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Freethinking Investment Strategies

Issue 39: 21st December 2010

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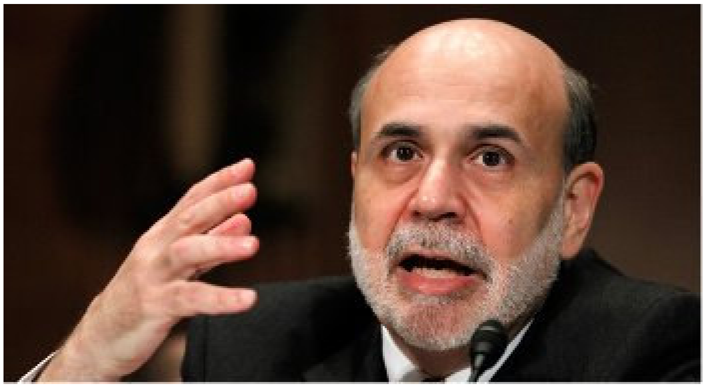
1. 1kg gold bars;
2. 100oz gold bars;
3. 400oz gold bars;
4. 1000oz silver bars;
5. 50oz platinum bars.

For more information, please read past the end of this letter and fill out the form to get more details.

Insanity Rules

Dear Reader

We should all be so grateful that the man in charge of policy for the global reserve currency tells the nation at the centre of the global monetary crisis that he is **100 percent confident** that he is able to control inflation... right? No! You should be afraid. Be very afraid!



Look into my eyes... You are sleepy, getting more and more sleeeeepy...
Good. Now you can trust me. You must have total confidence in me!

Ben Bernanke was interviewed on the TV program 60 Minutes on 5 December. It is an amazing interview; in it, the Fed Chairman reveals more of himself than we would care to know. But worse, Bernanke asserts that he has complete confidence in his ability to steer the US ship safely through these unchartered waters. In fact, he believes he can achieve what no man has achieved before...

Here's the exchange during the interview where, to my mind, he revealed how deluded he had become:

> **Bernanke:** *What we're trying to do is achieve a balance. We've been very, very clear that we will not allow inflation to rise above two percent or less.*
> **Pelley:** *Can you act quickly enough to prevent inflation from getting out of control?*
> **Bernanke:** *We could raise interest rates in 15 minutes if we have to. So, there really is no problem with raising rates, tightening monetary policy, slowing the economy, reducing inflation, at the appropriate time. Now, that time is not now.*
> Pelley: *You have what degree of confidence in your ability to control this?*
> **Bernanke:** ***One hundred percent.***

There you have it: Ben Bernanke is 100% confident he can control inflation! That amazing level of confidence comes from a man who did not see the US housing crisis coming... even in May 2007!! Here's what he said then (http://www.federalreserve.gov/newsevents/speech/bernanke20070517a.htm):

> *"...we believe the effect of the troubles in the subprime sector on the broader housing market will likely be limited, and we do not expect significant spillovers from the subprime market to the rest of the economy or to the financial system. The vast majority of mortgages, including even subprime mortgages, continue to perform well. Past gains in house prices have left most homeowners with significant amounts of home equity, and growth in jobs and incomes should help keep the financial obligations of most households manageable."*

Ha! Not even close, Ben... And there are numerous other examples of his complete inability to predict the future. So, he either no longer realises that he is human like the rest of us or he is so deluded that he is absolutely confident that we'll just blindly take him at his word or... he's just doing his job, which is to say whatever is necessary to maintain confidence in the system.

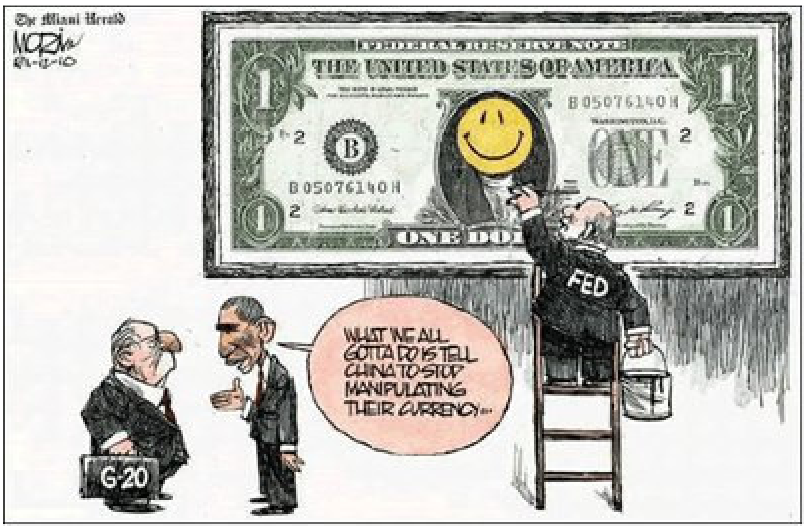
What is abundantly clear from this interview (see http://www.cbsnews.com/video/watch/?id=7120553n), at least to me, is that he is deliberately being deceitful. But can you blame him? After all, it's all just a confidence game now and all he has to achieve to succeed in his job is to make us continue to have faith in the system (assuming you still believe). Well, it seems most of us are still willing to do that. Why, oh why? I doubt it's because of his communication skills!

