmoveable, always abounding in the work of the Lord, forasmuch as ye know that your labour is not in vain in the Lord.
KJV

John 14:1-3
14:1 Let not your heart be troubled: ye believe in God, believe also in me.

2 In my Father's house are many mansions: if it were not so, I would have told you. I go to prepare a place for you.

3 And if I go and prepare a place for you, I will come again, and receive you unto myself; that where I am, there ye may be also.
KJV

Rom 8:34-39

34 Who is he that condemneth? It is Christ that died, yea rather, that is risen again, who is even at the right hand of God, who also maketh intercession for us.

35 Who shall separate us from the love of Christ? shall tribulation, or distress, or persecution, or famine, or nakedness, or peril, or sword?

36 As it is written, For thy sake we are killed all the day long; we are accounted as sheep for the slaughter.

37 Nay, in all these things we are more than conquerors through him that loved us.

38 For I am persuaded, that neither death, nor life, nor angels, nor principalities, nor powers, nor things present, nor things to come,

39 Nor height, nor depth, nor any other creature, shall be able to separate us from the love of God, which is in Christ Jesus our Lord.
KJV

Re: - posted by rookie (), on: 2008/5/9 10:26

Brother Chris wrote:

Quote:
-------------------------I don't think that there is a perfect financial system in the world. I tend to agree with capitalism simply because it provides freedom to succeed or fail. While it may be a little more difficult to make a living for some rather than others (due to certain financial or economic handicaps), it isn't impossible for anyone in America to live.

Scripture accurately describes God's economy. As MoeMac and Notme added to the discussion...it is God that provides for us.

But since you have said that you have understanding in micro and macro economics, I thought that you would understan d the point that I have been developing here in this thread.

I believe that the world finacial system, especially the world banking system is based on shifting sand. I believe this syst em is refered to by Jesus in Scripture as mammon.

I listed a certain precept that is clearly described in Scripture...

Eze 45:8 In the land shall be his possession in Israel: and my princes shall no more oppress my people; and the land s hall they give to the house of Israel according to their tribes.

Eze 45:9 Â¶ Thus saith the Lord GOD; Let it suffice you, O princes of Israel: remove violence and spoil, and execute jud gment and justice, take away your exactions from my people, saith the Lord GOD.

Eze 45:10 Ye shall have just balances, and a just ephah, and a just bath.

Eze 45:11 The ephah and the bath shall be of one measure, that the bath may contain the tenth part of an homer, and t he ephah the tenth part of an homer: the measure thereof shall be after the homer.

Eze 45:12 And the shekel twenty gerahs: twenty shekels, five and twenty shekels, fifteen shekels, shall be your maneh.

Pro 20:10 Divers weights, divers measures, both of them alike abomination to the LORD

Likewise we find this in Scripture...

Pro 20:10 Divers weights, divers measures, both of them alike abomination to the LORD.

There is no gray area if one understands world economics...

How does God's precept on economic standards compare with the world's financial system?

In Christ
Jeff

Re: - posted by ccchhhrrriiisss (), on: 2008/5/9 12:33

Hi rookie...

Quote:

-------------------------I believe that the world finacial system, especially the world banking system is based on shifting sand. I believe this system is refere d to by Jesus in Scripture as mammon.

Of course, this is true. This has been true from the beginning of time (well, since Adam and Eve were banished from the Garden). But I would go so far as to say that it isn't just a "world banking system" that would be considered "Mammon." It is the unhealthy lust and craving for more of this present world. Remember, money is not the root of evil. It's not the money of Rome. It's not the Shekel. It's not the dollar. It is the LOVE of money that is the root of all kinds of evil.

I think that we can both agree on this. But the question, of course, comes back to our involvement. Since you have said that the financial systems of this world are "Satanic," at what point should we (or should we not) be involved? Every per son on SermonIndex is indirectly contributing to the financial systems of this world. It takes real money (rather than gold or trading) to keep this website on the Internet. When I give to my local congregation, I give money (with the name of th e United States of America written on it authenticating it as "legal tender"). We have bank accounts, credit purchases (s uch as homes, cars, computers, etc...). At what point do we draw the line if it is so "Satanic?" Wouldn't ANY involveme nt make us "partakers" with Satan?

I suppose that I should simply ask for your purpose in the continuance of this thread. It was started to show how the wor ld might be headed toward an great economic depression by January 1, 2008. That didn't happen. I suspect that this mi ght be more than just a demonstration of how "evil" or "Satanic" the world's financial system is -- because it would be jus t as "evil" during times of plenty as during times of famine. Is there something that you are trying to imply other than wha t we already know? Are you rebuking or advocating a particular behavior or practice? Are you simply cautioning the rea der about the "shifting sands" of the economy (which have been shifting since Eden)? Or are you predicting something i mminent might be on the horizon?

My brother, please understand that I am not prodding you or bringing contempt into this purpose. While I did study econ omics in a few courses, I am not an economist. However, I cannot foresee any way to live in this world without participat ing within the financial system. After all, Jesus instructed us to "render unto Caesar" using the very coins that contained the legal inscription and seal of pagan Rome. I've been looking through this thread but I haven't found any sort of directi on other than the obvious inclusion of dire economic commentary from various news threads. I do appreciate them. But are they included for a reason?

Re:, on: 2008/5/9 15:50

Quote:
-------------------------Ccchhhrrriiisss wrote:
I've been looking through this thread but I haven't found any sort of direction other than the obvious inclusion of dire economic commentary from variou s news threads. I do appreciate them. But are they included for a reason?

....
moe wrote:
Christians have many different theologies when it comes to money and giving. Jesus certainly used money. He sent Pet er to catch the fish to pay the taxes.
Matt 17:26-18:1
"Then the sons are exempt," Jesus said to him. 27 "But so that we may not offend them, go to the lake and throw out yo ur line. Take the first fish you catch; open its mouth and you will find a four-drachma coin. Take it and give it to them for my tax and yours."
In my opinion and understanding of theology, we are serving money when we hang on to it and not give to the Kingdom. Whereever our treasure is, our heart is also.
There are certainly some ungodly things about the world's economic system and always has been. There are some Godl y things also in how we use it, if we use the money he provides to aid and help other people through the church, to furth er the Kingdom of God. When church history began, the disciples and all the new converts sold all that they had and put it together, to advance the Kingdom and had all things in common, yet some today will call a Christian a Pharisee if he p reaches tithing 10%.
I am not trying to insinuate this is the reason for this thread because I don't know. There are some truth in the thread abo ut the economy getting tight. The economy has gotten tight in the past, naming one, the great depression. People were j umping out of windows in loss of their money and fear and the end wasn't then. It may be now, in this economic downtur n, I don't know, but it is very dangerous to call the day and the hour or to be in fear. Everything starts with a thought, if w e are writing fear stories, we may become fearful.
Instead may we could encourage each other more as we see the day approaching.
Just my 2 cents

Re: - posted by rookie (), on: 2008/5/11 20:24

Brother Chris wrote:

Quote:
-------------------------Of course, this is true. This has been true from the beginning of time (well, since Adam and Eve were banished from the Garden). But I would go so far as to say that it isn't just a "world banking system" that would be considered "Mammon." It is the unhealthy lust and craving for more of this present world. Remember, money is not the root of evil. It's not the money of Rome. It's not the Shekel. It's not the dollar. It is the LOVE of money that is the root of all kinds of evil.

I was thinking more in line with Fractional Reserve Banking Practices. Most of the issues we see today in the current financial crisis are rooted in this precept of creating something of value, "paper money" out of nothing. It seems to me that this financial system is not based on God's precepts. Man can easily manipulate and steal the value of a man's labor or assets. But in God's economy, His provisions are sure and never changing.

You see, in the book of Revelation, the financial system enables the kings, princes, and merchants to grow rich through trade. These men become rich because they create imbalances between nations. These "imbalances" are enabled by a financial system which can be manipulated by those who control the printing of fiat currencies.

Have you ever wondered why we Americans have to pay interest on the money that is printed by the Federal Reserve?

In Christ
Jeff

Re: - posted by ccchhhrrriiisss (), on: 2008/5/12 11:32

Hi Jeff...

Quote:
-------------------------I was thinking more in line with Fractional Reserve Banking Practices. Most of the issues we see today in the current financial crisis are rooted in this precept of creating something of value, "paper money" out of nothing. It seems to me that this financial system is not based on God's precepts. Man can easily manipulate and steal the value of a man's labor or assets. But in God's economy, His provisions are sure and never changing.

But don't you think that it is going a little far to accuse God of even having an *economy*? God doesn't print money. He doesn't have a Heavenly Reserve Bank. He can (and does) create something from nothing. Instead of operating on a manager of his "assets," he freely gives to those who are in need or to those who have been good stewards. However, I don't believe that this goes to the extent that the prosperity gospel teaches -- where they "give so that they can receive." To accuse the American economic system of Satanic precepts would then indict anyone involved in the system (including those who use its currency certificates).

Quote:
-------------------------You see, in the book of Revelation, the financial system enables the kings, princes, and merchants to grow rich through trade. These men become rich because they create imbalances between nations. These "imbalances" are enabled by a financial system which can be manipulated by those who control the printing of fiat currencies.

Are you implying that the poor are poor and the rich are rich because of some great conspiracy? While I agree that the rich have a better opportunity to make more money (because of Investment Capital), the goal of capitalism is to provide each person the opportunity to earn a living through a free market. History has been filled with stories of individuals who started at the bottom and worked their way toward a fortune. Some of these individuals had little personal wealth or startup funds. Each time I walk into a KFC (Kentucky Fried Chicken), I am amazed at the work of an older gentleman who was able to turn his small truckstop diner into a nation-wide restaurant specializing only in fried chicken (a novelty at the time).

Remember -- a dollar is just a certificate (real or implied) that is "valued" at one dollar by the government. The Treasury only keeps a finite amount of money in circulation in order to prevent inflation or the overvalue of our currency. This is a sharp contrast with China, whose currency is drastically irregular.

At the same time, it is interesting to consider how we, as believers, should act. Should we use money? Jesus encourag ed us to. Should we covet the things of this world? Jesus warned us against it. Should we provide for our familes? Yes -- or we are worse than an infidel.

I've noticed many good believers who almost boast about their poverty. Some of them have pointed the finger at those who own a house, a car, etc... and claimed that they were participating in the "Babylonian world system." Ironically, some of these were on "Government Assistance" and all of them used money. Shockingly, many of them have complained about the rich and even middle class (as if they could arrive to such a condition only by "selling their soul" to this "Satanic system"). I once told one of them that if they are going to "boast" in their poverty, then then need to be content and stop complaining about anyone who isn't happily joining them.

Quote:
------------------------Have you ever wondered why we Americans have to pay interest on the money that is printed by the Federal Reserve?

I'm not sure what interest you are talking about. Remember, banks are NOT charities. They are private companies or corporations that are trying to earn a profit. If you are against paying interest, then don't borrow money or buy something on credit. It can be done! My wife's family built a 5 bedroom house using nothing but cash. Her parents don't even have a bank account! Her dad doesn't speak English and works as a janitor at a nearby Wal-Mart. They spent their summers as migrant workers, working in the fields (doing jobs that "supposedly" other Americans will not do). Yet he saved his money long enough to buy several nice acres and build (by hand) a large 5 bedroom 3 bathroom two-story home. How did he build it? He taught himself.

My wife has always been a US citizen (even though she was raised in Mexico throughout grade school). Yet she has been amazed at how little work ethic that Americans seem to have developed. Pastors in Mexico, she said, often have two or three jobs. One time, a pastor of a small nearby Spanish church visited her parents in their home asking for donations. This pastor said that he needed a car to drive back and forth from the church (he lived about a half-mile away from it). My wife's father politely told him that if he wanted a car, he needed to get a job. The pastor was offended and explained that a "workman is worthy of his hire." My father-in-law asked, "Well what is it that you do during the daytime?" The pastor replied, "Oh, I spend my days praying for the town, the congregation and revival in this area." My father-in-law replied, "SO DO I -- BUT I DON'T ASK TO GET PAID FOR IT!"

This is a little harsh, but I think that he has a point. David Wilkerson once preached that "greed is not only the sin of the rich, but the sin of the poor." In his message, Holy Ground, Wilkerson explained that those who have had enough often have seen the emptiness of wealth. They are content with the provisions needed to get through life. The poor, however, often become so envious of the things that others have. But this rich/poor contrast varies from place to place and culture to culture. At one point, a telephone or indoor bathroom was a sign of wealth. You know what? It still is. If you have a telephone, an indoor bathroom or even hot/cold running water in many places in the world (including Mexico), you would stand out as "rich."

The point that I have been trying to make is about why are we even concerned about the economic systems of this world? We should be so emotionally detached that we are ready to depart at any moment. Of course, I certainly want to provide for my wife (and future children). I will be relocating to California soon, and I am already in the process of job-hunting. But I know what it is like to have plenty, and I know what it is like to be poor. While I prefer to have enough, I still feel a need to be content no matter my condition.

I just think that it might be fruitless to point to the dire conditions of the economy just to illustrate how "Satanic" its precepts are. This is especially true if we partake -- even in the slightest -- in this system that we accuse of "Satanic" origins. In fact, the events that affect the economy on a national scale do not necessarily reflect difficulty on a local level. The housing market (complete with the foreclosures of people who were willing to accept those type of loans with unfixed rates) hasn't affected my wife and I. In fact, we are doing fairly well: We are not in poverty. But regardless of whether or not we eat steak or ramon noodles for dinner, we always give thanks.

:-)

Re: - posted by rookie (), on: 2008/5/13 10:22

Brother Chris

I hope to write back to you soon.

Your brother in Christ
Jeff

Re: - posted by rookie (), on: 2008/5/13 10:25

Here is an article which talks about the type of lies I am refering too...

Libor Poised for Shake-Up as Credibility Is Doubted (Update3)

By Ben Livesey and Gavin Finch

May 13 (Bloomberg) -- The benchmark interest rate for $62 trillion of credit derivatives and mortgages for 6 million U.S. homeowners faces its biggest shakeup in a decade as lawmakers question if banks are understating borrowing costs.

For the first time since 1998, the British Bankers' Association is considering changing the way it sets the London interba nk offered rate, according to Chief Executive Officer Angela Knight, who appeared before a parliamentary committee in London today. ``We've put Libor under review,'' Knight said in an interview yesterday. The BBA will announce changes May 30, she said.

The BBA, an unregulated London-based trade group, sets Libor by polling 16 banks each day on the rates they pay for l oans in dollars, British pounds, euros and eight other currencies. The association is under pressure to show the rates ar e reliable following complaints by investors that financial institutions weren't telling the truth after the collapse of subprim e mortgages nine months ago contaminated credit markets and drove up borrowing costs.

While the BBA set the one-month dollar Libor rate at 2.72 percent on April 7, the Federal Reserve said banks paid 2.82 percent for secured loans later that day. Secured loans typically yield less than unsecured debt.

``The Libor numbers that banks reported to the BBA were a lie,'' said Tim Bond, head of global asset allocation at Barcla ys Capital in London. ``They had been all the way along. The BBA has been trying to investigate them and that's why ba nks have started to report the right numbers.''

April Warning

Libor rates jumped after the BBA said April 16 that any member banks found to be misquoting rates will be banned. The cost of borrowing in dollars for three months rose 18 basis points to 2.91 percent in the following two days, the biggest in crease since the start of the credit squeeze last August. The one-month rate climbed 14 basis points, its biggest gain sin ce November.

The cost of borrowing in dollars for three months should be as much as 30 basis points, or 0.30 percentage point, higher than the current rate, Citigroup Inc. said in a report last month. Banks are understating borrowing costs on concern they will be perceived as ``weakened'' by the credit turmoil that forced banks to record $323 billion of losses and credit-marke ts writedowns, said Peter Hahn, a fellow at the London-based Cass Business School.

``Since the credit crunch, it's something that appears to have been manipulated,'' said Hahn, a former managing director at Citigroup. ``We are in an extraordinarily delicate confidence time where a small event can shatter things quite easily.''

Review Brought Forward

The BBA accelerated its annual review of Libor to assess if there's a fault with how the rate is computed, if it reflects ``dif ficult markets'' or is ``giving the right answer, just one that people don't want to hear,'' Knight said yesterday.

``Libor has stood the test of two decades,'' she said at today's parliamentary committee hearing. While the association h as contacted all the member banks to investigate Libor ``volatility,'' the swings in the rate are ``hardly surprising'' amid th e credit turmoil, Knight said.

``We have not run away or hidden from the need for reform or the need for review'' of ``serious'' issues in the U.K. financ ial-services industry, Knight said.

The BBA has submitted a report based on discussions with member banks to its independent Foreign Exchange and Mo ney Market Committee, which is carrying out the review of Libor, said Brian Mairs, a spokesman for the BBA in London.

BIS Report

The banking group, which represents Citigroup, HSBC Holdings Plc and 14 other lenders, asks members each morning to say how much it would cost them to borrow from each other for 15 different periods ranging from a day to a year.

The Bank for International Settlements said in a March report some lenders were manipulating the rates to prevent their borrowing costs from escalating. The system still worked as it was meant to do as the credit crunch began in the middle of last year, the Basel, Switzerland-based BIS said.

Libor is used to guide banks in setting rates on most adjustable-rate mortgages. The prices they quote for credit default swaps are also linked to Libor.

``Libor is a proxy for the effective rates of the economy,'' said Rav Singh, an interest-rate strategist at Morgan Stanley in London. ``Libor eventually feeds into the economy. There's so much on the back of the Libor problem. There are structur ed products, all the swaps and then there are the hedging positions.''

