

Special Report BRIC

INVESTORS, GET READY TO TURN UPSIDE DOWN: A Special Report on Why You Need To Open Bank Accounts Outside the United States And Start Investing In Individual Emerging Market Hallmark Stocks (Not Mutual Funds) in Their Respective Markets and Currencies, NOW

Take your cash and put it in a closely held Swiss Private Bank which has no loan portfolio or trading desk (no credit risk), like Pictet and start cost averaging or slowly picking up shares of individual emerging market hallmark stocks in their respective currencies on their respective stock exchanges. Do not buy mutual or hedge funds or any structured product. They all just allow someone else to control your money. They are risky and too expensive. Park cash reserves in Euro instead of dollar until the Chinese Yuan/Renmibi is convertible or a World currency emerges. Review your holdings in the United States and be skeptical about that old habit of believing that this time won't be any different.

I'll never forget my first job. I was a bank teller at Barnett Bank in downtown Miami. It was 1989 and the world was a USA oyster. The cold war was winding down, the US economy was a steamroller on the beginning of one of the world's greatest periods of wealth accumulation. Stocks, Bonds, Bank Cd's, Real Estate were all paying and people were making money, even idiots.

Careers were moving and the nation had momentum. American educational institutions were deemed premier and "Corporate America" was the bastion of prestige and Anglo-Saxon perfection. Like many Americans, the 90's were a prosperous time for me. I worked for the Fed, Chemical Bank and Merrill Lynch as an Investment Advisor before joining my family business.

New York was truly the center of the universe and few could imagine it any other way. It's almost as if there was a blind faith that the domination in financial markets and expansion of credit could only increase. Stocks went up. Bonds balanced a portfolio. Cash was risk free. Europe was sleepy and the Euro was a wanna-be lil' brother. We all ignorantly thought Japan was the only safe place to park money in Asia (Japan funds have lost money for the last 20 years).

"Emerging Markets" was an exotic word that was for 5% of your IRA as some sort of sexy diversification that would pay off in 40 years. The dollar was the world's reserve currency and transfer currency, considered the only stable way to store value. Mutual funds (American that is) had credibility and hedge funds (run by crooked managers) and derivatives (the equivalent of a roulette wheel) were only for people whom were more sophisticated investors than myself.

Meanwhile, on main street USA, housing was always a great investment and unemployment was something that happened to other people. You didn't make it in the USA only because one didn't strive for education and have the character to "make it happen because we all had the same books." Opportunity was raging in places like Houston, Phoenix, Las Vegas, Atlanta and Orange County.

My personal situation was special in the sense that I often traveled and worked in Europe, and Latin America. I also began to take an interest in charitable work in Haiti and Africa. The big world got a little smaller as my passport piled up stamps, but I still saw these frontier markets as adventure but not places to put money. In my mind, investing in poor countries or "developing" countries was something for locals, institutional investors or private speculators. China? Peasants. We gambled in Macao and dined in Hong Kong but didn't invest. Brazil? I understood why the business class in Brazil laundered their money through "doleros" to Switzerland or New York but not the other way around.

Large cap American equities such as those on the Dow or S&P and American tech stocks were where the future lay for individuals. I also remember how arrogant we all were. The self assured airs of the American executives in business class flights summed it up all up. America was the best and it was going to stay that way because we'd proven that our institutions and people were clever and unstoppable. History had ended and the puzzle was solved. Communists were dead and the poor would always poor but everybody loves a Lord. America was unrivaled.

I (and nobody I knew) didn't perceive the "slow squeeze" that began in the 00's. Nobody saw the consequences of a paralyzed Congress, increasingly inefficient infrastructure, wars, staggering federal debts, dilapidating education, and decade-long easy credit until the bomb exploded in the financial world in 2008. Let's not forget a healthcare system the obese (I'm overweight too) and the terminally ill that hogs 14% of the national economy and an estimated 400 billion dollar a year illegal drug industry that went untaxed.

Meanwhile, the Asian region and China in particular were quietly tooling up and building reserves of US Treasuries as well as planning unprecedented infrastructure outlays. China's macroeconomic numbers such as current accounts and trade balances were becoming weighty as manufacturing boomed there. It's as if China's leaders were going by the Sun Tzu "Art of War" playbook-perfectly subtle and manipulative responses to every crude American move. We consumed. They produced and saved. Now, they own the USA. But things were changing on the frontline as well.

I recall hearing about my friend's business trips to Shanghai, Beijing, and further afield such as Thailand, Malaysia and Indonesia and the word was getting out that things were shifting underneath our feet. I kept hearing comments about the zeitgeist regarding how harmonious and can-do these societies seemed (and hard boiled, hard working, and practical) compared to a sort of "fat, dumb, and happy" feeling in the USA.