No, in my opinion, it is simply because the alternative is still too hard to contemplate for most. It's just so much easier to just assume that everything is under control. We're far too busy to concern ourselves with such fundamental questions as: how is quantitative easing not like printing money? Let's just hope that those economic theories that continue to predominate will, somehow, eventually... work!

They have an expression for the general state of mind we are living under these days: normalcy bias. Check it out:http://en.wikipedia.org/wiki/Normalcy_bias. Do you recognise it? Well, the sooner you come out of it, the better for you and your loved ones. Because if you don't prepare for what's coming, the inevitable end of our current failed monetary system, you will inevitably suffer the consequences.

The Breakdown of Trust

For those of us who have come out of the normalcy bias, we recognise that things are no longer what they seem to be. There is an overwhelming breakdown of trust in the system, principally due to the failure to prosecute fraud (see http://www.globalresearch.ca/index.php?context=va&aid=22395).



There seems to be little attention paid to the long term consequences of monetary policy decisions. All that seems to matter is the immediate effect, the short term market reaction. But, recently, there has been an astonishing admission for an acting member of the Fed, as pointed out by Mike Whitney at the Centre for Research on Globalisation (http://www.globalresearch.ca/index.php?context=va&aid=22402).

Kevin Warsh conceded that the Fed is effectively price-fixing on a global scale and he worries that this could undermine confidence in the bond market. The danger, as he sees it, is that investors will see through the ruse and exit bonds altogether. While not immediately obvious as a possible scenario, it does seem much more plausible than the "China will dump its US Treasuries all at once" theory...

You see, as quite correctly pointed out by Kevin Warsh in the text below, the US Treasury market is special. It is special BECAUSE their pricing determines what is widely regarded and still used by most investment professionals as THE RISK FREE RATE. The 'risk free rate' is then used by the industry as the FOUNDATION from which all other financial assets are priced. There goes another unit of measure!

Now, I don't know about you... but for my part, I no longer consider the US Treasuries to be 'risk free' assets. Nor do I still rely only on fundamental analysis to base my advice to clients. There is now such an unprecedented level of intervention by the central banks and sovereign governments in the markets that one simply cannot invest prudently, in my view, without also taking into consideration the possible unintended consequences of those massive interventions.

> *"The Fed's increased presence in the market for long-term Treasury securities also poses nontrivial risks. The Treasury market is special. It plays a unique role in the global financial system. It is a corollary to the dollar's role as the world's reserve currency. The prices assigned to Treasury securities--the risk-free rate--are the foundation from which the price of virtually every asset in the world is calculated. As the Fed's balance sheet expands, it becomes more of a price maker than a price taker in the Treasury market. And if market participants come to doubt these prices--or their reliance on these prices proves fleeting--risk premiums across asset classes and geographies could move unexpectedly. The shock that hit the financial markets in 2008 upon the imminent failures of Fannie Mae and Freddie Mac gives some indication of the harm that can be done when assets perceived to be relatively riskless turn out not to be."*
>
> *- Kevin Warsh*
> *A member of the Board of Governors of the US Federal Reserve*
> *Above taken from an article he wrote in the online Wall Street Journal on 8 Nov 2010*
> *(http://online.wsj.com/article/SB10001424052748704353504575596762375409760.html)*

Please note that all past issues of Prosper! are available Here for your convenience.

The Debt Tower

> *"The Debt Tower burst out into life unannounced, unexpected and unexplained."*
>
> *- Professor Antal E. Fekete*
> *At Day 2 of a Symposium on Sound Money in Auckland, New Zealand, last month*

The truth is out there to be discovered. The truth about money was fully exposed at a Symposium I organised last month, where the esteemed Professor Fekete and others laid it out for all who came to connect with it. For those who were exposed to Professor Fekete for the first time, it must have been a little bit like it was for people when they discovered that the Earth was not flat...