Fed Action

To ease the credit crunch, the Fed cut rates seven times, created three lending facilities to help both banks and securitie s firms obtain funds and backed the takeover of Bear Stearns Cos., which was on the verge of collapse. In all, the centra l bank made more than $600 billion available to lenders and allowed Wall Street firms to borrow money overnight at the same so-called discount rate charged to commercial banks. Fed Chairman Ben S. Bernanke provided $29 billion of finan cing to back JPMorgan Chase & Co.'s bailout of Bear Stearns in March.

Bank representatives declined to say what recommendations they are making to change Libor.

HSBC and HBOS Plc spokesmen declined to comment. Deutsche Bank AG spokesman Ronald Weichert and Bank of A merica Corp. spokesman Scott Silvestri weren't immediately able to comment. Barclays, Royal Bank of Scotland and Llo yds TSB Group Plc declined to comment.

``I can confirm that along with the other 15 members of the BBA, as happens every year, we have been in consultations, '' said Richard Bassett, a London-based spokesman for WestLB AG. Rabobank Groep NV spokesman Anthony Arthur w asn't immediately available for comment.

Spokesmen for Mitsubishi UFJ Financial Group Inc. and Norinchukin Bank Ltd. weren't immediately available. A Royal B ank of Canada spokeswoman said it had discussions with the BBA as part of consultations with all Libor panel members and awaits the association's recommendations.

(end of article)

Part of the reason for this ongoing financial crisis is based on the fact that the banks stopped lending and doing busines s with each other because they don't trust each other....

In Christ
Jeff

Re: - posted by rookie (), on: 2008/5/21 10:36

The Next Shoe to Drop
BY ROB KIRBY

In the wake of the recent unprecedented and highly questionable demise of Bear Stearns, I had the opportunity to speak with Catherine Austin Fitts regarding some of the fuzzier elements surrounding BearÂ's demise.

Issues discussed included claims by options expert, John Olagues, outlining how massive buying of Â'putsÂ' and shorting stock led to the demise of Bear Stearns in an article titled, Bear Stearns Buy-Out... 100% Fraud:

Â"This article is about how Bear Stearns stock was artificially collapsed so that illegal insider traders would make billions and J.P. Morgan would be paid $55 billion of US tax payer money to shore up themselves and buy Bear Stearns at bankruptcy prices.Â"

By the way, the article referenced above is really great stuff Â– discussing details as to what happened and the timelines involved - which everyone should take the time to read. One particular issue surrounding the Bear Stearns event we discussed, which I feel must have been related more so due to Â"timingÂ" than anything else, was the revelation of impropriety and the lightening quick removal from office of New York State Governor, Eliot Spitzer . Bear Stearns collaps ed the very next weekend.

Tip Toeing Through the Tulips

Folks would do well to remember this op-ed piece Spitzer penned for the Washington Post:

Predatory Lenders' Partner in Crime
How the Bush Administration Stopped the States From Stepping In to Help Consumers
By Eliot Spitzer
Thursday, February 14, 2008; Page A25

Several years ago, state attorneys general and others involved in consumer protection began to notice a marked increas e in a range of predatory lending practices by mortgage lenders. Some were misrepresenting the terms of loans, making loans without regard to consumers' ability to repay, making loans with deceptive "teaser" rates that later ballooned astro nomically, packing loans with undisclosed charges and fees, or even paying illegal kickbacks. These and other practices , we noticed, were having a devastating effect on home buyers. In addition, the widespread nature of these practices, if l eft unchecked, threatened our financial markets.

Even though predatory lending was becoming a national problem, the Bush administration looked the other way and did nothing to protect American homeowners. In fact, the government chose instead to align itself with the banks that were v ictimizing consumersÂ….

Ms. Fitts explained to me the following:

Â"The Governor of NY is responsible for three state pension funds one of the largest pension fund pools in the country. The Governor does not have direct control. The NY State Comptroller has the direct governance responsibilities. Howev er, if there is serious fraud, it is the Governor's political responsibility to ensure that the retirement savings of State gover nment workers are protected and the Comptroller and the boards have the resources and support they need to protect s uch savings. As fund performance impacts the amounts that the state and governmental budgets must fund annually, si gnificant losses in the pension funds can impact government budgets not only in Albany but throughout New York. That i s very much the Governor's business.Â"

Running the Gauntlet

And who would argue, regardless of any personal indiscretion, that Mr. Spitzer had a penchant for prosecuting cases of blatant fraud? How do you think Spitzer might have reacted under these circumstances had he remained governor?

But what I really learned from the dissertation above was this:

Â"The Governor of NY is responsible for three state pension funds one of the largest pension fund pools in the country.Â

”

This talk of pension funds got me thinking Â– and researching:

Â“There are more than 100 public retirement systems in the U.S. managing a combined $2.3 trillion. The amount is $380 billion short of the funds needed to pay pensions over the next 30 years, according to the National Association of State Retirement Administrators in Baton Rouge, Louisiana.Â”

And then this comment by Fitts got me thinking a little bit more:

Â“I suspect that one of the reasons for the Bear Stearns deal, related market manipulations combined with the Paulson Plan was the fear of what was due out in March from the pension funds about their losses on mortgage and structured fi nance paper as well as financial stocks. Remember, UBS, Merrill, Citigroup...these firms package mortgage securities a nd sell them to investors, with a significant amounts going to pension funds and insurance companies. They traditionally do not hold large amounts of inventory. My guess is their write downs include derivatives and other types of assets. The really big write downs should hit the pension funds. Yet the silence coming from the pension funds since March has bee n deathly -- just as deathly as the suppression of the gold and silver price.

Spitzer could have proved -- and would have had a moral obligation to prove -- that the federal government's insistence on stopping enforcement in 2005 (see his editorial in the Washington Post -- linked on my blog -- in one of several Spitz er posts). Presumably this means that some of the financial liability for losses could have been shifted to feds or banks o r both.

Over the past few months, who hasnÂ’t read or watched articles or interviews streaming from the mainstream financial p ress about banks caught up in Â‘sub-primeÂ’ or derivatives issues Â– writing off seemingly endless amounts of toxic, un -saleable securitized mortgage derivatives?

But so far, as Fitts said, the silence coming from pension funds HAS BEEN DEAFENING!

Walk On the Wild Side

I decided to take a look at the largest pension pool in the U.S. Â– the 240 billion Calpers - we can see the breakout of th eir Fixed Income Investments. The following is from their most recent June 30, 2007 Annual Investment Report:

FIXED INCOME REPORTS - Calpers

ASSET BACKED SECURITIES

COMMERCIAL MORTGAGE LOANS

CORPORATE SECURITIES

DIRECT LOANS

DOMESTIC CASH EQUIVALENTS

GOVERNMENT SECURITIES

HIGH YIELD

INTERNATIONAL CASH EQUIVALENTS

INTERNATIONAL DEBT SECURITIES

INTERNATIONAL FIXED INCOME

MORTGAGE BACKED SECURITIES (CMO)

MORTGAGE BACKED SECURITIES (FHLMC)

MORTGAGE BACKED SECURITIES (FNMA)

MORTGAGE BACKED SECURITIES (GNMA)

MORTGAGE LOANS

SOVEREIGN SECURITIES

SWAPS

For the purposes of saving you readers a bit of time, represented above are 245 individual asset backed securities, 564 mortgaged backed securities of varying descriptions, 66 individual currency and interest rate swaps and two entries in th e high yield category totaling more than 400 million in reported market value.

Selected Calpers Equity Highlights:

Having glanced through the equities portion of the same Calpers report, we see no less than 641 thousand shares of Be ar Stearns with a reported market value of 140 bucks per share, more than 22 million shares of B of A with a reported va lue of 48+ bucks, 23 million shares of Citibank with a reported value of 51+ dollars per share, 565 thousand shares of A MBAC with a reported value of 87+ bucks per share, 948 thousand shares of MBIA valued at 62 bucks+ per share and f or a bit of international diversification, letÂ’s not forget 819 thousand shares of good ole Northern Rock valued at 17.70 p er share.

Calpers is soon due to release their updated June 2008 Annual Investment Report. Anyone want to place a friendly wag er on the extent of losses that are going to be reported?

Run for the Roses?

IsnÂ’t it amazing that some folks REALLY DO KNOW when theyÂ’ve had too much of good thing?

The Rats Are Jumping Ship:

CalPERS resignations not connected - turmoil denied
Sam Zuckerman, Chronicle Staff Writer
Wednesday, April 30, 2008

The resignation of the CEO of California's public employee retirement system, announced Monday, was its second high-level departure in less than a week, prompting speculation about turmoil at the $240 billion pension fund.

It seems Calpers is not alone Â– misery really does love company, eh?

State Street Corp. Is Sued Over Pension Fund Losses

By VIKAS BAJAJ
Published: January 4, 2008

The State Street Corporation, which manages $2 trillion for pension funds and other institutions, ousted a senior executi ve on Thursday and said it would set aside $618 million to cover legal claims stemming from investments tied to mortga ge securities.

State Street made the announcement after five clients sued it, claiming they had lost tens of millions of dollars in State S treet funds that they were told would be largely invested in risk-free debt like Treasuries. One fund lost 28 percent of its value during the credit troubles in the summer after placing big bets on mortgage-related securities, according to the law suits.

IÂ’ve got a Â‘sinking feelingÂ’ that State StreetÂ’s woes Â– cited above Â– are Â“jacks for openers.Â”

So who owned the rest of Bear Stearns stock anyway? According to Wikipedia:

Major shareholders
The largest Bear Stearns shareholders as of December 2007 are:

Barrow Hanley Mewhinney & Strauss - 9.73% of the company

Joseph C. Lewis - 9.36%

Morgan Stanley - 5.37%

James Cayne - 4.94%

Legg Mason Capital Management - 4.84%

Private Capital Management - 4.69%

Barclays Global Investors - 3.60%

State Street 3.01%

Vanguard Group - 2.67%

Janus Capital Management - 2.34%

Legg Mason Funds Management - 1.95%

Fidelity Management- 1.93%

Putnam Investment Management - 1.90%

Neuberger Berman - 1.55%

UBS - 1.54%

Mr. Aglamaz - 0.85%

So it wouldnÂ't be a Â"stretchÂ" to suggest that State Street lost a pile of money.

Conclusion: Damage to the financial system is, in all likelihood and despite claims from the likes of Mr. Paulson or Mr. Bernanke, much, much greater than has already been reported. While banks have reported Â'write downs,Â' the pension funds have barely, to date, uttered a word.

The public retirement/pension system has likely been Â"looted.Â" We just donÂ't know how bad Â– yet.

As Catherine Austin Fitts reminds us,

Â"Remember, UBS, Merrill, Citigroup...these firms package mortgage securities and sell them to investors, with a significant amounts going to pension funds and insurance companies. They traditionally do not hold large amounts of inventory.Â"

What we can take away from the clarity and wisdom of Ms. Fitts Â– another shoe is going drop - and soon.

(end of article)

In a little more than a month we will see if this is true...

Re: - posted by rookie (), on: 2008/5/21 12:18

Reuters
Moody's stock suffers record plunge on rating error
Wednesday May 21, 11:00 am ET
By Walden Siew

NEW YORK (Reuters) - Shares of Moody's Corp (NYSE:MCO - News) fell more than 13 percent on Wednesday, the biggest one-day drop since becoming an independent company in 2000, after the rating agency said a computer snafu resulted in incorrect top ratings for complex debt.

The Financial Times first reported a coding error resulted in wrong "Aaa" ratings for debt known as Constant Proportion Debt Obligations, known as CPDOs.

Moody's shares fell over 13 percent to $37.95 in the largest one-day drop in the stock since it was spun off from Dun & Bradstreet in 2000.

A Moody's spokesman in New York said the rating agency is "conducting a thorough review" of its rating methods for European CPDOs specifically, due to the computer glitch. The review of its computer coding does not extend to subprime mortgage debt, collateralized debt obligations or corporate bonds, Moody's said.

"Moody's is simply telling the truth slowly, and there's more truth to be told," said Janet Tavakoli, a consultant and president of Tavakoli Structured Finance in Chicago.

"Up until now I thought the rating agencies were incompetent rookies in structured products," Tavakoli said. "Now I'm suspicious that they may be crooked."

Agencies like Moody's Corp (NYSE:MCO - News), McGraw-Hill Cos. Inc.'s (NYSE:MHP - News) Standard & Poor's and Fimalac's (Paris:LBCP.PA - News) Fitch Ratings have been under pressure by investors, regulators and critics for the past year for incorrectly rating subprime mortgage debt.

Losses from deteriorating subprime mortgage and repackaged debt have led to more than $400 billion of market losses, according to Fitch Ratings.

(end of article)

again from the article for emphasis...

"Moody's is simply telling the truth slowly, and there's more truth to be told," said Janet Tavakoli, a consultant and president of Tavakoli Structured Finance in Chicago.

"Up until now I thought the rating agencies were incompetent rookies in structured products," Tavakoli said. "Now I'm suspicious that they may be crooked."

Re: - posted by rookie (), on: 2008/5/22 8:20

Here is an example of changing weights and measures....

JPMorgan Swap Deals Spur Probe as Default Stalks Alabama County

By William Selway and Martin Z. Braun

May 22 (Bloomberg) -- As nighttime temperatures plunged in Birmingham, Alabama, last October, Dora Bonner had a choice: either pay the gas bill so she could heat the home she shares with four grandchildren, or send the Birmingham Water Works a $250 check for her water and sewer bill.

Bonner, who is 73 and lives on Social Security, decided to keep the house from freezing.

``I couldn't afford the water, so they shut it off,'' she says.

Bonner's sewer bills have risen more than fourfold in the past decade. So have those of others in Jefferson County, which has 659,000 residents and includes Birmingham, the state's largest city.

What's threatening to increase them even more isn't the high cost of treating waste; it's the way county officials chose to finance the $3.2 billion in debt they took on to build a new sewer system. The county relied on advice from a bank, JPMorgan Chase & Co., to arrange its funding, rather than use competitive bidding.

Like homeowners who took out mortgages they couldn't afford and didn't understand, Jefferson County officials rejected fixed- rate debt and borrowed instead at rates that varied with the market.

The county paid banks $120 million in fees -- six times the prevailing rate -- for $5.8 billion in interest-rate swaps. That was supposed to protect the county from rising rates for their bonds. Lending rates went the wrong way, putting the county $277 million deeper into debt.

Interest Rate Soared

In February, the county's interest rate soared to as much as 10 percent, up from 3 percent just weeks earlier. The swaps have now compounded the risk that Jefferson County will file for bankruptcy as it faces its worst financial crisis since it was founded in 1819.

The same subprime chaos that has felled chief executive officers on Wall Street and forced banks to write off $322 billion has plowed into Jefferson County and other municipalities. That means local officials now have to pay to banks money that otherwise might have been used to build schools, hospitals or public housing.

Meanwhile, the U.S. Securities and Exchange Commission and the Justice Department are now investigating bankers and officials involved in Jefferson County's swap agreements.

Bankers who worked for New York-based Bear Stearns Cos. and JPMorgan when Jefferson County bought its swaps have been told they might face criminal charges under an antitrust investigation of the municipal derivatives industry, according to records filed with the Financial Industry Regulatory Authority Inc.

SEC Sues Mayor

On April 30, the SEC sued Larry Langford, the former county commission president and now Birmingham's mayor, for fraud in allegedly accepting $156,000 from a local banker while refinancing the sewer debt. Langford denies any wrongdoing. JPMorgan spokesman Brian Marchiony declined to comment for this article.

The Federal Bureau of Investigation has raided financial advisers in California, Minnesota and Pennsylvania to get files. In January 2007, Charlotte, North Carolina-based Bank of America Corp. agreed to cooperate with federal prosecutors in exchange for leniency. Bank of America spokeswoman Shirley Norton declined to comment.

Jefferson County -- which weathered the U.S. Civil War in the 1860s and racial strife in the 1960s -- is now scrambling to avert what would be the biggest municipal bankruptcy in the nation's history, measured by outstanding bonds.

``It's going to come back to us, to the people,'' says Bonner, a retired waitress. ``Whether you're poor or you're rich, you're going to end up paying.''

Secret Swap Fees

JPMorgan, Bank of America, Bear Stearns, and Lehman Brothers Holdings Inc. charged Jefferson County about $50 million above prevailing prices for 11 of the interest-rate swaps the county bought between 2001 and 2004. None of the fees were disclosed to the commissioners, records show.

Porter, White & Co., the Birmingham-based financial advisory firm later hired by the county to analyze its swaps, said the banks raked in as much as $100 million in excessive fees on all 17 of its swaps.

The swaps are contracts in which the county and the banks agreed to exchange periodic payments based on the size of the outstanding debt and changes in prevailing lending rates. Swaps are derivatives, which are unregulated financial contracts tied to the underlying value of a security, commodity or index.

Jefferson County's deals started to unravel in January after its bond insurers, Financial Guaranty Insurance Co. and XL Capital Assurance Inc., suffered hundreds of millions of dollars in losses on securities tied to home loans.

Bonds Take Hit

Standard & Poor's downgraded Financial Guaranty's credit rating to AA from AAA on Jan. 31. The next week, Moody's Investors Service cut XL Capital six levels to A3. Moody's then downgraded Financial Guaranty to A3.

When a bond insurer takes a ratings hit, so do the bonds it has guaranteed; the insurer effectively lends its high rating to the bond issuer.

That's what happened to about $3 billion of Jefferson County's debt, causing its interest rate to balloon to as high as 10 percent in February and March from 3 percent in January. That helped increase its total monthly debt payments to $23 million from $10 million.

``It happened overnight,'' County Commission President Bettye Fine Collins says. ``It became a situation that worsened every day.''

The turmoil in Jefferson County might be just the beginning of a new, painful chapter in the subprime debacle.