The Chinese engineer style government seemed to plan and execute gigantic infrastructure plans from the top down before American County Commissions could convene a meeting to fill a pothole. With Washington watching, America started to smack of incompetence and bitterness. Let's face it. The Chinese are now winners. The ideology of American "free market", "freedom everything" stuff started to ring hollow in my head as I read yet another article about focused, brutally competitive industrial policies coming out of China. Win at all costs is the theme, playing for keeps.

Like Japan in the 60's China has kept a devalued currency to fuel exports and dump markets to control market share. They corner markets if possible and coldly exploit weaker nation states for resources. It's worked. China is now the 2nd largest economy on earth overtaking, ironically, Japan.

Brazil is an even more stunning development. A Communist for god's sake was elected President 8 years ago. Before that, all the Brazilians were known for was hyperinflation, sex tourism, kidnappings and soccer. O' how the world has turned upside down since then! President Lula was a wolf in name only as Brazil pushed open markets and pro-growth policies. He established a cash transfer scheme to placate the socialists and then pursued policies that the bankers recommended. Brilliant actually! It worked.

Now, Brazil-poised for meteor-like expansion-looks like the USA in 1982! They have 200 million buyers and a 2 trillion dollar economy. **The experts and even the IMF and World Bank are saying that Brazil is the big economy that will experience the fastest rate of growth over the next decade** as 100 billion barrels of oil are pumped out of the subsalt fields and a young population with access to credit starts buying. The nation is relatively homogenous with similar cultural sensibilities. Brazilians are hard working and almost maddeningly committed. They are plodders and that is good for business. A few big commercial banks like Itau Unibanco and Banco Bradesco are literally sitting at the jackpot center of a dramatic expansion of the nation's loan portfolio. The currency has buying power and Brazil also has an excellent "commodity story" which will allow them to continue to stockpile reserves. Brazil is energy independent and an energy exporter. Forget the ignorant clichés of Samba dancers and lazy sugar cane liquor drinkers. Brazil is on the move and is the future!

And even Russia, our old cold war rival is posting some stunning numbers! They may be corrupt, political skewed and socially unjust, but **Russia is the world largest producer of oil and gas!** Known world reserves will only last us 15 years at current rates of consumption. That's scarce stuff and the oil price will still have upward pressure.

The Russian economy looks like a proxy for the oil price. The Energy sector has a big future as the emerging economies pick up consumption. Lukoil and Gazprom are printing money regardless of what happens in the Kremlin.

The new reality is that commodities, materials and oil are not things that poor countries export while rich countries turn those raw materials in to valuable stuff. Now, the materials are the valuable stuff!

India doesn't have the social harmony or efficiency of China but it sure has the consumer market, more than a billion people! Since the 1990's Indian markets have opened up and there is simply no ignoring a billion consumers ready to start purchasing!

The bottom line is that population, purchasing power and, the truly valuable raw materials such as iron or and oil and gas, are in what we all thought of as the poor world!

The pendulum has swung...fast. **American investors better wake up and smell the café** or they will spend the next decade *watching their buying power literally melt away* in a declining dollar invested in slow growth or negative growth assets.

Meanwhile, the banking and brokerage institutions in the USA are not only possible credit risks but they can't buy a darn thing in foreign stock exchanges. It's like Americans are sitting behind the Great Tax and Lack of Access Wall being pumped with lies about liberty and money. ***Nobody in the USA is telling US investors***

the truth! The United States Federal Government is **BANKRUPT!** We have 12 trillion dollars of **"Balance Sheet"** debt (\$110,000 per taxpayer). Add to that at least another TRILLION of unfunded commitments, and what we have (even by the governments own numbers) is a complete inability to pay for the spending splurge of the last 20 years!

The Treasury pays \$325 billion a year in interest. The other budget items are equally unproductive: dysfunctional Medicare/Medicaid, bankrupt social security, a massive "Defense" (or is it "offense") budget, Subsidies for corporate farmers, and a few ridiculous pork barrel earmarks. The US Federal Reserve is literally printing billions of dollars with quantitative easing to resuscitate the dead body. What a sad, desperate joke-shameless.

US Citizens carry \$16 trillion dollars of private debt and \$14 trillion dollars of mortgage debt. In short, the Titanic sinking and guests are in the lobby bar watching Fox news. **If you don't believe it then take a tour of a public high school, talk to the kids and see if you feel "hopeful".**

Nobody denies that public schools and their pupils are hopeless but Thomas Friedman, the Author of "The World Is Flat" argued in his op-ed piece, "The New Untouchables", that America is pumping out even young, hopeless college graduates without problem solving, analytical or interpersonal skills that are necessary to add value in the new world economy. Computers can do the work of dumb people or in more calibrated language -those without skills-, he argues. So, half of the new American college educated workforce is now effectively, "untouchable".

Worse, there is an exodus of highest skilled American workers. They are moving out! The only plug in the hole for the US decline **is the crutch of still being the world's reserve currency** which allows the US Government to temporary unlimited borrowing to keep the corrupt addictions alive. But the music is about to stop.