Indeed, it is useful to remind ourselves that there once was a time when everyone believed that the Earth was flat! Today, it seems amazing that such a belief prevailed. Of course, one day, this was recognised by all to be false. Surely, the first serious challenge to the BELIEF that the Earth was flat must have raised a storm of abuse from the then well established of society. Nevertheless, eventually, the truth of the matter prevailed and mankind greatly advanced forward as a result.

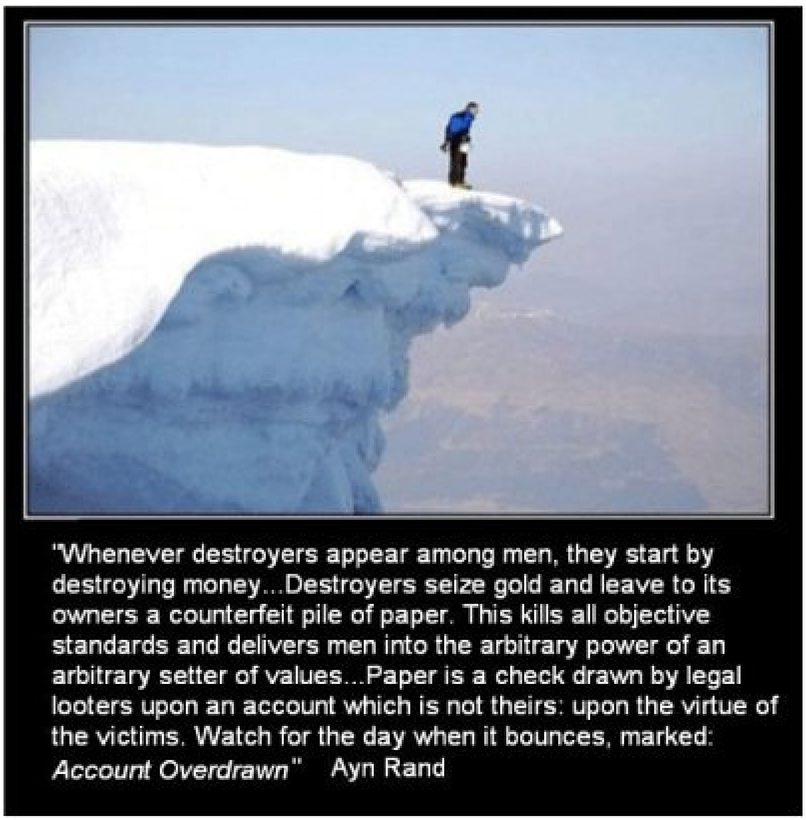
In more ways than one, I consider Professor Fekete's scientific work to be unique and of very significant value for the advancement of knowledge on monetary matters. He is still, as a septuagenarian, fighting intellectual inertia in this most important field, always with good intentions and admirable courage. It is for that reason that I invited him and his wife to New Zealand and organised the Symposium that was held last month at the University of Auckland. Many came from overseas to attend.

As with every other opportunity I have had to hear the professor, I learned a lot. But perhaps the key message for me during the event was his advice that the money supply is the wrong thing to watch. Huh!? Why? Because people can use the money for various purposes and so the money can end up anywhere. No, the thing to watch is not the money supply but the total amount of debt: the Debt Tower!

To understand the Debt Tower problem, we have to do quantitative and qualitative analysis. We have to recognize that there is an endless invention of layer upon layer of new financial instruments to hedge debt bets and that is what makes the Debt Tower grow mostly unseen. You see, it's not just the actual debt, but the endless pyramid of unregulated over-the-counter financial instruments that derive their value from the underlying debt, that really matters.

Are You a Likely Victim of Normalcy Bias?

To my mind, if you choose to believe in people like Ben Bernanke and ignore that our monetary system is terminally ill, even at the rate things are going, well… you are like the man below standing at the edge. How does it feel, standing there? Don't be a victim of normalcy bias... move away from the precipice!



Unfortunately, most people's life savings are now more often than otherwise managed by other people. This means that, even if you as an individual would like to invest or allocate your savings in a particular way, chances are that the choices you have are very limited. Others, who act as trustees and rely on expert advice, will decide for you what is in your best interest. I say unfortunately, because too few in my opinion in the investment industry are willing to recognize what is unfolding…

It is nearly impossible to find a so-called 'diversified' investment portfolio these days that has any real stuff in it, like gold, silver and other commodities. However, what exists almost universally in any such portfolio is the willing financing of irresponsible sovereign governments' insane level of debts. You see, if you (or your portfolio manager or trustees) buy government bonds, you are funding the madness! Tell your trustees and/or your fund managers to stop!