``The Jefferson County crisis could have national implications,'' says U.S. Representative Spencer Bachus, who represents the county and is the top Republican on the House Financial Services Committee. ``Large defaults in the municipal bond market could have a ripple effect on the larger U.S. financial system, again causing systemwide financial stress.''

Bear Stearns Saved

The banks that sold the toxic financing to Jefferson County have themselves fallen victim to the subprime crisis -- none more so than Bear Stearns. The firm, which sold $1.6 billion in swaps to the county, saw its shares plunge 95 percent from Jan. 1 to March 17 before it was bailed out by the Federal Reserve in March.

The Fed negotiated a deal in which JPMorgan bought Bear for $10 a share. JPMorgan had sold $3.2 billion in swaps to Jefferson County.

``It's ironic that the Fed can do corporate welfare for the banks, but they can't bail out a county that was victimized by these banks,'' says Craig Greer, a Catholic chaplain at a Birmingham hospice.

The SEC and Justice Department are probing whether the banks that financed Jefferson County conspired nationwide to fix prices for derivatives, violating the Sherman Antitrust Act, according to target letters sent to bank employees.

Criminal Charges

At least four JPMorgan bankers who worked for the bank at the time Jefferson County deals were done, including Dougl as MacFaddin, the former head of municipal derivative sales, have been told by the U.S. Attorney's office that they could face criminal charges, records show. MacFaddin, who was fired in March, couldn't be reached for comment.

``In Jefferson County's case, the people who were allegedly doing the price fixing were right at the center of the scandal,'' says Christopher ``Kit'' Taylor, who ran the Municipal Securities Rulemaking Board, the public finance regulator in the U.S., from 1978 to 2007.

Jefferson County could use the federal probe of the banks that financed the sewer debt as leverage to stop the firms fro m demanding more money, Taylor says. So far, the county has won agreements with JPMorgan and the other banks to keep from being forced to buy back as much as $847 million of unwanted bonds or pay up the $277 million it owes on its swaps.

Don't Pull Trigger

The banks might be worried that Jefferson County, if pressed, could walk away from the derivatives trades on the groun ds that they were signed in what might have been fraudulent deals written by the banks, Taylor says. That threat could b e enough for the county to bide its time as it works for a solution.

``The big boys don't want to pull the trigger,'' Taylor says. ``Then they might end up upsetting the whole derivatives appl e cart because of what a judge may do in a court case.''

Some Jefferson County residents have taken to joking about the mess local officials and banks have dumped on them. Greer, the chaplain, is selling what he calls look-alike bonds, for $2.50. He says they should be used as toilet paper. He' s also distributed bumper stickers saying ``Wipe Out Sewer Debt.''

Not everyone is laughing. Outside a Piggly Wiggly grocery store in western Birmingham, Charles Boyd, a construction s upervisor, says it seems like the only thing he does is pay bills.

``It's just not like it used to be,'' Boyd, 67, says. ``It's rough. And I'm working, so when people talk about their sewer bills, I know it's hard. The sewer bill is higher than the water bill. It's ridiculous. It's outrageous.''

Seeds of Crisis

The seeds of Jefferson County's debt crisis were planted in December 1993, when three citizens filed a lawsuit against t he county commission, alleging untreated sewage was being discharged into the Black Warrior and Cahaba rivers durin g heavy rains, in violation of the federal Clean Water Act.

The U.S. Environmental Protection Agency in 1994 joined the taxpayers who filed the complaint. In December 1996, the county settled the case by agreeing to build a sewer system for collecting overflows and cleaning the water.

In 1997, the county began selling bonds to raise money for the project. Most of the bond sales, all done without competit ive bidding, were arranged by Charles LeCroy, a banker at St. Petersburg, Florida-based Raymond James & Associates Inc.

`Cash Cow'

By November 2002, the county had issued $2.9 billion in sewer bonds, with an average rate of 5.25 percent; the cost of building the sewer system doubled from initial projections. Meanwhile, LeCroy had been hired by JPMorgan, taking the c ounty's debt work with him.

``Jefferson County became a cash cow,'' says County Commissioner Shelia Smoot, a Democrat.

In 2002, with municipal bond interest rates near a 34-year low, LeCroy told Jefferson County officials they could save mil lions of dollars by refinancing their sewer debt. He recommended that the county use a combination of adjustable-rate b onds and interest-rate swaps.

The officials took JPMorgan's advice, and in 2002 and '03 Jefferson County issued $3 billion of adjustable-rate bonds, in cluding $2.2 billion of auction-rate securities, bonds whose interest rates reset at periodic auction sales by banks.

Swaps Seminars

Those bonds provided the banks with about $55 million in fees, county records show. JPMorgan sold Jefferson County $ 2.7 billion of interest-rate swaps, Bank of America sold the county $373 million in swaps and New York-based Lehman B rothers sold the county $190 million more.

The swaps, if they worked as designed, would allow Jefferson County to pay about 4.2 percent on its debt for 40 years.

Jefferson County was so enthusiastic about its sophisticated debt management techniques that in 2003 and 2004 it held ``Investor Relations'' seminars each year in a Birmingham hotel.

The events were sponsored by 32 banks, advisers, law firms, bond insurers and rating companies, including CDR Finan cial Products, the county's Beverly Hills, California-based swap adviser, Bear Stearns and JPMorgan. County officials so licited sponsorships, including $27,000 from JPMorgan, $15,000 from Bear Stearns and $10,000 from CDR.

``We have so many little municipalities around here that can't afford to go for any kind of training,'' says Linda Goldblatt, t he county's investor relations director. ``We thought it would be a good idea to help get them some idea of what's going on out there.''

`Prudent Financial Management'

Bankers from Bear Stearns and JPMorgan, along with advisers from CDR, led the sessions.

``The worldwide use of privately negotiated derivatives has generated considerable momentum,'' a JPMorgan presentati on said. ``The need for prudent financial management continues to drive the wider use of privately negotiated derivative s.''

The phrase privately negotiated is a euphemism bankers use to describe debt deals that are struck without competitive bidding -- as all of Jefferson County's were.

Then JPMorgan banker Matthew Roggenburg quoted Federal Reserve Chairman Alan Greenspan, who lauded derivativ es because they create a more flexible and efficient financial system.

``New financial products have enabled risk to be dispersed more effectively to those willing, and presumably able, to bea r it,'' Greenspan said in an April 2002 speech. ``Shocks to the overall economic system are accordingly less likely to crea te cascading credit failure.''

Upfront Cash

In 2004, three months before one of the seminars, Bear Stearns, along with Montgomery, Alabama-based underwriter Bl ount Parrish & Co. and Mobile, Alabama-based Gardnyr Michael Capital Inc., pitched the county another swap deal, its l argest yet.

The county sought to generate millions in upfront cash to hold down sewer bills by agreeing to pay 67 percent of the one -month rate on the London interbank offered rate. In return, the banks would pay the county 56 percent of one-month Lib or plus 0.49 percentage point.

In June 2004, the county entered into $1.5 billion of swaps with Bear Stearns on those terms and another $380 million s wap with Bank of America on those terms. Jefferson County received $25 million in upfront cash.

The deals also gave Jefferson County the distinction of holding the most interest-rate swaps -- $5.8 billion in all -- of any county in the U.S.

County Commissioner Jim Carns, 67, says the banks used the lack of transparency in derivatives to overcharge Jefferso n County.

`Unregulated Market'

``It's easier for mischief to take place in an unregulated market,'' he says. ``You don't have a teacher watching the playground.''

A year after the swaps deals with Jefferson County, JPMorgan's LeCroy ran into legal trouble. He was indicted in June 2004 on federal fraud charges in a municipal finance corruption scandal in Philadelphia. JPMorgan fired him. In January 2005, LeCroy pleaded guilty and was later fined $15,000 and imprisoned for three months. He declined to comment.

The SEC's action against Langford, the former county commission president, hit closer to home. In April, the agency accused Langford in federal court of fraud for failing to disclose he had accepted more than $156,000 from William Blount of Blount Parrish.

Langford steered a portion of the work on every swap and bond deal in 2003 and 2004 to Blount, which was paid more than $6.7 million in fees, according to the complaint. The SEC said in an April 30 press release that it was still investigating. Langford says the SEC's allegations are untrue.

`Political Witch Hunt'

``It was a political witch hunt from day one,'' he says. ``Blount and I have been friends for 30 years. He wouldn't have had to buy no involvement in no bond deal from me.''

Andrew Campbell, a lawyer for Blount, denies any wrongdoing and says the SEC doesn't have jurisdiction over swaps.

The SEC has asked the Jefferson County commissioners to turn over information regarding payments, fees and gifts relating to the county's bond deals and swaps since January 2002, according to Commissioner Collins.

The agency specifically asked for all communications with Bank of America, Bear Stearns, JPMorgan and Lehman Brothers.

Bachus, the Alabama congressman, says the entire controversy would have been avoided if Jefferson County had simply used the kind of financing all municipalities once used: fixed-rate bonds, which through the early 1970s were almost always sold through competitive bidding.

`Knew the Risk'

``On a 30-year issue at a fixed rate, then everybody knew the risk,'' Bachus says. ``Now, with these swaps and these different transactions, the taxpayers, the ratepayers, even the county -- I don't think they understood what they were getting into.''

Some of Jefferson County's commissioners agree. Collins, a Republican and one of the two current members of the five-person board who were there when the deals were struck, says it's now clear that the financing was wrong for the county.

Commissioner Smoot says the commission misplaced its confidence in the bankers and advisers.

``I blame the people who said they were the experts,'' Smoot says. ``The big Wall Street bankers. Where are they now? We trusted them. We asked our folks to trust them. And you know what- -- they violated our trust.''

The interest rate on $2.2 billion of the county's bonds was determined by bond auctions to investors, periodically run by banks. Because of the global debt crisis, investors and banks began pulling money away from the auction-rate-securities market at the start of 2008.

Almost Doubled Rates

When those auctions failed because no one bought the securities, Bank of America and JPMorgan, seeking to shore up their own capital, didn't step in and buy the Alabama debt, as banks that had run such auctions had in the past. That forced Jefferson County to almost double the interest payments on its auction-rate bonds.

Meanwhile, the payments the county received under its swap agreements, which were supposed to cover the interest payments on its floating-rate bonds, went down. The payments were supposed to track the county's bonds, covering any increase to its bills. Instead, they added to them.

``We were already on the razor's edge of what we could afford,'' Commissioner Carns says. ``We're going into the Superbowl with one arm in a cast and another tied behind our backs.''

Cut to Junk

February brought even worse news, Carns says. On Feb. 26, Moody's cut the sewer bonds to Baa3, one step above junk. The downgrade triggered clauses in the county's swap agreements. Bank of America, Bear Stearns, JPMorgan and Lehman Brothers now had the right to cancel the deals -- at a cost of $277 million to the county.

The group of banks left holding almost all of its $847 million of unwanted bonds could also cancel the deals to act as buyers of last resort and force the county to buy the bonds back. On Feb. 29, Standard & Poor's cut the sewer bonds to junk.

``Once we got cut to junk status, we couldn't go any lower without just leaving the scene and turning over a corpse to somebody,'' Carns says.

In March, the county sent its financial advisers from Porter White to meet with JPMorgan, other banks and bond insurers in New York.

They tried to convince the bank to take about $30 million of the revenue from the one-cent sales taxes it collects for a $1 billion school construction bond and add those funds to the $115 million of annual income the county's sewer system can use to pay for the debts.

`We Cannot'

That would still have left the county with at least $100 million less than what it says its annual interest bill would be. The banks and insurers didn't accept the offer. They told the county to find ways to increase sewer revenue, Porter White's President Jim White says.

``We cannot raise sewer rates,'' Commissioner Collins says. ``We've done that and we've done that.''

Birmingham resident Dora Bonner, the grandmother who lost her water, says she feels betrayed by the county's politicians.

``They're not interested in us,'' she says. ``We elect them, then they turn the other way.''

Bonner and other residents are paying for a lesson that Warren Buffett, the world's richest man, wrote about in 2003. Derivatives are like hell, he said: ``Easy to enter and almost impossible to exit.''

Re: - posted by rookie (), on: 2008/5/22 12:19

Here is another's thoughts on the true cost of inflation...

Pimco's Gross Says U.S. Underestimating Inflation (Update2)

By Lester Pimentel

May 22 (Bloomberg) -- Pacific Investment Management Co.'s Bill Gross said the U.S. underestimates inflation by at least 1 percent, making some emerging markets more attractive investment candidates.

Changes in the way the Bureau of Labor Statistics measures prices over the past 25 years have led to the understating of inflation, Gross, co-chief investment officer of Newport Beach, California-based Pimco, said in a commentary on the company's Web site today. The Federal Reserve's focus on ``core'' instead of ``headline'' inflation has also helped understate the increase in prices, he said.

Pimco favors commodity-based assets and foreign equities that are denominated in currencies that demonstrate ``authentic'' real growth and inflation rates. Investors should shun U.S. Treasuries and Treasury Inflation Protected Securities, or TIPS, because of their negative ``unreal'' yields as a result of ``artificially low inflation,'' he said.

Re: - posted by rookie (), on: 2008/6/9 8:25

This relates to a previous article talking about how the public pension funds would begin reflecting the losses experienced by other Wall
Street organizations.

Giant Calif. land partnership files for Chapter 11
Monday June 9, 7:16 am ET
15,000-acre Calif. real estate business files for Chap. 11; Public pension is main investor

LOS ANGELES (AP) -- A 15,000-acre California real estate partnership that has the nation's largest public employees pension fund as its main investor has filed for Chapter 11 bankruptcy protection.
LandSource Communities Development LLC issued a news release late Sunday to announce the bankruptcy filing in U.S. Bankruptcy Court in Delaware. The partnership's assets include 15,000 acres of undeveloped land north of Los Angeles in the Santa Clarita Valley, making it one of the largest land deals to falter amid the national housing glut.

The California Public Employees' Retirement System, its main investor, did not immediately return calls early Monday.

LandSource had been trying for months to restructure a $1.24 billion debt, the company said. It received a default notice on April 22 after missing a payment when a decline in the assessed value of that Southern California land holding triggered an additional charge.

"LandSource believes chapter 11 provides the most effective means for the partnership to preserve the values of its business...while it works with creditors to achieve a long-term restructuring," spokeswoman Tamara Taylor said in the release.

Attempts to reach Taylor and LandSource before business hours were unsuccessful.

LandSource operates in California, Arizona, Florida, New Jersey, Nevada and Texas. The partnership announced it has received a $135 million line of credit from a group of lenders led by Barclays Bank, allowing it to fund operations during the Chapter 11 period.

CalPERS, with $254.8 billion in assets, is involved in LandSource through its participation in MW Housing Partners, an investment fund managed by MacFarlane Partners LLC.

MW Housing Partners acquired 68 percent of the Santa Clarita property from home builder Lennar Corp. and LNR Property Corp., a unit of Cerberus Capital Management LP.

Lennar and LNR each maintained a 16 percent interest in LandSource.

Taylor last month told the Associated Press that she did not know the size of CalPERS' stake in MW Housing Partners.

CalPERS provides pension, health care and other retirement services for about 1.5 million public employees.

Re: - posted by rookie (), on: 2008/7/3 15:29

Municipal Market `Fire in the Disco' Burns Borrowers (Update1)

By William Selway and Martin Z. Braun

July 3 (Bloomberg) -- MBIA Inc. and Ambac Financial Group Inc. lost their AAA credit ratings. The biggest hospital in Sarasota, Florida, is paying the price.

David Verinder, chief financial officer of the Sarasota Memorial Health Care System, received daily e-mail messages last month informing him that interest costs on an $83 million bond issue were rising to 1.45 percent, to 1.75 percent, to 3.25 percent, to 5.9 percent, and finally to 9 percent by June 24, a more than fivefold increase.

``When rates started going up as quickly as they were, it certainly caused a great deal of stress,'' Verinder said.

The daily increases by Wachovia Corp. had nothing to do with the financial health of Sarasota Memorial. Hospitals, airports, school districts and local governments around the country have been socked with spiraling interest bills on many of the $80 billion of insured variable-rate bonds. When units of MBIA and Ambac, the two largest bond insurers, lost the top ratings from Standard & Poor's and Moody's Investors Service last month, the institutions they insured did too.

The downgrades are the latest blow to the $2.66 trillion municipal bond market, which is on track to have its worst yearly performance since 1999, according to Merrill Lynch & Co.'s Municipal Master Index. The index fell 0.08 percent in the first half of 2008, taking reinvested income into account.

In March, the Sarasota health network had tried to escape high rates by converting the bonds from auction-rate securities. The February collapse of the $330 billion market where rates are determined through periodic bidding drove interest costs as high as 11 percent.

Band-Aid

``We really believed we would be able to put this band-aid on it,'' said Verinder, who is now grappling with $32,000 a day in unexpected costs that may force him to delay spending on new CT scanners and magnetic resonance imaging machines.

Losses suffered by bond insurers on securities tied to U.S. home loans have cascaded through financial markets to hurt local governments whose budgets are already being squeezed by the slowest pace of economic growth in five years.

``Why are you punished for having insurance, even if the insurance is no good?'' said Randall Walker, the director of Nevada's Clark County Department of Aviation, which oversees McCarran International Airport in Las Vegas. ``It doesn't make much sense, but that's the market.''

Threefold Rise

The rate on $240 million of the airport's bonds jumped to 9 percent on June 25, more than three times the 2.5 percent rate on June 4, threatening to saddle McCarran with $12 million in additional annual costs.

The higher rates on debt with downgraded insurance contrast with the 1.63 percent average on uninsured debt with AAA ratings, according to a Bloomberg index as of June 26.