The largest US debt holder, China, has their hand of the record needle (Remember Sun Tzu). Even Switzerland's oldest Private Bank just released a declaration titled, "Farewell America". The American Empire has no clothes, naked but with a gun in his hand. "We live at a time of shifting power and influence in the world. Asia is on the rise, and Brazil too, probably. Australia will catch on to their coattails, and Europe may once more be able to position itself within these countries' recoveries.

The USA will remain the unquestioned military power and also an enormous repository of debt and other problems. Because they are painful, and there is always an inclination to shift the blame for them onto third parties, redimensioning processes always harbor the potential for aggression. Switzerland is currently experiencing just this. But it won't end there. Potential aggression and economic progress are mutually exclusive. Which is **why we are well advised to take a general farewell of America.**

This will be painful, for the USA was once the most vital market economy in the world. But for now, it's time to say goodbye." ***Nobody in the USA is telling US investors the truth!***

There are still plenty of life boats but it means getting out now. What is the formula:

Take your cash and put it in a closely held Swiss Private Bank which has no loan portfolio or trading desk (no credit risk), like Pictet and start cost averaging or slowly picking up shares of individual emerging market hallmark stocks in their respective currencies on their respective stock exchanges. Buy the Big Company stocks that are juggernauts in the rising tide of rising economies: Petrobras, PetroChina, Banco Itau Unibanco, Banco Bradesco, VALE, Sesa Goa, Gazprom, Lukoil, Denway Motors, China Aluminum Corp. Do not buy mutual or hedge funds or any structured product. They all just allow someone else to control your money. They are illiquid, risky and too expensive. Park cash reserves in Euro instead of dollar until the Chinese Yuan/Renmibi is convertible or a World currency emerges. Review your holdings in the United States and be skeptical about that old habit of believing that this time won't be any different.

America always gets back up on her feet, right? Wrong. The problem is that this time she's fallin' back in to rehab just one time too many. The US got behind the eight ball and missed the critical period to tighten the belt, throw the bastards out and change course on just about everything, probably about 15 years ago. It's too late and there is no percentage in being proud or patriotic.

Even Warren Buffet has gotten too sentimental as his Santa Fe Railroad bet became, "an all in wager on the economic future of the United States." It must be his way of saying thanks to America , some sorta 'last hurrah'. Well, as they say, **good luck with that.** He road that horse for fifty years and can't get off, but either can US investors. It's almost the perfect symbol. Sometimes you have to hit rock bottom to get the message.

The future lies in emerging market hallmark equity in Financials, Energy, Real Estate Holding & Management, Materials and Consumer Discretionary. 500,000- 1,000,000 bucks still has value and can set you up for some long term capital appreciation such as a 300% return in 5 years but you have to move now. Not tomorrow, now. The captain's horn is blowing and emerging market hallmarks are still cheap while the US dollar still has power to buy them but not for long.

One morning , real soon, we'll wake up and realize the boat is gone, out to sea, as your sitting on an anchor mortgage and a crying IRA in a depressing environment. Even your golf clubs will look sad, too cheap to pay the green fees. Your income won't be able to take the family to Disneyland. Meanwhile, a hungry crack monster called the US government is going to be hunting you to find every way possible to shake you like a rag doll for pocket change. It takes vision to see the rise as well as the fall. It also takes honesty and courage to make a change. US investors must get honest and change. It's time to save yourself first.

Call me at 1 602 445 3958 ! I pick up my own vonage phone (in Brazil). For \$499 I will personally analyze your situation and create a tailored financial investment policy and roadmap. If you don't know where you are going than any road will do. But "any road" is a prescription for failure. It's difficult to make courageous changes when one lacks information or insight. It should be difficult NOT to make courageous changes when one is informed. I'll never forget watching my father convince a client to follow his legal advice. The client kept returning with objections that began to become more and more illegitimate. The client's mixture of paranoia, inability to take advice and pride drove the ceaseless inquiries. My exasperated father finally said, "Jack, if you don't do this...you are just being stupid. Now, Jack, pigs get fat but hogs slaughtered. Take my advice." I never used his exact language but I learned a lesson about getting a message across. Friends, the writing is on the wall. There is a growing chorus around the world of people whom are analyzing the mix of the United States' unique situation and the prognosis is grim. The primary reason is because the macroeconomic situation is dire and defined by debt. Debt doesn't work for individuals, households or nation states. The zenith of American economic power is also in rapid decline because of a pathetic allocation of precious resources (Defense, Medicare, Social Security, Subsidies, and Earmarks) to economically unproductive sectors in a brutally competitive environment.

In other words, these days a country cannot rest on its laurels, even the USA. Things change too fast and the tide is changing. The world's economic momentum and the real money is in the hands of big emerging economies such as China, Brazil, and India. Asia is the most dynamic economic region and resource rich Brazil is booming. A lot of smaller countries will ride their coattails into growing economies. The United States dollar and the United States investment market is inside a protracted period of decline and it is time to be wise and get out now. It's hard to believe isn't it. ***Call me! 602 445 3958***