Worse, in my view, is the fact that the general consensus in the professional investment industry still seems to be that a significant portion of one's assets should be allocated to bonds. This is especially so if you happen to be a so-called 'conservative' investor! This is not prudent, in my view, given the highly probable rise in interest rates and corresponding losses for bond holders. It's a tragedy in the making!

The problem, as I see it, is that most trustees and their advisors, and especially their fund managers, don't like the idea of having gold and silver bullion in a portfolio. Why? Trustees don't because they don't want to do what none of their peers do (and that type of conduct is now regarded by many as being prudent… go figure!); advisors don't because of a variety of reasons, mostly to do with relying on bad economics; and managers don't, well… because there is NOTHING TO MANAGE!

That's right, once purchased, bullion just sits there. There is no ongoing need for sophisticated analysis or management. So chances are that, if you don't control how your own savings are invested, you're standing on the edge of the cliff without knowing it! You see, those who are your fiduciaries likely suffer from normalcy bias. But the real victims will not be them. That's because it's not their money. The real victims will be those whose very life savings are being misallocated on their behalf, unwittingly.

Past the Point of No Return

As the year 2010 comes to an end, I am reflecting on what ought to be the future of this e-letter. Fifty months have now past, since I began writing ***Prosper!*** 50 months… and yet, it seems like yesterday.

I fully realized, before I started writing, that there were to be consequences for me as a professional, if I was to communicate openly and 'on the record' that we were being deceived. I declared in the very first issue, back in September 2006, that I had come to the view that what was once real money had subtly been replaced by an illusion; a highly deceptive and persistent illusion. Today, I have no regret doing it.

But the time has come to take this to the next level of authenticity. As is made abundantly clear in the information attached to these e-letters, my company has been an authorized bullion dealer for the best part of two years now. But my firm, LB Now, is first and foremost in the investment advisory business, specialising in Freethinking Investment Strategies.

I recognise that there appears to be a conflict there, mainly because bullion is not an investment. So I manage that conflict in a way which is made very transparent to clients. But here's the thing: when I interact with colleagues in the marketplace I get the impression that they seem to think bullion is all I do! Not so.

In fact, facilitating the purchase of bullion for clients on the London market is something I spend very little time on, compared to my other client related activities and consulting services. But, having said that, bullion sales to non-clients do help to pay the bills!

The perception out there, incorrect as it is, has given me food for thought. Should I continue to write these e-letters? Should I stop advocating the ownership of bullion as a safe store of value during these turbulent times? Or should I take the plunge and immerse myself more fully into the bullion business? These are all good questions and I will meditate on them during the weeks to come, before the harsh realities of 2011 come home to roost.

There is far too much deception and not enough authenticity in the world. I aim with these e-letters to be part of the solution, not part of the problem. So, if you want to write to me and let me know how you feel about these e-letters and what you think I should do, please do so. I welcome your thoughts. After all, we've already travelled some distance together. So let's consider, together, how best to continue forward on this journey.

"It is usually some quiet assumption taken for granted by men of every degree that blocks the road to the great advancements to which mankind is capable. These false beliefs, if they persist too long, are very dangerous to human progress."

- Leon McLaren
(1910 – 1994)
Barrister, politician, philosopher and founder of the School of Economic Science; the above was taken from his book Nature of Society, published by the SES

Your freethinking investment strategist, thanking you for reading and wishing you a peaceful end of year, wherever you live, and much Joy with your loved ones during the Festive Season!

Louis Boulanger, CFA
Louis Boulanger Now Ltd.

Disclosure and Disclaimer Statement:

I am not a disinterested party. I personally own gold and silver bullion. My company, LB Now Ltd, also became in late February 2009 an authorised bullion dealer for BMG BullionBarsTM. One of my objectives in writing articles such as this is to interest investors in the subject of sound money and the need for profound monetary reform, to the point where you may be encouraged to conduct your own further diligent research on these important matters. Neither the information nor the opinions expressed herein should be construed as a solicitation to buy or sell any security, currency or commodity. Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions. I have neither been paid nor received any other inducement to write this article.

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Fees: On purchase, clients must pay a purchase charge on top of the prevailing market (spot) price; the purchase charge varies depending on the size of the order. Ongoing storage, including insurance, (if this option is selected) costs depend on the size of the order. Selling bullion in storage incurs a sales charge.

To get more details from Louis Boulanger Now Limited, please click here.

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