The crisis is similar to the one that erupted in February, when Financial Guaranty Insurance Co. and XL Capital Assurance Inc. lost their AAA ratings. That prompted investors to shun the auction-rate securities they backed and Wall Street dealers to abandon support of the market. Thousands of auctions failed, resulting in penalty rates as high as 20 percent and leaving holders unable to get out of their investments.

Now, as then, the soaring interest burden isn't related to any increased default risk on the part of towns and schools, which have the power to raise taxes to meet debt payments. Instead, it stems from concern among investors that the tumbling credit ratings of the bond insurers will trigger clauses that allow the banks that act as buyers of last resort to walk away.

June Rating Cuts

Bond-insurance units of Armonk, New York-based MBIA and New York-based Ambac had their financial strength ratings cut to AA from AAA on June 5 by S&P. Moody's followed two weeks later, dropping MBIA to A2 and Ambac to Aa3.

In the first quarter, Wall Street brokers were already deluged with unwanted bonds, which boosted their holdings of muni cipal debt 32 percent to a record $66 billion, according to data compiled by the Federal Reserve.

Without assurance that the bonds can be turned into cash easily, the banks that set the rates on the bonds and find buy ers need to turn to mutual funds and other long-term investors, who demand higher returns.

``Everybody's got to be a little leery if they get into these,'' said Robert Millikan, who manages $5 billion as director of fix ed income at BB&T Asset Management in Raleigh, North Carolina.

Rates on $10 million of bonds sold by the Daniel Boone Area School District in Birdsboro, Pennsylvania, a 5,200-person town 50 miles (80 kilometers) northwest of Philadelphia, reached 9 percent on June 24, up fourfold from the start of the month and enough to add $608,000 to the district's annual bills.

`Budget Buster'

``That would be a budget buster for sure,'' said Robert Bruchak, the business manager for the school district, which has an annual budget of $47 million. ``We have to implement a game plan here.''

The district is being penalized because Ambac hasn't kept up its responsibility to maintain the credit rating backing the b onds, Bruchak said.

``We're not getting what we paid for anymore, bottom line,'' he said. ``We paid to have a very good rating and a very low interest rate, and we've lost that.''

The interest rate on $44 million of bonds for the San Francisco Ballet more than doubled to 12 percent last month as Fin ancial Guaranty Insurance, which insured the debt, was cut below investment grade. In San Francisco, the Asian Art Mu seum's rate on $120 million of bonds jumped as high as 9 percent from 1.75 percent at the start of June before sliding b ack to 7.75 percent.

Borrowers' Rush

Just as the auction-rate breakdown caused borrowers to make plans to replace or change terms on at least $87 billion of the securities, schools and towns now are rushing to find banks to agree to act as buyers of last resort for floating-rate b onds. Fees for bank letters of credit have quadrupled to as much as 1 percentage point.

``It's the fire in the discotheque,'' said Peter Demirali, a vice president at Vineland, New Jersey-based Cumberland Advis ors Inc., which has $1 billion of assets under management. ``Everyone can't get out all at the same time.''

The Las Vegas airport plans to line up a new letter of credit for its bonds, betting it will drive the rate back down, Walker said. If that fails, he'll refinance them into new variable-rate bonds without insurance, as he had to do with five separate bond issues battered by the other insurer downgrades earlier this year.

The Sarasota Memorial Health Care System is taking steps to push rates lower by working with its bank, Wachovia, over the next few months, said Verinder, the CFO.

``We certainly have our challenges,'' he said.

(end of article)

As time goes on this "credit bubble" continues to peal like an onion...

Everyone is talking about the real estate bubble or the oil bubble or the commodities bubble, but not many are talking ab out what is really "popping"...the credit bubble.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/7/7 21:23

Another day another $75,000,000,000.00 disappears into thin air....

Is this foundation built on sand or the Rock?

Freddie Mac, Fannie Mae Plunge on Capital Concerns (Update4)
By Jody Shenn and Shannon D. Harrington

July 7 (Bloomberg) -- Freddie Mac and Fannie Mae fell to the lowest in 13 years in New York Stock Exchange composit e trading as concerns grew the two largest U.S. mortgage-finance companies may need to raise more capital to overco me writedowns and satisfy new accounting rules.

Freddie Mac fell 18 percent and Fannie Mae dropped 16 percent after Lehman Brothers Holdings Inc. analysts said in a report today that an accounting change may force them to raise a combined $75 billion. Speculation that the companies may take further writedowns also weighed on the stock, said John Tierney, a credit strategist at Deutsche Bank AG in N ew York.

``There's a lot of apprehension about writedowns,'' Tierney said. ``If they have writedowns, they have to raise capital. Ho w much do they raise and how easily can they do that? Those are the questions that everybody is asking.''

Fannie Mae and Freddie Mac have declined more than 60 percent this year, with declines accelerating in the past two w eeks, on concern the companies' capital raisings since December may not be enough to overcome writedowns. Washin gton-based Fannie Mae so far has raised $6 billion in capital to offset writedowns on mortgages it owns or guarantees. F reddie Mac, based in McLean, Virginia, raised $13.5 billion since December and said last week plans to add $5.5 billion probably won't be fulfilled until late next month.

Growing Delinquencies

Freddie Mac fell $2.59 to $11.91 after earlier dropping as low as $10.28. Fannie Mae declined $3.04 to $15.74 and earli er fell to $14.65.

The new FAS 140 rule that seeks to stop companies keeping assets in off-balance sheet entities may force Fannie Mae and Freddie Mac to bring mortgages back onto their books, requiring them to put up capital, Lehman analysts led by Bru ce Harting wrote in a note to clients today.

Fannie Mae would need to add $46 billion of capital and Freddie Mac would need about $29 billion, the Lehman analyst s wrote.

The companies will probably get an exemption from the rule because it would be ``very difficult'' for them to raise that a mount of capital, the analysts said.

Fannie Mae and Freddie Mac, ``have been battered every single trading session,'' said Quincy Krosby, chief investment strategist for The Hartford, which manages $380 billion in Hartford, Connecticut. ``At some point they're going to stabiliz e.''

`Apprehension'

As mortgage delinquencies grow at a record pace, the companies likely will take further losses, Tierney said. Banks repossessed twice as many homes in May as they did a year ago and foreclosure filings rose 48 percent, according to RealtyTrac Inc., a real estate database in Irvine, California. Home prices in 20 U.S. metropolitan areas fell 15.3 percent in April by the most on record, S&P/Case-Shiller home-price index.

``There's probably an accumulation of events today that has focused investor selling,'' said Christopher Sullivan, who oversees $1.3 billion as chief investment officer at United Nations Federal Credit Union in New York.

Fannie Mae and Freddie Mac were both trading at more than $60 as recently as October as they distanced themselves from accounting frauds that caused more than $11 billion of restatements. Then defaults on subprime mortgages caused the credit markets to seize up and credit losses to rise. The companies, which own or guarantee almost half of the $12 trillion in U.S. residential mortgages, were so integral to boosting the housing market that Congress lifted restrictions on their buying power to help revive the economy.

Agency Spreads

``The provision discussed by Lehman could have an effect on our ability to serve the housing mission,'' Freddie Mac spokeswoman Sharon McHale said. ``We would hope FASB would take into account our mission'' when it writes the final rule, McHale said.

Brian Faith, a Fannie Mae spokesman, declined to comment.

Yields on agency mortgage securities relative to U.S. Treasuries rose to the highest since March 13 on concern that banks may need to sell off the debt.

Bank of America Corp., the second-largest U.S. bank, may sell mortgage assets after buying Countrywide Financial Corp., Kenneth Hackel, the managing director of fixed-income strategy at RBS Greenwich Capital Markets in Greenwich, Connecticut, said in a note to clients.

``Balance sheets are constrained,'' Hackel said, referring to agency mortgage bonds. Bank of America spokesman Scott Silvestri declined to comment.

The difference between yields on the Bloomberg index for Fannie Mae's current-coupon, 30-year fixed-rate mortgage bonds and 10-year government notes widened 7 basis points, to 204 basis points. The spread has climbed 18 basis points since June 18.

Freddie Mac, the second-largest U.S. mortgage-finance company, said it's ``unlikely'' to raise capital until after reporting second-quarter earnings next month.

Capital-Raising Delay

Executives told investors in May that the company would obtain $5.5 billion in additional reserves by ``mid-year,'' after registering its common stock with the Securities and Exchange Commission.

The cost to protect the subordinated debt of Fannie Mae and Freddie Mac rose to the highest since March 17, according to CMA Datavision in London. Credit-default swaps tied to debt of Freddie Mac and Fannie Mae rose 18 basis points to 195 basis points, indicating deteriorating perceptions about the companies' credit quality, CMA data show.

`Catching Up'

Credit-default swaps are financial instruments based on bonds and loans that are used to speculate on a company's ability to repay debt. They pay the buyer face value in exchange for the underlying securities or the cash equivalent should a borrower fail to adhere to its debt agreements. A rise indicates deterioration in the perception of credit quality; a decline, the opposite.

A basis point on a credit-default swap contract protecting $10 million of debt from default for five years is equivalent to $1,000 a year.

Fannie Mae contracts closed at a record 260 basis points on March 13, according to CMA prices. Freddie Mac contracts reached 263 basis points on the same day.

``The stock market has just recently been catching up with the risk perceptions of the bond market,'' James Caron, head of U.S. interest-rate strategy at Morgan Stanley in New York.

Re: - posted by rookie (), on: 2008/7/8 10:24

We will often discuss the events of the 1960's as the turning point in American history. We often discuss the moral decli ne that manifested itself in the use of drugs, sex, and general moral decay. In the last four or five years that I have parti cipated on SI, not much is said of the financial decay that also began in the 1960's.

There is an oldtime preacher in NC that says that we "church" people get along well with those who share the same sin i ssues. It is easy for us to point out abortion, drugs, fornication, adultery... and find common ground in our opposition to t hese manifestations in others.

I find that we on SI find no common ground on the depravity of our financial and government systems...

In Christ
Jeff

Re: - posted by pastorfrin, on: 2008/7/8 20:10

Hi Jeff,

I may have posted this before but Willard Cantelon authored a book titled 'The Day The Dollar Dies' back in 1973. It is lik e reading today's headlines.
I guess one should not be surprised that 35 years later so few are listening. No one will be able to say they were not war ned.
Anyway it is worth reading.

In His Love
pastorfrin

Re: - posted by rookie (), on: 2008/7/10 12:27

Why would one not expect that our financial system would mirror the depravity that is manifesting itself in all other aspec ts of American society?....

Along with the sex, drugs, and rock and roll we see that Satan has also worked his deception in our financial system....

The Politics of Deception
Historian Kevin Phillips on decades of bi-partisan deceit
BY TONY ALLISON

Kevin Phillips, author of Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism, ha s expertly detailed the history of false economic achievement in a recent HarperÂ’s Magazine article. The culmination of 40+ years of gradual but consistent distortion of economic statistics have come home to roost and explain much of our c urrent morass. Inflation statistics help determine interest rates, cost-of-living increases for wages and Social Security be nefits as well as interest payments on the national debt. Inflation statistics also affect the planning, spending, saving and investing habits of every American. And lastly, decades of understated inflation means that GDP growth has been overst ated.

It is Phillips contention that the under-measurement of inflation has put the country at great risk. To acknowledge the rea lity would send interest rates sharply higher. This would directly affect the continued viability of the massive build-up of d ebt, both public and private, that has fueled the economy over the last two decades. In addition, if the true state of inflati on were acknowledged, the government would face huge increases in pension, retirement benefits and borrowing costs, overwhelming an already debt-burdened federal budget. Ultimately of course, the market will acknowledge the truth abo ut inflation and interest rates will climb anyway. If government statistics remain distorted, institutional trust and credibility will be just two more victims of inflation.

No discouraged workers in Camelot

The long campaign of statistical massage began in the Kennedy Administration. Seeking a way to lower the high jobless statistics and make things look a little more like Camelot, the Administration pushed through a change that jobless Ameri cans who had stopped looking for work were to be labeled Â“discouraged workers.Â” They were then left off the unempl oyment statistics. The workers were still unemployed, but no longer counted as such. Problem solved.

JohnsonÂ’s Â“unified budgetÂ” ploy

President Lyndon Johnson, a clever political dealmaker, came up with the concept for the Â“unified budgetÂ” for the 196 9 fiscal year as he was about to finish his final year in office. The proposal unified Social Security with the rest of the fed eral budget. This clever maneuver allowed the hefty Social Security surpluses to be spent to cover the growing deficits i n the federal budget. Here was another short term solution with longer term consequences. We are now coming to the e nd of the Social Security surplus years, and four decades of surpluses have been spent. The Â“lock boxÂ” is now stuffed with paper IOUÂ’s and little else.

Rotten to the Â“coreÂ”

Not to be outdone by prior administrations, President Nixon requested that Fed Chairman Arthur Burns develop the conc ept of Â“core inflationÂ” statistics. Headline inflation was rising in the early 1970Â’s and Nixon wanted a method to make the inflation number more politically palatable. Core inflation would be used to exclude those Â“volatileÂ” categories suc h as food and energy.

This all sounds like dÃ©jÃ vu all over again. In his article, Phillips quotes economic commentator Barry Ritholtz as labeli ng core inflation Â“inflation ex-inflation.Â” That is the general idea, as politicians sought creative ways to bolster their ad ministrations and fool the American people. President Nixon soon discovered the folly in that general concept.

BLS adds to the BS under Reagan

The Reagan administration added a critical element to the inflation manipulation game when they Â“convincedÂ” the Bur eau of Labor Statistics (BLS) in 1983 that housing inflation was overstating the CPI. The BLS came up with the concept of Â“owners equivalent rentÂ” which estimated what a homeowner might get for renting his or her house. As home price s spiraled upward in the late 1980Â’s and mid 2000Â’s, the CPI omitted rampant housing inflation. Phillips points out that low inflation rates makes it easier to borrow money, and an artificially low CPI encouraged the speculative expansion in private debt starting in the late 1980Â’s.

Distortion heats up in the 1990Â’s

Following Reagan, President George H.W. Bush had his turn at the plate. In 1990, BushÂ’s chairman of the Council of E conomic Advisors, Michael Boskin, proposed a series of changes to economic statistics to reduce the measured rate of i nflation. Under a smokescreen of making the methodology relevant to the Â“new economy,Â” the critics clearly saw this as a ploy to reduce rapidly growing government outlays.

Clinton follows up

The changes proposed by the Boskin Commission were not implemented until 1996 under President Clinton and with th e support of Fed Chairman Alan Greenspan. The inflation statistics were now subject to the oft-discussed concepts of Â“ product substitution,Â” Â“hedonic adjustmentsÂ” and Â“geometric weightingÂ” which have greatly contributed to the curr ent underestimating of inflation.

The end of M3

The second President Bush kicked the ball along a little further by introducing an Â“experimentalÂ” CPI calculation in 20 02, which shaved 0.3% off the official CPI. And in 2006, the Bush Administration stopped publishing M3 statistics, which would effectively highlight both rising money supply growth and rising inflation concerns. The laughable excuse from the Federal Reserve for deleting M3 was the expense of compiling the information. For an organization that prints money, th e cost wouldnÂ’t even amount to a rounding error.

Retirees have been shortchanged

Economic statistician John Williams of Shadowstats.com tracks the pre-Clinton era CPI on his website, and is frequently quoted regarding inflation statistics. Â“If you were to peel back changes that were made in the CPI going back to the Car ter years, youÂ’d see that the CPI would now be 3.5% to 4% higher,Â” said Williams. Phillips notes that because of lost CPI increases Social Security checks would be 70% higher than they are currently. This would certainly have made a dif ference for many seniors relying on Social Security who have seen devastating declines in their lifestyles during the past two decades.

Moral compass out of whack

Â“Americans misunderstood the nature of capitalism itself. It is not an Â‘economic systemÂ’ that makes people automati cally richer. It is a moral systemÂ… a system that rewards virtue and punishes error. You donÂ’t get richer because of F ree Enterprise. Indeed, as the economic history of the last quarter-century shows, you can get poorer. The market syste m merely provides the setting in which you get what you deserve. You could get rich- if you were to do the right thing: w ork hard, save your money, innovate, take chances, forgo consumption. But do the wrong thingÂ… and you will pay for it .Â”

Â“When you spend more than you can afford, you get poorer. ThatÂ’s the rule. So it should come as no surprise that Am ericans are getting poorerÂ…though they are just beginning to realize it.Â” Bill Bonner

When the system is distorted however, the moral compass can be out of whack. Bad decisions can be rewarded and go od decisions can be punished, at least for awhile. ThatÂ’s what a system rife with manipulated statistics, untested financi al instruments and easy credit will do. People will lose wealth and not even realize it until the music stops and reality is r estored. Unfortunately, economic reality will be an unwelcome surprise to millions who have only known the debt-based economy of the last twenty years.

Walking in quicksand

Kevin Phillips is an historian with an understanding that times change but human nature remains the same.

Â“Transparency is the hallmark of democracy,Â” said Phillips. Â“But we now find ourselves with economic statistics ever y bit as opaque, and as vulnerable to double-dealing, as a sub-prime CDO.Â”

Â“Were mainstream interest rates to jump into the 7 to 9 percent range, which could happen if inflation were to spur new concern, both Washington and Wall Street would be walking in quicksand. The make-believe economy of the past two d ecades, with its asset bubbles, massive borrowing, and rampant data distortion, would be in serious jeopardy.Â”

For the individual, the moral to the story is one of self-reliance. That means reducing personal debt, spending less than y ou make, and taking government statistics with a large grain of salt. It also means investing in areas such as natural res ources that are a hedge against higher levels of inflation. The music may stop playing one of these days and it would be a good idea to have a chair (or life raft) within reach.

Re: - posted by rookie (), on: 2008/7/10 12:43

I took this part of today's news article to point out the foolishness that abounds today...

"Bernanke in recent days has called for stronger oversight of big Wall Street firms, which are regulated by the Securities and Exchange Commission. Those firms have been given unprecedented -- albeit temporary -- access to tap the Fed for emergency loans, a privilege that has been granted for years to commercial banks, which are more tightly regulated.

With credit problems persisting, the Fed may extend the lending privilege to investment banks into next year, Bernanke has said.

The Fed chief called on Congress to consider giving the central bank explicit authority to oversee systems that process payments and other financial transactions by investment firms as well as banks."

....

The Federal Reserve which represents the private banking industry is taking advantage of the financial instability and ca os to gain more control of the American financial system.

Why would one give more control to a group who are instrumental in destroying the value of the dollar???

Greenspan and now Bernanke are primarily responsible for the moral hazards that our people are now facing.

In Christ
Jeff

Re: - posted by rookie (), on: 2008/7/11 8:33

Another bailout looming...just another day as Satan works his deceptions...

Our leaders preach free market principles. They castigate other nations for nationalizing their oil fields. Yet,our leaders now are nationalizing the failed financial system. At least the other nations are realizing a financial gain. We are realizing failed debt.

Fannie, Freddie plunge on rescue report
News that government has begun to consider what to do if mortgage finance giants collapse sends battered shares sharply lower again.
CNN Â— This week, 12pm ET
NEW YORK (CNNMoney.com) -- The pounding of Fannie Mae and Freddie Mac continued Thursday, reflecting concerns about their solvency - and raising fresh anxieties about the impact their collapse would have on the U.S. housing market and broad economy.

The Wall Street Journal early Thursday said that Bush administration officials have held talks about what to do in the event the two government-sponsored firms falter. Late Thursday, the New York Times reported on its web site that officials are mulling the possibility of taking over one or both of the companies and placing them into conservatorship.

The government doesn't expect the firms to fail and no rescue plan is imminent, according to the papers. But both papers reported that talks, which it said had previously been part of normal contingency planning, have become more serious recently.

In addition, William Poole, the former president of the St. Louis Federal Reserve, told Bloomberg in a Thursday report that the companies are already "insolvent."

Treasury Secretary Henry Paulson tried to allay some of the concerns, saying the firms are "working through this challenging period."

....

Isa 2:11 The lofty looks of man shall be humbled, and the haughtiness of men shall be bowed down, and the LORD alone shall be exalted in that day.

Isa 2:12 Â¶ For the day of the LORD of hosts upon every proud and lofty, and upon every lifted up; and he shall be br ought low:

In Christ

Jeff

Re: - posted by rookie (), on: 2008/7/17 14:46

...there is a problem with the shortcut...follow the trail to Financial Sense Online

Select the audio titled...The Greatest Crime in History

http://www.netcastdaily.com/broadcast/fsn2008-0712-2.mp3ld

I do not understand half of what these men discuss in this interview but one can see that the decay of our financial syste m began in the 1970s.

This interview provides a glimpse of the dark world of Babylon...

In Christ
Jeff

Re: - posted by rookie (), on: 2008/7/18 12:41

The Sacking of America
by Darryl Schoon | July 16, 2008

Communism was a public relations gift to the bankers. By diverting the dialogue to Â“controlled versus free marketsÂ” it obscured the bankersÂ’ real intentÂ—to insert debt into every aspect of free markets. The bankersÂ’ overwhelming success however would destroy both the bankers and the free markets on which they preyed.

Parasitoidism is the relationship between a host and parasite where the host is ultimately killed by the parasite. This is what is happening to the US. Once the most powerful and productive economy in the world, the US, indebted by bankers and government spending beyond its ability to repay, is headed towards sovereign bankruptcy.

The recent request by US Treasury SecretaryÂ—and more importantly former Chairman and CEO of investment bank Goldman SachsÂ— Henry Paulson to bail out Fannie Mae and Freddy Mac with US taxpayer dollars is but another indication of this destructive and parasitic relationship between bankers, government and the economy.

That a private banker from a large Wall Street investment bank is also Secretary of the US Treasury is no coincidence. It is also no coincidence that once again, public monies from the US Treasury are being used to rescue private bankers and to indemnify their losses.

THE FOX IS IN THE HENHOUSE
GOLDMANÂ'S SACHING OF AMERICA

Receiving taxpayer dollars from the US Treasury for their private benefit is not new to Goldman Sachs. In 1990s, when the Mexican government defaulted on its bonds, investors at Goldman SachsÂ’ stood to lose billions of dollars. They didnÂ’t.

Buried deep in the subsequent $40 billion US bailout of Mexico was a $4 billion payment to Goldman Sachs, gratis of the US Treasury indemnifying Goldman Sachs against any losses on their investment in Mexican bonds.

The fact that current US Treasury Secretary and former Goldman Sachs CEO Henry Paulson also recently used US funds to underwrite JP Morgan ChaseÂ’s private buyout of investment bank Bear Stearns and is now proposing to do the same with Fannie Mae and Freddie Mac is to be expected. For investment bankers, using public money to privately profit is business as usual.

They're ruining what has been one of the greatest economies in the world, are bailing out their friends on Wall Street bu t there are 300 million Americans that are going to have to pay for this. Jim Rogers, Chairman of Rogers Holdings, July 14, 2008

THE TUMESCENCE OF CREDIT
THE DETUMESENCE OF DEBT

It often happens that only in retrospect does the truth become apparentÂ—at least to most. Seduced by the vain hope of eternal profits, investors blindly followed Alan GreenspanÂ's prognostications when he was appointed chairman of the F ederal Reserve in 1987; in the beginning, it appeared that Greenspan was right. Now, two decades later GreenspanÂ's errors are apparent.

A former director at investment bank JP Morgan, Greenspan clearly understood the role of credit in todayÂ's economy. What he didnÂ't understand were its limitations. GreenspanÂ's reputation as a maestro of the markets was built on his c ontinual feeding of cheap credit into the US economy thereby bolstering asset prices and the profits of investors.

GreenspanÂ's reputation at the time was well deserved, much as BALCO the illegal steroid provider deserves credit for Barry BondÂ's astonishing achievements in baseball late in his career. Credit has the same affect on markets as does st eroids on athletic performance. That is why both are so popular.

GreenspanÂ's continual feeding of credit into AmericaÂ's economy fueled the greatest expansion of capital markets in hi story. This directly led to AmericaÂ's fatal misperception of credit as the cause of its wealth. It is now beginning to dawn on America that credit, in actuality, is the cause of its problems.

Credit is but debt in disguise and the American economy is now collapsing under the weight of that debtÂ—the bankers Â' effluence, extraordinary and compounding levels of public, private and business debt that in only decades has comple tely drained America of its once immense productivity and wealth.

FANNIE MAE AND FREDDIE MAC
WHOÂ'S NEXT

US mortgage giants Fannie Mae and Freddie Mac own or guarantee $5.2 trillion of US mortgages or nearly half of US m ortgage debt. As of March 31st, however, the combined capital of the two insurers was only $81 billion, 1.6 % of the total owned or guaranteed.

With US housing prices continuing to fall, it was evident, contrary to government assurances, that Fannie Mae and Fred die Mac did not have the requisite capital needed to meet future obligations. The sudden decline in the value of their sha res forced US authorities to come to their rescue; but, it will not be the last time the US will be forced to act in such a ma nner.

The systemic distress set in motion by last AugustÂ's credit contraction is still continuing and the recent collapse of Bear Stearns and now Fannie Mae and Freddie Mac are witness to that fact. We are only one year into the contraction and alt hough the liquidity provided by central banks has gone beyond all previous levels, financial institutions are continuing to falter and collapse.

It is possible that the FDIC, the insurer of AmericaÂ's savings deposits, may be next. The capital of Fannie Mae and Fre ddie Mac equaled 1.6 % of the sums they guaranteed. Prior to last week, the FDIC had only 1.2 % of the funds necessar y to cover the accounts they insure.

It is now estimated the bank failure of IndyMac last week cost the FDIC 10 % of its capital, leaving the FDIC with even le ss than its previous 1.2 % to cover additional bank defaults. As it is, $1 billion approximately 5 % of IndyMacÂ's deposits were not covered by the FDIC and it is estimated 37 % or $7.07 trillion of US deposits are also similarly exposed to bank failures.

As financial institutions continue to fail, bank failures will increase. As usual, government regulators at the FDIC maintain there is no problem. Believe them and you might soon have problems of you own.

PARASITE HOST COLLAPSE

When central banking was introduced in England in 1694 and in the US in 1913, it could not have been foreseen that the spread of credit based money would lead to such levels of indebtedness that systemic collapse would be a possibility, let alone occur.

Only time would make that fact apparent and it now appears that sufficient time has passed.
The economist Hyman Minsky described the three sequential steps of debt in capital markets in his Financial Instability Hypothesis.

Three distinct income-debt relations for economic units, which are labeled as hedge, speculative, and Ponzi finance, can be identified. Hedge financing units are those which can fulfill all of their contractual payment obligations by their cash flows: the greater the weight of equity financing in the liability structure, the greater the likelihood that the unit is a hedge financing unit. Speculative finance units are units that can meet their payment commitments on Â‘income accountÂ’ on their liabilities, even as they cannot repay the principal out of income cash flows. Such units need to Â‘roll overÂ’ their liabilities Â– issue new debt to meet commitments on maturing debt. For Ponzi units, the cash flows from operations are not sufficient to fill either the repayment of principal or the interest on outstanding debts by their cash flows from operations. Such units can sell assets or borrow. Borrowing to pay interest or selling assets to pay interest (and even dividends) on common stocks lowers the equity of a unit, even as it increases liabilities and the prior commitment of future incomes.

It can be shown that if hedge financing dominates, then the economy may well be an equilibrium-seeking and containing system. In contrast, the greater the weight of speculative and Ponzi finance, the greater the likelihood that the economy is a deviation-amplifying system. The first theorem of the financial instability hypothesis is that the economy has financing regimes under which it is stable, and financing regimes in which it is unstable. The second theorem of the financial instability hypothesis is that over periods of prolonged prosperity, the economy transits from financial relations that make for a stable system to financial relations that make for an unstable system.

In particular, over a protracted period of good times, capitalist economies tend to move to a financial structure in which there is a large weight to units engaged in speculative and Ponzi finance. Furthermore, if an economy is in an inflationary state, and the authorities attempt to exorcise inflation by monetary constraint, then speculative units will become Ponzi units and the net worth of previously Ponzi units will quickly evaporate. Consequently, units with cash flow shortfalls will be forced to try to make positions by selling out positions. This is likely to lead to a collapse of asset values.

As the US is now increasingly meeting its debt obligations by rolling over present debt and/or by borrowing, it is now according to MinskyÂ’s model, clearly in the Ponzi finance mode which can precede a collapse of asset values.

According to Minsky, capital markets over time become increasingly unstable. Asset values in real estate are now collapsing, equities will be next, bonds will follow. Almost one hundred years after the Federal Reserve introduced debt-based money to America in 1913, both host and parasite are now approaching the same end, parcus nex, sic economic death.

Not only is the host, the US economy, in imminent danger, so too are the parasites, the banks. Bridgewater Associates, the giant US hedge fund, has warned its clients that current bank losses may reach $1.6 trillion, four times previous estimates.

The implications are discussed by financial journalist Ambrose Evans-Pritchard in The Telegraph.co.uk, July 8, 2008

Bank losses from credit crisis may run to $1,600bn, warns Bridgewater
By Ambrose Evans-Pritchard

Bridgewater Associates has issued an apocalyptic warning to clients that bank losses from the worldwide credit crisis may reach $1,600bn (Â£800bn), four times official estimates and enough to pose a grave risk to the financial system.

The giant US hedge fund said that it doubted whether lenders would be able to shoulder the full losses, disguised until now by "mark-to-model" methods of valuing structured credit.
"We are facing an avalanche of bad assets. We have big doubts as to whether financial institutions will be able to obtain enough new capital to cover their losses. The credit crisis is going to get worse," said the group in a confidential report, leaked to the Swiss newspaper SonntagsZeitung.

Bank losses on this scale would have far-reaching effects. Lenders would have to curtail loans by roughly 10-to-one to preserve their capital ratios. This would imply a further contraction of credit by up to $12,000bn worldwide unless banks c ould raise fresh capital.

It would be almost impossible to attract or even find such sums from investors. While sovereign wealth funds command r oughly $3,000bn in funds, this money is mostly committed already. The funds have grown extremely wary of Western ba nks with sub-prime exposure after burning their fingers so many times already.

Bridgewater said true losses would mushroom if the banks were compelled to use "mark-to-market", which foretells a mu ch crueler haircut for investors in the outstanding pool of structured debt from mortgages, credit cards, car loans and suc h like, together worth $26.6bn.
The International Monetary Fund has estimated bank losses of roughly $400bn. A chunk has already been covered by fr esh infusions of capital, allowing the lenders to continue lubricating the global financial system without having to squeez e credit too hard.

The great unknown is whether this is the end of the debacle. A number of hedge funds believe the alleged losses - typic ally measured by the ABX index - may overstate the likely level of defaults. They are buying the spurned securities for a s little as eight cents on the dollar.
If Bridgewater is anywhere near correct, governments alone have the wherewithal to rescue the system. This would mea n the de facto nationalization of the banking systems in the US, Britain and Europe.

We are at the end of an era. Capitalism, itself, is a misnomer. It should instead be called creditism or referred to by its su bsequent state, debtism, for capital de facto is credit, not money. This does not mean credit is not important. Credit is an integral part of functioning economies but its use should be constrained within gold and silver based monetary systems i n order to prevent its abuse.

But in its present form where credit-based money (fiat money) completely replaced gold and silver based currencies (sa vings-based money), central bank originated credit has led to todayÂ’s unsustainable levels of debt.

Trillions of dollars of that debt are now beginning to default and, as a consequence, credit is being withdrawn by banks, t he intermediaries of credit in todayÂ’s system. It will soon begin to appear that money is becoming scarce. But thatÂ’s a n illusion. The money was never there in the first place. It was only credit.

Real money, gold and silver currencies, were the first victims of central banking in the US. The latest victims are those w ho are about to be affected by the collapse of the US and global economy. Central banking and its spawn, credit and de bt, are now everywhere and, unfortunately, so are the consequences.

Re: - posted by rookie (), on: 2008/7/22 10:47

Buckle Up
With transparency and truth in short supply, caution is warranted
BY TONY ALLISON

Investor Jim Rogers minced few words, as usual, when asked about the U.S. Treasury Department's plan to shore up F annie Mae and Freddie Mac.

Â“It is an unmitigated disasterÂ”, said Rogers. Â“Taxpayers will be saddled with debt if Congress approves (U.S. Treasu ry Secretary) Henry Paulson's request for the authority to buy unlimited stakes in and lend to Fannie Mae and Freddie M ac.Â”

"These companies were going to go bankrupt if they hadn't stepped in to do something, and they should've gone bankru pt with all of the mistakes they've made," Rogers said. Â“What's going to happen when you put some Band-Aids on it for another year or two or three? What's going to happen three years from now when the situation's much, much, much wor se?"

"They're ruining what has been one of the greatest economies in the world," said Rogers. Â“Bernanke and Paulson are bailing out their friends on Wall Street but there are 300 million Americans that are going to have to pay for this."

ItÂ’s a pity that Rogers doesnÂ’t speak frankly. The problem of course is that he is one of the few that will speak the truth as he sees it. He admits he is short the banks. But he has been short for years, and with good reason it turns out.

As we head toward the historically volatile fall season for the markets, and a presidential election in November, it seems a good time to take stock of the risks around us.

Â“Free MoneyÂ” to save the day?

ItÂ’s a presidential election year and the pandering and spinning are already picking up speed. Seeking self-preservation, politicians up for election must promise special favors for their Â“specialÂ” donors. Modern elections are rarely about the ills of the country. They are more directly about special interest groups with deep pockets, and the results are usually more of the same; earmark politics.

But a presidential race in a year when the economy is heading south is another story. Politicians must Â“do somethingÂ” for the little guy. And the only thing politicians are skilled at is spending money in ever greater amounts. As a result, a Â“stimulus packageÂ” was created in record time, and $150+ billion promptly mailed out to taxpayers. No leadership, vision or tough calls required. Just send Â‘em a check. If that doesnÂ’t work, well, send another check.

Does it matter if much of the billions end up in China and the Middle East? No, what really matters is surviving another election cycle. This strategy works until the electorate is in sufficient distress to reject it and the politicians behind it. We are moving closer to that day.

By the way, did the federal government have $150 billion sitting around in surplus? No, it is merely added to our growing federal deficit and national debt (over $9 trillion). This Â“stimulus packageÂ” will likely stimulate something, and that is growing inflation. Inflation is the real threat to the struggling middle class, but calls for fiscal discipline and belt-tightening do not win elections. Â“Free moneyÂ” has always worked like a charm.

Another time-honored tradition is the election year Â“witch huntÂ”. This yearÂ’s targets are the oil-trading Â“speculatorsÂ” and the oil company executives. Who else but they could be responsible for $5 per gallon gasoline? Certainly not the politicians, who for decades have ignored enacting any meaningful energy policies.

Credit Crisis- write-offs continue

The credit crisis effectively broke into the public consciousness last August. At the time, the total losses were estimated at $200 billion. As bank write-offs continued into the fall and winter of 2007, the estimates were revised to $400 billion. During this period Wall Street pundits repeatedly stated that Â“the worst was overÂ” and the financial stocks were a significant Â“opportunityÂ” at these levels. Unfortunately, the banks have continued to write-off losses well into 2008. Recently the IMF (International Monetary Fund) and others have estimated that bank write-offs will reach $1.6 trillion. Given that roughly $400 billion has been written-off worldwide, there is still a ways to go.

Satyajit Das

One of the ongoing risks is a lack of transparency and understanding of the derivative crisis. One expert that has spoken out extensively is Satyajit Das. He is beginning to sound like a modern-day Paul Revere. The following quote appeared in a column by John Markman last September on TheStreet.com.

Â“One of the worldÂ’s leading experts on credit derivatives (financial instruments that transfer credit risk from one party to another), Das is the author of a 4,200 page reference work on the subject, among a half-dozen other tomes. As a developer and marketer of the exotic instruments himself over the past 30 years, he seemed like the ideal industry insider to help us get to the bottom of the recent debt crunchÂ—and I expected him to defend and explain the practice.

I started by asking the Calcutta-born Australian whether the credit crisis was in what Americans would call the Â“third inningÂ”. This was pretty amusing, it seemed, judging from the laughter. So I tried again. Â“Second inning?Â” More laughter. Â“First?Â” Still too optimistic.

Das, who knows as much about global money flows as anyone in the world, stopped chuckling long enough to suggest that weÂ’re actually still in the middle of the national anthem before a game destined to go into extra innings. And it wonÂ’t end well for the global economy.Â”

One would hope this derivative mess is now in the middle innings, but that may prove a tad optimistic. The problem is that bankers, economists and particularly politicians do not understand how derivatives work, and what real dangers they might present. When a true derivatives expert says we should be very afraid, perhaps it would be wise to pay attention.

Das made a return visit in MarkmanÂ’s May 7th column. He doesnÂ’t see the light at tunnelÂ’s end just yet. Â“Given that the bank presidents have been consistently wrong about everything theyÂ’ve said about their losses until now, why on earth would anyone believe them now?Â” Das asked. He also mentioned the $1 trillion to $3 trillion that is in the process of moving onto the bankÂ’s balance sheets from related entities where they were hidden. As to where we are in the credit crisis, Das dryly paraphrased Winston Churchill.

Â“This is not the end, or even the beginning of the end, though it may be the end of the beginning.Â”

While amusingly ironic, it does not give great comfort to a reeling global financial system. This may be one more reason to say cautious and buckled up.

End of Illusions- Fannie Mae and Freddie Mac

The Economist last week published Â“End of IllusionsÂ”, an article about Â“AmericaÂ’s deeply flawed system of housing finance.Â” The paragraphs below are excerpts from a more extensive article.

Â“After a headlong plunge in the two firmsÂ’ share prices, Hank Paulson, the treasury secretary, felt obliged to make an emergency announcement on July 13th. He will seek CongressÂ’s approval for extending the TreasuryÂ’s credit lines to the pair and even buying their shares if necessary. Separately, the Federal Reserve said Fannie and Freddie could get financing at its discount window, a privilege previously available only to banks.

The absurdity of this situation was highlighted by the way the discount window works. The Fed does not just accept any old assets as collateral; it wants assets that are Â“safeÂ”. As well as Treasury bonds, it is willing to accept paper issued by Â“government-sponsored enterprisesÂ” (GSEs). But the two most prominent GSEs are Fannie Mae and Freddie Mac. In theory, therefore, the two companies could issue their own debt and exchange it for loans from the governmentÂ—the equivalent of having access to the printing press.Â”

Â“With the credit crunch, Fannie and Freddie have become more important than ever, financing some 80% of mortgages in January. So they will need to keep lending. Nor is there scope to offload their portfolios of mortgage-backed securities, given that there are scarcely any buyers of such debt. And if the Fed has to worry about safeguarding Fannie and Freddie, can it afford to raise interest rates to combat inflation? American monetary policy may be constrained.Â”

If the real estate market stabilizes soon, then Freddie and Fannie will greatly aid in the marketÂ’s revival. If it doesnÂ’t, then the government (i.e. taxpayers) may have another large liability on its books. As mentioned in the article, if the Fed wants to stabilize the real estate market, Fannie and Freddie, donÂ’t look for an increase in interest rates anytime soon. This is not good news for the dollar or the prospects for lower inflation.

Re: - posted by rookie (), on: 2008/7/30 10:23

Another day another plan...

Fed extends emergency loan program for Wall Street
Wednesday July 30, 9:55 am ET
By Jeannine Aversa, AP Economics Writer
Fed extends emergency loan program for Wall Street, takes other steps to ease credit crisis

WASHINGTON (AP) -- The Federal Reserve said Wednesday it is extending its emergency borrowing program to Wall Street firms and is taking other steps to ease a severe credit crunch that has hobbled the national economy.

The Fed said the program, where investment houses can tap the central bank for a quick source of cash, will now be available through Jan 30. Originally the program, started on March 17, was supposed to last until mid-September.

Another program, where investment firms can temporarily swap more risky investments for super-safe Treasury securities also will continue through Jan. 30, the Fed said. And, it also will let commercial banks, in a separate program, bid on cash loans that last longer -- for 84 days, besides the 28-day loans now available.

The Fed said it was taking these steps "in light of continued fragile circumstances in financial markets." The Fed said that the emergency borrowing program for investment houses and the program that lets investment firms temporarily borrow Treasury securities would be withdrawn should the Fed determine that conditions in financial markets are "no longer unusual and exigent."

The smooth flow of credit is the economy's oxygen. It permits people to finance big-ticket purchases, such as homes and cars, and help businesses expand operations and hire workers. Fallout from a trio of crises -- housing, credit and financial -- have badly bruised the economy. Growth has slowed and companies have cut hundreds of thousands of jobs.

Investment houses were given similar, emergency loan privileges as commercial banks after a run on Bear Stearns pushed the nation's fifth-largest investment bank to the brink of bankruptcy. The situation raised fears that other Wall Street firms might be in jeopardy.

In the swap program, which began on March 27, investment firms bidding on the Treasury securities can put up as collateral more risky investments. These include certain mortgage-backed securities and bonds secured by federally guaranteed student loans.

The program is intended to make investment companies more inclined to lend to each other. A second goal is providing relief to the distressed market for mortgage-linked securities and for student loans.

The Fed also said it will let Wall Street firms place bids on an option to borrow the Treasury securities. Up to $50 billion would be made available for this. The Fed didn't say when the first auction of this type would be conducted. The notion here is to give firms -- unsure whether they might need the Treasury securities -- an insurance policy of sorts.

Starting on Aug. 11, the Fed will give banks the option of bidding on 84-day cash loans from the Fed, besides the 28-day loans now available. Specifically, the Fed will conduct biweekly auctions. They will alternate between making available $75 billion in 28-day loans and $25 billion in 84-day loans. The steps expand a program started in December aimed at helping banks overcome their credit problems so that they can keep lending to customers.

The European Central Bank and the Swiss National Bank have informed the Fed that they also will make available to their banks similar 84-day cash loans. To help on this front, the Fed also boosted its credit line with the ECB to $55 billion from $50 billion.

On the other side of the Atlantic, the ECB and the Swiss National Bank announced Wednesday they will make billions of U.S. dollars available to banks still starving for the currency.

The ECB -- the central bank for the 15 countries that use the euro -- said it will increase the amount of dollars offered to $50 billion in the latest series of operations. The bank will make 84-day loans available starting on Aug. 8 and said operations will continue as long as "needed in view of the prevailing market conditions." Similarly, the Swiss National Bank said it would start making 84-day loans available on Aug. 12.

Re: - posted by rookie (), on: 2008/8/18 8:26

Washington's ultimate solution
How to solve the financial crisis? Play for time, pray for markets to turn.
By Alan Sloan, senior editor at large
Last Updated: August 18, 2008: 7:55 AM EDT

(Fortune Magazine) -- These are the dog days of summer, the height of our national vacation season. But instead of hitting the beach, people in Washington and on Wall Street are spending their days all atwitter with ideas of what new regulations and rules and controls we need to deal with our financial market meltdowns, the worst since the Great Depression almost 80 years ago.

But let me tell you a little secret, folks. Even though they're scurrying around like everyone else in this game, I think the crisis managers at the Federal Reserve Board and the Treasury have quietly adopted a technique that has helped us deal with previous financial crises - what I call the "play and pray" approach.

They don't teach it in Economics 101, and none of the players dealing with the current meltdown will talk about it on the record. But it's a time-tested strategy - think of the mortgage crisis of the late 1970s and early 1980s, the bank problems in the early 1990s, and the Asian contagion of the late 1990s. The idea: You play for time by keeping things afloat long enough for your prayers to be answered by the markets' turning in the right direction.

The theory is that if you give stricken financial institutions like Fannie Mae (FNM, Fortune 500) enough time, profits from their basic operations can help them dig out of the capital pit into which they've fallen. A few years of nice profits will help offset the big losses from past blunders, provided the company stays alive long enough.

In fact, Fannie Mae's underlying business - using borrowed money to buy mortgages - is showing increasing profitability. That's because while the Fed has cut the short-term Federal funds rate that it controls to 2% from 5.25% since September, rates on long-term mortgages have risen. HSH Associates says fixed-rate 30-year mortgages cost 6.70% in early August, up from 6.47% when the Fed first cut rates. The reason: There are far fewer sources of long-term mortgage money than before the market meltdown started last year, because falling house prices and fear of inflation have spooked lenders. Another factor is the dollar's decline, which has unnerved the foreigners who had been major mortgage investors.

I suspect that playing for time and praying for a break is also how crisis managers hope to keep financial insurers like MBIA (MBI) and Ambac (ABK) alive, to forestall what they fear could be catastrophic failures. The idea: The firms' basic business of insuring municipal securities that rarely default will over time help cover their losses from insuring collateralized debt obligations and mortgage-backed securities that they didn't understand.

Play-and-pray isn't a particularly fair policy - among other things, it means giant institutions aren't allowed to fail, while smaller ones are left to the tender mercies of the market. But given time and regulatory leeway and some good luck, this policy has a chance of working out if we can get past the hair-raising losses many big financial institutions are currently reporting.

The idea of regulating hitherto-unregulated institutions like investment banks in return for having Uncle Sam stand behind them is a good idea. So is giving regulators more power over Fannie and its sibling, Freddie Mac (FRE, Fortune 500). Those are long-term objectives. For now, though, goal No. 1 is to get through this mess. But once things have stabilized a bit, let's cram through tough regulations before memory fades. We didn't do so after the last mortgage crisis abated, and we're paying for that mistake now.

Prayers are occasionally answered. Oil prices have been falling, and if that continues, it will be enormously helpful. However, mortgage defaults among nonjunk borrowers are rising, and house prices are still falling. Air-conditioning bills in places where electricity is generated with natural gas are horrendous, and home heating bills promise to be horrendous too.

But for now, if you'll excuse me, I'm heading for the beach. If you can, I suggest you do the same. The world may not feel better when you get back - but at least you will.

Re: - posted by rookie (), on: 2008/8/19 8:15

Reuters
Large U.S. bank collapse seen ahead
Tuesday August 19, 1:07 am ET
By Jan Dahinten

SINGAPORE (Reuters) - The worst of the global financial crisis is yet to come and a large U.S. bank will fail in the next few months as the world's biggest economy hits further troubles, former IMF chief economist Kenneth Rogoff said on Tuesday.

"The U.S. is not out of the woods. I think the financial crisis is at the halfway point, perhaps. I would even go further to say 'the worst is to come'," he told a financial conference.

"We're not just going to see mid-sized banks go under in the next few months, we're going to see a whopper, we're going to see a big one, one of the big investment banks or big banks," said Rogoff, who is an economics professor at Harvard University and was the International Monetary Fund's chief economist from 2001 to 2004.

"We have to see more consolidation in the financial sector before this is over," he said, when asked for early signs of an end to the crisis.

"Probably Fannie Mae and Freddie Mac -- despite what U.S. Treasury Secretary Hank Paulson said -- these giant mortgage guarantee agencies are not going to exist in their present form in a few years."

Rogoff's comments come as investors dumped shares of the largest U.S. home funding companies Fannie Mae and Freddie Mac on Monday after a newspaper report said government officials may have no choice but to effectively nationalize the U.S. housing finance titans.

A government move to recapitalize the two companies by injecting funds could wipe out existing common stock holders, the weekend Barron's story said. Preferred shareholders and even holders of the two government-sponsored entities' $19 billion of subordinated debt would also suffer losses.

Rogoff said multi-billion dollar investments by sovereign wealth funds from Asia and the Middle East in western financial firms may not necessarily result in large profits because they had not taken into account the broader market conditions that the industry faces.

"There was this view early on in the crisis that sovereign wealth funds could save everybody. Investment banks did something stupid, they lost money in the sub-prime, they're great buys, sovereign wealth funds come in and make a lot of money by buying them.

"That view neglects the point that the financial system has become very bloated in size and needed to shrink," Rogoff told the conference in Singapore, whose wealth funds GIC and Temasek have invested billions in Merrill Lynch and Citigroup

In response to the sharp U.S. housing retrenchment and turmoil in credit markets, the U.S. Federal Reserve has reduced interest rates by a cumulative 3.25 percentage points to 2 percent since mid-September.

Rogoff said the U.S. Federal Reserve was wrong to cut interest rates as "dramatically" as it did.

"Cutting interest rates is going to lead to a lot of inflation in the next few years in the United States."

Re: - posted by rookie (), on: 2008/9/4 10:21

U.S. Must Buy Assets to Prevent `Tsunami,' Gross Says (Update1)

By Jody Shenn

Sept. 4 (Bloomberg) -- The U.S. government needs to start buying assets to stem a burgeoning ``financial tsunami,'' according to Bill Gross, manager of the world's biggest bond fund.

A process of delevering, where banks are shrinking and cutting off lending, is sapping demand for bonds, real estate, stocks and commodities, driving down assets of even ``impeccable quality,'' Gross said.

``Unchecked, it can turn a campfire into a forest fire, a mild asset bear market into a destructive financial tsunami,'' Gross of Newport Beach, California-based Pacific Investment Management Co. said in commentary posted on the firm's Web site today. ``If we are to prevent a continuing asset and debt liquidation of near historic proportions, we will require policies that open up the balance sheet of the U.S. Treasury.''

The government needs to replace private investors who either don't have the money to buy new assets or have been burned by losses, Gross said. Pimco, sovereign wealth funds and central banks are now reluctant to fund financial firms after losing money on more than $400 billion in capital raisings, Gross said. Banks and brokerages are retreating after more than $500 billion in writedowns and credit losses since the credit seizure began last year.

Treasury should support not only mortgage finance providers Fannie Mae and Freddie Mac, but also ``Mom and Pop on Main Street U.S.A.,'' through subsidized home loans guaranteed by the Federal Housing Administration and other government institutions, Gross said. A new version of the Resolution Trust Corp., which bought assets from failing institutions during the savings-and-loan crisis of the 1980s, may also work, he said.

`New Balance Sheets'

As Fannie and Freddie, banks, securities firms and hedge funds shrink, yields on all debt assets will rise compared with benchmark rates and volatility will increase, Gross said. Delevering ends once sellers have depleted their assets and sufficient capital has been raised, Gross said. Unless ``new balance sheets'' emerge, prices of almost all assets will drop, he said.

``There is an increasing reluctance on the part of the private market to risk any more of its own capital,'' Gross said. ``Liquidity is drying up; risk appetites are anorexic; asset prices, despite a temporarily resurgent stock market, are mainly going down; now even oil and commodity prices are drowning.''

Home prices have fallen 10 percent year over year, a decline not seen since the Great Depression, Gross said. That drop translates to an even bigger decline in overall wealth as margin calls lead to distressed sales, he said.

`Rare Diamonds'

Fannie and Freddie 30-year fixed-rate mortgage bond yields, which influence the rates on most new home loans, have probably risen 75 basis points because of the waning demand, Gross said. A basis point is 0.01 percentage point.

About 61 percent of the holdings of Gross's Pimco Total Return Fund were mortgage-backed securities as of June 30, mostly debt guaranteed by Fannie, Freddie or U.S. agency Ginnie Mae, according to data on Pimco's Web site.

The fund returned 9.8 percent in the past 12 months, beating 97 percent of its peers in the government and corporate bond fund category as of Sept. 3, according to Bloomberg data. The returns are 5.76 percent annually over five years. Pimco, a unit of Munich-based Allianz SE, has $830 billion of assets under management.

``In a global financial marketplace in the process of delevering, assets that go up in price are rare diamonds as opposed to grains of sand,'' Gross said.

Re: - posted by rookie (), on: 2008/9/7 13:20

AP
Officials announce takeover of mortgage giants
Sunday September 7, 12:34 pm ET
By Alan Zibel and Martin Crutsinger, AP Business Writers
Government assumes control over mortgage giants Fannie Mae and Freddie Mac

WASHINGTON (AP) -- The Bush administration, acting to avert the potential for major financial turmoil, announced Sun day that the federal government was taking control of mortgage giants Fannie Mae and Freddie Mac.

Officials announced that the executives and board of directors of both institutions had been replaced. Herb Allison, a for mer vice chairman of Merrill Lynch, was selected to head Fannie Mae, and David Moffett, a former vice chairman of US Bancorp, was picked to head Freddie Mac.

Treasury Secretary Henry Paulson says the historic actions were being taken because "Fannie Mae and Freddie Mac ar e so large and so interwoven in our financial system that a failure of either of them would cause great turmoil in our finan cial markets here at home and around the globe."

The huge potential liabilities facing each company, as a result of soaring mortgage defaults, could cost taxpayers tens of billions of dollars, but Paulson stressed that the financial impacts if the two companies had been allowed to fail would be far more serious.

"A failure would affect the ability of Americans to get home loans, auto loans and other consumer credit and business fin ance," Paulson said.

Both companies were placed into a government conservatorship that will be run by the Federal Housing Finance Agency , the new agency created by Congress this summer to regulate Fannie and Freddie.

The Federal Reserve and other federal banking regulators said in a joint statement Sunday that "a limited number of sm aller institutions" have significant holdings of common or preferred stock shares in Fannie and Freddie, and that regulato rs were "prepared to work with these institutions to develop capital-restoration plans."

The two companies had nearly $36 billion in preferred shares outstanding as of June 30, according to filings with the Se curities and Exchange Commission.

Paulson said that it would be up to Congress and the next president to figure out the two companies' ultimate structure.

"There is a consensus today ... that they cannot continue in their current form," he said.

Paulson and James Lockhart, director of the Federal Housing Finance Agency, stressed that their actions were designe d to strengthen the role of the two mortgage giants in supporting the nation's housing market. Both companies do that by buying mortgage loans from banks and packaging those loans into securities that they either hold or sell to U.S. and fore ign investors.

The companies own or guarantee about $5 trillion in home loans, about half the nation's total.

Lockhart said that both Fannie and Freddie would be allowed to increase the size of their holdings of mortgage-backed s ecurities to bolster the housing industry as it undergoes its worst downturn in decades.

Lockhart said in order to conserve about $2 billion in capital the dividend payments on both common and preferred stock would be eliminated. He said that all lobbying activities of both companies would stop immediately. Both companies over the years made extensive efforts to lobby members of Congress in an effort to keep the benefits they enjoyed as govern ment-sponsored enterprises.

Both Paulson and Lockhart were careful not to blame Daniel Mudd, the CEO of Fannie Mae, or Freddie Mac CEO Richa rd Syron for the companies' current problems. While both men are being removed as the top executives, they have been asked to remain for an unspecified period to help with the transition.

......end of article......

As a side note, Secretary of the Treasury Paulson will be leaving this office shortly, not finishing his full term in this office ...

It will be interesting to see where his next place of employment will be...

Re: - posted by rookie (), on: 2008/9/7 13:23

Since the taxpayer is going to be bailing out the banks...we might as well bail out the car industry as well....

AP
Auto industry to press Congress for $50B in loans
Sunday September 7, 10:03 am ET
By Ken Thomas, Associated Press Writer
Auto industry seeking up to $50 billion in government loans to modernize plants

WASHINGTON (AP) -- Auto industry allies hope to secure up to $50 billion in government loans this month that would pay to modernize plants and help struggling car makers build more fuel-efficient vehicles.

With Congress returning this coming week from its summer break, the industry plans an aggressive lobbying campaign for the low-interest loans. The situation is growing dire after months of tumbling sales, high gasoline prices and consumers' abandoning profitable trucks and sport utility vehicles.

Lawmakers authorized $25 billion in loans in last year's energy bill to help the companies build fuel-efficient vehicles such as hybrids and electric vehicles. With credit tight, automakers and suppliers now want lawmakers to come up with the money for the program -- and expand the pool of money available to $50 billion over three years.

Industry leaders have argued that the loan guarantees are not a government bailout because it would hasten production of fuel-efficient vehicles and reduce dependence on imported oil.

"This is not about benefiting Wall Street," said Ford Motor Co.'s President of the Americas Mark Fields, referencing recent federal support for the investment firm Bear Stearns and troubled mortgage companies Fannie Mae and Freddie Mac. "This is benefiting Main Street, the working men and women. The auto industry is part of the backbone of the U.S. economy."

The low-interest loans, at rates of about 4 percent to 5 percent, would pay for up to 30 percent of the cost of retooling plants to build hybrids, plug-in hybrids, electric cars and other alternatives.

Ford and General Motors Corp.'s credit ratings have fallen below investment grade, making it difficult for the companies to borrow money at affordable rates. Chrysler, which has been heavily dependent upon truck sales, has been privately held since last year and faces similar problems accessing capital.

"This industry could fall down, literally, or be absorbed if they don't get something in place very soon. I think it's that severe," said Rep. Joe Knollenberg, R-Mich. "Something has to happen pretty quickly because they can't compete paying 15 to 20 percent (interest)."

Industry lobbyists pressed the issue at the recent presidential conventions in Denver and St. Paul, Minn., and members of Michigan's congressional delegation have talked to legislative leaders and the Bush administration about the program. Discussions surround a three-year plan that would make $25 billion in loans available in the first year, followed by $15 billion the second year and $10 billion in the third.

To provide $50 billion in loans, Congress would need to set aside about $7.5 billion to guard against a loan default.

Automakers want to secure the money for the loans before November's election because a new president and Congress could delay the companies' ability to access the loans.

The White House said last week it was talking to members of Congress and the industry about the financing. The issue, meanwhile, has gained a foothold in the presidential campaign in states with many auto workers such as Michigan and Ohio.

Democrat Barack Obama has criticized Republican rival John McCain for not supporting the full $50 billion loan program . McCain said last week he supported fully covering the $25 billion loan program in the energy law.

Congressional leaders have said they are open to an expanded program. But the industry will face a compressed schedule in an election year when many lawmakers will push to leave Washington so they can campaign for re-election this fall.

"We're hopeful that we're making an effective case to get this done between now and the end of this session," said John Bozzella, Chrysler's vice president of external affairs and public policy.

The loans would be available to foreign automakers, but the companies are not expected to seek the money because they are in a better financial situation and priority would be given to companies with plants 20 years or older.

Re: - posted by rookie (), on: 2008/9/12 8:08

A new week another problem....

AP
Lehman racing to find buyer for beleaguered firm
Friday September 12, 7:19 am ET
By Joe Bel Bruno, AP Business Writer
Lehman Brothers seeks buyers as shares signal steep drop, confidence wanes

NEW YORK (AP) -- With Lehman Brothers' shares signaling another steep drop on Friday, top executives are racing to put a sale of the beleaguered investment bank in place before it loses further market value and confident.

Confidence has waned that Lehman Brothers Holdings Inc. will emerge from the financial crisis as an independent franchise, and the No. 4 U.S. investment bank is scouring Wall Street for a financial lifeline. Executives worked feverishly in the past 24 hours to find someone willing to buy all or part of the company, bankers and industry executives close to the situation said.

And the scrutiny is expected to grow more intense Friday, with investors placing bets that Lehman's stock will again nosedive. Shares fell 41 cents, or 9.7 percent, to $3.81 in after-hours trading; the stock skidded 41.8 percent to $4.22 during the regular session in New York, and is down more than 94 percent for the year.

That only puts more pressure on Lehman Chief Executive Richard Fuld, who joined the company in 1961 as a college student and now serves as Wall Street's longest-serving CEO. He has tenaciously resisted putting the company up for sale, but finally relented after a free-fall in its stock price and growing doubts about its survival, according to bankers and industry executives. They asked not to be named because they are not authorized to comment publicly.

Bank of America Corp., Japan's Nomura Securities, France's BNP Paribas, Deutsche Bank AG and Britain's Barclay's Plc have been mentioned this week as potential buyers. Goldman Sachs Group Inc., which also was being talked about as a potential buyer, is not interested, according to an industry official who ask not to be named.

Lehman is also in close contact with both the Treasury Department and Federal Reserve about how to proceed.

Government officials, who asked for anonymity because of the sensitivity of the ongoing discussions, said that a number of options were being explored and that no decisions had been reached on how any deal involving Lehman would be structured.

The Fed and the Treasury Department have been working to help resolve Lehman's situation. Fed officials are having conversations with relevant parties and getting updates. It's premature to say what form any final resolution would take.

Any resolution of the Lehman troubles is not expected to involve the use of government money which would set it apart from the billions of dollars that the government put at risk to facilitate the sale of Bear Stearns in March and to rescue mortgage giants Fannie Mae and Freddie Mac this week.

Randy Whitestone, a spokesman for Lehman, declined to comment.

Lehman's losses soared to almost $7 billion in the last two quarters alone, primarily because of wrong-way bets on mortgage securities and other risky investments.

It's not alone. Global banks have lost more than $300 billion since the subprime mortgage crisis spread to the credit markets one year ago. And the International Monetary Fund has suggested total losses globally could hit $1 trillion.

Lehman Brothers hunted for months for a deep-pocketed investor to pump fresh capital into the firm, a move that would help restore confidence and replenish its broken balance sheet. Some analysts said Lehman was asking too high a price, others guessed that potential investors found too much risk on its books in the current environment.

Fuld tried to assuage nervous investors on Wednesday by announcing a plan to sell a 55 percent stake in its prized investment management business and spin off its commercial real estate holdings into a publicly traded company.

He cast a wide net for potential investors, bankers and executives said, including stepping up talks with private equity firms such as Kohlberg Kravis Roberts & Co. and Bain Capital.

But analysts increased their criticism of Fuld on Thursday for not naming a potential buyer of its investment management unit, which includes Neuberger Berman, and because they said Lehman would need to finance the real estate spinoff itself.

"We believe some type of capital raise or transaction must be consummated quickly to improve confidence in Lehman," said Standard & Poor's financials analyst Matthew Albrecht.

Re: - posted by rookie (), on: 2008/9/15 8:08

Well the kings of this world are scrambling to stem the blood on Wall Street....

AP
Wall Street awakes to 2 storied firms falling
Monday September 15, 7:01 am ET

NEW YORK (AP) -- When Wall Street woke up Monday morning, two more of its storied firms had fallen.
Lehman Brothers, burdened by $60 billion in soured real-estate holdings, filed a Chapter 11 bankruptcy petition in U.S. Bankruptcy Court after attempts to rescue the 158-year-old firm failed. Bank of America Corp. said it is snapping up Merrill Lynch & Co. Inc. in a $50 billion all-stock transaction.

The demise of the independent Wall Street institutions came as shock waves from the 14-month-old credit crisis roiled the U.S. financial system six months after the collapse of Bear Stearns.

The world's largest insurance company, American International Group Inc., also was forced into a restructuring.

And a global consortium of banks, working with government officials in New York, announced a $70 billion pool of funds to lend to troubled financial companies.

The aim, according to participants who spoke to The Associated Press, was to prevent a worldwide panic on stock and other financial exchanges.

Ten banks -- Bank of America, Barclays, Citibank, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Merrill Lynch, Morgan Stanley and UBS -- each agreed to provide $7 billion "to help enhance liquidity and mitigate the unprecedented volatility and other challenges affecting global equity and debt markets."

The Federal Reserve also chipped in with more largesse in its emergency lending program for investment banks. The central bank announced late Sunday that it was broadening the types of collateral that financial institutions can use to obtain loans from the Fed....

In Christ
Jeff

Re: - posted by Fuegodedios (), on: 2008/9/15 11:16

Well dear brothers I work in this industry and see it first hand everyday. I hear six verses from the book of james everyday come to my heart. They go a little something like this.

James5:1-6

1Come now, you rich, weep and howl for your miseries which are coming upon you.

2Your riches have rotted and your garments have become moth-eaten.

3Your gold and your silver have rusted; and their rust will be a witness against you and will consume your flesh like fire. It is (E)in the last days that you have stored up your treasure!

4Behold, the pay of the laborers who mowed your fields, and which has been withheld by you, cries out against you; and the outcry of those who did the harvesting has reached the ears of the Lord of Sabaoth.

5You have lived luxuriously on the earth and led a life of wanton pleasure; you have fattened your hearts in a day of slaughter.

6You have condemned and put to death the righteous man; he does not resist you.

Dear brothers and sister let us hold fast to the Author and Finisher of our Faith Jesus(Hebrews 12:2) and who is sovereignly working out his plan for the ages as he upholds all things (Hebrews 1:3)

Re: - posted by rookie (), on: 2008/9/16 14:36

U.S. Mortgage Rates May Wreak Further Havoc After Libor Climbs

By Kathleen M. Howley

Sept. 16 (Bloomberg) -- The biggest jump in the London interbank lending rate in seven years could wreak further havoc on the U.S. housing market and there's nothing the Federal Reserve can do about it.

About 6 million U.S. mortgages, including almost all subprime home loans and 41 percent of prime ARMs, are linked to the London Interbank Offered Rate, or Libor, according to First American CoreLogic in Santa Ana, California. Today's rate more than doubled after Lehman Brothers Holdings Inc. collapsed and American International Group Inc. struggled to stave off bankruptcy. If it remains elevated, it will boost the one-month to one-year Libor indexes that average the daily r ate, said Keith Gumbinger, vice president of HSH Associates Inc., a Pompton Plains, New Jersey- based mortgage rese arch firm.

``If this is more than a flare, if the rate remains high, there is no doubt it will have an effect on resetting mortgage contrac ts in the U.S.,'' Gumbinger said in an interview. ``Even a small bump in the one-month rate will be additional stress on th e marketplace.''

Rates on those home loans are beyond the reach of Federal Reserve Chairman Ben S. Bernanke and others on the Fed eral Open Market Committee, which is meeting today. The so-called Libor- indexed loans, including the subprime mortg ages that helped spark the global credit crunch, have interest rates that are set by London bankers who report to the Brit ish Bankers' Association.

ARM Adjustments

The overnight Libor rate in U.S. dollars soared 3.33 percentage points to 6.44 percent today, its biggest jump in at least seven years, according to the British Bankers' Association. Many Libor-linked U.S. mortgages don't limit the size of a loa n's first adjustment, with caps of 2 percent on subsequent changes. That means a monthly mortgage bill could double or even triple when it first resets.

``If the Libor market seizes up and stays that way, it's going to complicate everything,'' said Bill Fleckenstein, president o f Fleckenstein Capital in Seattle. ``What you are seeing is the unwinding of the financial system as we know it.''

Banks tightened lending as AIG was downgraded by Moody's Investors Service and Standard & Poor's, adding to evide nce that the fallout from the collapse of the U.S. mortgage market is spreading. The surge in funding costs came less th an a day after Lehman's bankruptcy, the biggest in history, and Merrill Lynch & Co.'s sale to Bank of America Corp.

Fed Meeting

The FOMC began its meeting this morning and is scheduled to announce its decision at about 2:15 p.m. in Washington. Policy makers have cut rates seven times from September 2007 to April 2008. They suspended the easing as oil prices surged, increasing expectations inflation would accelerate.

Yesterday, the federal funds rate soared as high as 6 percent, triple the Fed's target, as banks hoarded cash. That spurr ed the Fed to pump $70 billion into money markets through repurchase operations, the most since September 2001.

Premiums on investment-grade U.S. corporate bonds climbed. The extra yield investors demand to buy such bonds inst ead of Treasuries with a comparable maturity soared to 3.80 percentage points, the highest since Merrill Lynch began k eeping the data in 1996, from 3.44 percentage points on Sept. 12.

Re: - posted by rookie (), on: 2008/9/16 16:13

Fed Said to Reverse Stance, Consider AIG Loan Package (Update2)

By Erik Holm and Hugh Son

Sept. 16 (Bloomberg) -- The Federal Reserve is considering extending a ``loan package'' to American International Grou p Inc., the insurer facing a cash shortage, according to a person familiar with the negotiations.

The stance by federal regulators is a reversal from a position they held as late as last night, and people with knowledge of the talks are ``cautiously optimistic,'' said the person, who declined to be identified because negotiations are confident ial.

The person gave no timetable for reaching an agreement or estimate on how much money New York-based AIG would need. New York Fed spokesman Andrew Williams declined to comment and AIG spokesman Nicholas Ashooh didn't im mediately return a call seeking comment. Treasury spokeswoman Jennifer Zuccarelli had no immediate comment.

AIG is searching for capital to stave off a collapse after its credit ratings were cut late yesterday. AIG's fight to stay afloat is the latest tremor to shake the global financial industry, less than a day after Lehman Brothers Holdings Inc. filed for Chapter 11 bankruptcy protection and Merrill Lynch & Co. sold itself to Bank of America Corp.

``To the extent that a bridge loan or some type of liquidity provision allows AIG time to sell some assets on its balance sheet and time to maintain it's investment-grade rating at A or higher, I think it's a good move,'' Bill Gross, co-chief investment officer of Newport Beach, California-based Pacific Investment Management Co. said in a Bloomberg TV interview.

`A Necessary Step'

``The Fed doesn't have to necessarily put its own capital at risk,'' Gross said. ``We'll see what the plan says, but I think it's definitely a necessary step.'' ...

(end of article)

This man Bill Gross has been cheer leading for government intervention incessantly...

Side note...The bond fund that Bill Gross manages...the largest fund in the world which is owned by a German bank...has over 750 million invested in AIG.

The kings of this earth are walking in a drunken stupor...

In Christ
Jeff

Re: - posted by rookie (), on: 2008/9/17 11:19

10:35 am : The Treasury is setting up a temporary financing program at the Fed's request. The program will auction Treasury bills to raise cash for the Fed's use. The initiative aims to help the Fed manage its balance sheet following its efforts to enhance its liquidity facilities over the previous few quarters.

(end of article)

This sounds like the Federal Reserve, a private banking system, is bankrupt...

And now the government is printing money to bail them out...

In Christ
Jeff

Re: - posted by rookie (), on: 2008/9/18 10:35

AIGÂ’s Dangerous Collapse
& A Credit Derivatives Risk Primer
by Daniel R. Amerman, CFA | September 17, 2008
Print
Overview

While it may look superficially similar to the recent implosions of such investment giants as Fannie Mae, Freddie Mac and Lehman, the takeover and bailout of AIG is quite different, and means that the market is entering the next and even more dangerous phase. What is driving the fall of AIG Â– and potential government losses that may far, far exceed the $85 billion bailout announced late on September 16th - is not mortgages or real estate (directly), but fears that AIGÂ’s huge, global credit-default swap positions will unravel. The $62 trillion dollar credit derivatives market is 50 times the size of the subprime mortgage derivatives market, and is indeed larger than the entire global economy.

Unfortunately, few people understand credit derivatives, or the full risks to the United States and global markets and economies. In this article, I will take a Credit Derivatives Primer that I published in the spring of 2008 - which anticipated this exact type of event - and update it for the current situation. Through reading this article, you should be able to greatly increase your knowledge of what credit derivatives are, and why they are a far greater danger than subprime mortgages. We will end with introducing some concepts about how individuals can protect themselves and even profit from these unprecedented market conditions Â– something you wonÂ’t find in recent financial history or conventional investments.

The Rapid & Dangerous Collapse of AIG

Â“The particular risks that brought the company (AIG) to the brink of bankruptcy seem to lie not with its core insurance businesses but with its derivatives-trading subsidiary AIG Financial Products. AIG FP, as it's called, merits a mere paragraph in the nine-page description of the company's businesses in its most recent annual report. But it's a huge player in the new and mysterious business of credit-default swaps: derivative securities that allow banks, hedge funds and other financial players to insure against loans gone bad.Â” Time, September 17, 2008

On September 1st, few knew that AIG, the largest insurance company in the world with over $1 trillion in assets, was in deep trouble. By September 12th, the rumors about major trouble were everywhere. By September 15th AIGÂ’s corporate life expectancy was being measured in days, and the question was: bankruptcy, buyer or bailout? By the evening of September 16th, the federal government had massively intervened, making an $85 billion loan to AIG in exchange for a controlling 79.9% equity share of the company.

Welcome to the brave new world of credit derivatives driven collapses. A world that is far more dangerous than the world of subprime mortgage derivatives. A complex world that because of its sheer size can potentially cause more damage in a matter of days than the subprime mortgage derivatives caused in their first year in the headlines. The chart below shows the relative size of the credit derivatives and subprime mortgage markets.

How great is the real danger? The bulk of the remainder of this article explains the extent of the danger. With a few market changes, this is the credit derivatives primer as published at numerous websites on May 2nd of 2008. There is also new material at the end of the article, talking about what could be anticipated, and introducing some solutions.

A Credit Derivatives Primer

In the article, The Subprime Crisis Is Just Starting, we explored the roots of the subprime crisis, demonstrated how mortgage securitizations work, and then used this knowledge to show why 2008 could be a much more dangerous year for the subprime mortgage markets Â– and the global financial system Â– than 2007. In this article, we show how the same fundamental Â– and quite human Â– motivations that created the subprime market crisis also imperil the $62 trillion global credit derivatives market.

Assumptions and Extraordinary Personal Profits

Let's consider the simple heart of what credit derivatives are all about. A major investor has the opportunity to make an attractive-looking investment that involves taking a risk. For instance, a bank or insurance company sees an opportunity in lending to a corporation, but they are concerned about the financial safety of the corporation. They would prefer to keep most of the positive returns from the investment, but not take the risk of the company defaulting. So, as the employee of a company that creates financial derivatives (a credit swap in this case), what you do is promise Â– for a fee Â– to take the risk for them. Your company makes assumptions about how bad the risk will be, and based on those assumptions, you determine that this trade is profitable for your employer. You then personally take a nice chunk of those profits in your next bonus as a reward for having been smart enough to get your company into this lucrative transaction. And because this upfront booking of expected profits from these transactions is so lucrative, not only do you get an enhanced bonus

-- but so do the other members of your group, your supervisor, their supervisor, and the president and other senior office rs of the firm.

Now, this is not to say that you and the other members of your group have entirely assumed the risk away. You make so me allowance for the possibility that out of all these contracts that you're entering into, you may have to actually make so me payments. To cover the possibility of losses, you set aside a reserve, or buy a credit derivative from another compan y to cover, or both. The key to your bonus this year is the particulars of the assumptions that your group makes about w hat those expected losses will be in the future. The lower the assumption for expected losses, then either the greater yo ur profits in a given transaction, or the more competitive your bid, and the greater your chances of beating out competito rs who are seeking the same Â“lucrative" business.

For example, if your firm is being paid $12 million to guarantee payment of a $500 million loan for ten years, and your gr oup assumes there is a 4% chance of having to pay out $250 million on that guarantee, then your expected losses are $ 10 million Â– and your firmÂ’s expected profit is $2 million. This is shown in the top chart below, Â“Making Money With Credit DerivativesÂ”.

However, letÂ’s say that your group comes back and re-examines those assumptions. You find that if you make fairly mi nor and quite reasonable appearing changes to two of your assumptions, the potential loss on the derivative drops from an expected $250 million down to $225 million. Make two other minor changes in other assumptions that are also each i ndividually reasonable, and the chances of that loss occurring drop from 4% down to 3.5%. As shown above in Â“Makin g A FORTUNE With Credit DerivativesÂ”, rerun the numbers with a 3.5% chance of losing $225 million Â– and your exp ected losses drop to $7.9 million, while your profits just doubled, going from $2 million to $4.1 million!

Now, it quickly becomes clear to any reasonable person that if you can double the profits your firm recognizes on a trans action by keying in four small assumptions changes on a computer model, each of which sounds individually reasonable , and the end result of those changes is to double the bonus you get paid this year Â– then the key to making some seri ous personal money is making the right assumptions! Something that is equally plain to your peers at competitive firms

to read the rest of the article...

http://www.financialsense.com/fsu/editorials/amerman/2008/0917.html

In Christ
Jeff

Re: - posted by rookie (), on: 2008/9/19 9:46

Today our government has taken on the full responsibility to save the world financial system. Treasury Secretary Paulso n, who has already announced that he will not remain for the full term of his office, has spearheaded an effort to transfer the risk of failure from the private economy to the public economy. The financial industry is attempting to transfer it's de bt to our children's children. These same people will also continue to lobby government to remove the "death tax" from t heir children.

Do the sons of the king pay taxes? What does Scripture say?

Do you see the power of Scripture and how it brings light to the darkness of this world....

In Christ
Jeff

Re: - posted by rookie (), on: 2008/9/22 20:52

The next phase of this financial crisis will be centered in the credit derivatives market. Companies like Ford and GM will continue to experience greater and greater financial distress because no one will lend them more money...the SEC just added GM to the list of financial stocks that cannot be shorted.

The financial industry in the past, has insured against risk of default by corporations like these. As the perceived risk inc reases, the cost of insurance also increases. Ford and GM have to pay higher and higher interest rates for much neede d capital.

Likewise, insurance companies like AIG have not adequately set aside capital to cover the losses generated by failing b usiness models like Ford and GM. AIG has many divisions which are profitable. They insure homes, cars, businesses, l ife insurance...etc. Yet one division, the credit derivative entity, has depleted capital reserves to the point where they do not have enough money to meet their daily obligations.

The size of this credit derivative market dwarfs the subprime mortgage problem by a multiple of 50. The estimated size of this financial engineering debacle is 62 trillion dollars.

another day another plan...

In Christ
Jeff

Re:, on: 2008/9/23 6:24

Quote:
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rookie wrote:
The financial industry is attempting to transfer it's debt to our children's children. These same people will also continue to lobby government to remov e the "death tax" from their children.

Do the sons of the king pay taxes? What does Scripture say?

It is clear who the Government is treating as its own. Just like in the days of Colonialism, the kings took the gold and rich es from the colonized or enslaved territories and brought them to their own countries for themselves to spend, so today t he corrupt governments are acting as occupators and tyrants in their lands, transferring the wealth of their nations to cor porate and private bank accounts. In this case, it is a transfer not of wealth (for the people have been stripped naked), b ut of debt and future responsibility. How things have changed!

This is like me choosing not to pay our family bills so I can keep giving our money to our neighbor to build his palace, all at the cost of sending my kin to debtors' prison in the end! This is called treason, not good stewardship, and clearly show s where is my allegiance and my belonging.

In Christ,
Slavyan

Re: - posted by rookie (), on: 2008/10/17 12:16

Banks Admit Bailout Won't Work
Posted Oct 17, 2008 09:48am EDT by Henry Blodget

So much for that story. A few days ago, when Hank Paulson called the heads of the nine families to Washington and sh oved cash down their throats, he announced that the banks would use this new taxpayer cash to lend. They won't, of co urse. They'll hoard it like a starving family who has just been given a grocery cart full of food.

And after a few days of silence, even the banks are finally admitting that. So it's back to the drawing board for Paulson & Co.

Next steps? Find a way to force the banks to write their assets down to nuclear winter levels, so 1) private investors don't have to worry about getting sandbagged and therefore invest more in the banks, and 2) the banks know they won't be forced to take more multi-billion dollar losses. Only then will the banks begin to lend again. And at that point, the only challenge will be finding people and companies to lend to, in an economy headed straight into the tank.)

NYT: , John Thain, the chief executive of Merrill Lynch, said on Thursday that banks were unlikely to act swiftly. Executives at other banks privately expressed a similar view.

Â“We will have the opportunity to redeploy that,Â” Mr. Thain said of the new capital on a telephone call with analysts. Â“But at least for the next quarter, itÂ’s just going to be a cushion."...

Â“I donÂ’t think that the market wants to see that capital being put to work to leverage the business up again,Â” said Roger Freeman, an analyst at Barclays Capital, which acquired parts of the now-bankrupt Lehman Brothers last month. Â“My expectation is itÂ’s quarters off, not months off, before you see that capital being put to work.Â”...

Jamie Dimon, the chairman and chief executive of JPMorgan, said his bank was in a stronger position to use the money than some of its competitors.

Â“ItÂ’s clear that the government would like us to use the capital,Â” Mr. Dimon said on a conference call with analysts on Wednesday. Â“If you are a bank that is filling a hole, you obviously canÂ’t do that.Â”

Who is "a bank that is filling a hole"? Seven of the nine that just got taxpayer money.

(end of article)

Even if the banks were willing to lend money, who can afford a loan?

Re: - posted by rookie (), on: 2008/10/22 10:15

CDO Cuts Show $1 Trillion Corporate-Debt Bets Toxic (Update1)

By Neil Unmack, Abigail Moses and Shannon D. Harrington

Oct. 22 (Bloomberg) -- Investors are taking losses of up to 90 percent in the $1.2 trillion market for collateralized debt obligations tied to corporate credit as the failures of Lehman Brothers Holdings Inc. and Icelandic banks send shockwaves through the global financial system.

The losses among banks, insurers and money managers may spark the next round of writedowns on CDOs after $660 billion in subprime-related losses. They may force lenders to post more reserves against losses after governments worldwide announced $3 trillion in financial-industry rescue packages since last month, according to Barclays Capital.

``We'll see the same problems we've seen in subprime,'' said Alistair Milne, a professor in banking and finance at Cass Business School in London and a former U.K. Treasury economist. ``Banks will take substantial markdowns.''

The collapse of Lehman Brothers, Washington Mutual Inc. and the three banks in Iceland prompted Susquehanna Bancshares Inc., a Lititz, Pennsylvania-based lender, to lower the value of $20 million in so-called synthetic CDOs by almost 88 percent last week.

KBC Groep NV, Belgium's biggest financial-services firm, which had 377.4 billion in assets as of June 30, wrote down 1.6 billion euros ($2.1 billion) after downgrades on company- and asset-backed debt. Brussels-based KBC had 9 billion euros in CDOs as of Oct. 15, primarily linked to corporate debt, according to an investor presentation.

10 Cents

Some synthetic CDOs, tied to credit-default swaps on corporate bonds, are trading at less than 10 cents on the dollar, according to Sivan Mahadevan, a derivatives strategist at Morgan Stanley in New York.

CDOs parcel fixed-income assets such as bonds or loans and slice them into new securities of varying risk, providing higher returns than other investments of the same rating.

The synthetic variety pools credit-default swaps, which are derivatives based on bonds and loans and used to protect against or speculate on defaults. Should a borrower fail to meet debt agreements, the contracts pay the buyer face value in exchange for the underlying securities or the cash equivalent. An increase in the agreement's cost indicates a deteriorating perception of credit quality.

About $254 billion of CDOs tied to mortgages for borrowers with poor credit histories have defaulted, according to Wachovia Corp. Tracking defaults on those linked to corporate bonds will be difficult because the market is largely private, said Mahadevan.

Derivatives are contracts whose value is derived from assets including stocks, bonds, currencies and commodities, or from events such as the weather or changes in interest rates.

`Severe' Recession

Downgrades of corporate CDOs will force investors to boost capital, according to an Oct. 17 report from Barclays Capital analysts led by Puneet Sharma in London.

Buyers of deals graded AA by Standard & Poor's and Aa2 by Moody's Investors Service, the third-highest rankings, may have to increase cushions against losses to cover the full amount of the investment, up from 1.2 percent now, Sharma said. His estimate is based on the world economy entering a ``severe'' recession.

Demand for synthetic CDOs pushed the cost of default protection to record lows in 2007, driving down company borrowing expenses. Sales surged to $503 billion in 2006, from $84 billion five years earlier, according to Morgan Stanley.

High Return

Bankers loaded the securities with bonds and swaps offering the highest return for a given credit ranking, indicating additional risk. An AA rated European issue offered an average yield of 50 basis points over money-market rates when sold in 2006, according to UniCredit SpA analysts in Munich. Similarly rated corporate bonds paid 9 basis points. A basis point is 0.01 of a percentage point.

``The maths ended up driving the way CDO portfolios were put together,'' said Nigel Sillis, a fixed-income and currency analyst at Baring Asset Management Ltd. in London.

The banks that structured the securities and investors both failed to do ``fundamental credit analysis,'' said Janet Tavakoli, president of Tavakoli Structured Finance in Chicago. ``They were using correlation models, they were using spread models, but they weren't doing analysis on the underlying corporations.''

Fitch downgraded 422 classes of CDOs on Oct. 13 after seven financial companies defaulted or were bailed out since September. The company didn't disclose the total number of classes it rated.

The downgrades force payment of the credit-default swaps packaged in the debt, causing losses for investors or eroding capital.

``The same kind of shudders that went through the asset- backed CDO market will probably go through the corporate CDO market,'' said Sillis. ``We'll see a pickup in default rates.''

Lehman, WaMu

Barclays Capital estimates that 70 percent of synthetic CDOs sold swaps on Lehman. Swaps on Kaupthing Bank hf, Landsbanki Islands hf and Glitnir Banki hf were included in 376 CDOs rated by S&P. The company ranks almost 3,000.

About 1,500 also sold protection on Washington Mutual, the bankrupt holding company of the biggest U.S. bank to fail, according to S&P. More than 1,200 made bets on both Fannie Mae and Freddie Mac, the New York-based rating company said.

The collapse of Lehman, WaMu and the Icelandic banks, as well as the U.S. government's seizure of the mortgage agencies, will have a ``substantial'' impact on corporate CDO ratings, S&P said in a report Oct. 16.

The government in Reykjavik seized Kaupthing Bank, the country's largest lender, earlier this month. Assets and liabilities from Landsbanki Islands and Glitnir Banki were transferred to state-owned entities, triggering default swaps.

`Marking Down'

Nonpayment on speculative-grade corporate bonds may rise to 7.9 percent worldwide in a year, from 2.8 percent at the end of the third quarter, as the credit crisis deepens, Moody's said Oct. 8. Those in the U.S. may rise to 7.6 percent, said S&P.

``As there are credit events, you'll have losses in portfolios and marking down of other assets,'' said Claude Brown, a partner at law firm Clifford Chance LLP in London.

Investors may sell the CDOs back to banks, which will unwind protection they wrote to hedge swap transactions, Barclays said. The chain of events will push up the price of default protection and company borrowing, according to Barclays.

Doubling Cost

Banks unwinding hedges helped double the cost since April of default insurance on the lowest-ranking equity portion of the benchmark Markit CDX North America Investment Grade Index, to 75 percent upfront and 5 percent a year. That equates to $7.5 million in advance plus $500,000 annually on $10 million of debt for five years.

For European investment-grade company debt, as shown by the Markit iTraxx Europe index of credit-default swaps, the price for protecting against nonpayment may climb 55 basis points to a record 200 next year, Barclays forecasts.

Some investors are choosing to buy protection and determine their losses now, according to Edmund Parker, head of derivatives at law firm Mayer Brown LLP in London.

National Australia Bank, the country's biggest lender by assets, paid A$100 million ($67 million) this year to hedge the risk of loss on six company-linked CDOs totaling A$1.6 billion. It will pay a further A$60 million annually for the next five years, according to company filings.

`Drawn a Line'

``The upside is that you've now drawn a line on those assets and you know you're not going to lose more than your hedging costs,'' Parker said. ``Unless, of course, your counterparty goes under.''

Companies most frequently referenced in synthetic CDOs include Philadelphia-based Radian Group Inc., the third-largest U.S. mortgage insurer, whose stock fell 68 percent in New York trading this year. Another is CIT Group Inc., an unprofitable commercial lender in New York that dropped 83 percent. The company faces about $2.4 billion in debt repayments by the end of 2008, according to data compiled by Bloomberg.

``We feel very strongly that we have adequate claims-paying capabilities for both our financial-guarantee business and our mortgage-insurer business,'' said Radian spokesman Richard Gillespie.

CIT spokesman Curtis Ritter declined to comment, pointing to the company's statement last week that it will meet funding needs for the next 12 months.

Forecasts for ratings downgrades are ``going to force a lot of activity'' in unwinding CDOs, said Rohan Douglas, former d irector of global credit derivatives research at Citigroup Inc. He now heads Quantifi Inc., a provider of valuation models for the debt. ``Buy-and-hold investors suddenly find themselves in a situation where they will have to sell these assets.''

Re: - posted by rookie (), on: 2008/11/21 10:14

This will be my last post on Brother Rahman's thread...

Just a thought...

I watched the news last night for the first time this week. What I sensed is this...

The President and the Vice President have long since disappeared from before the people on this financial collapse. And now the Secretary of the Treasury, Hank Paulson, gave a speech yesterday which sounded like an epiloge of his two years service in this position. In the last week he has also given up. He will be gone in another month....

No one has a solution...it is all vanity.

In Christ
Jeff