

My name is David L. Kendig  
and I want to welcome you to

## GreatDepression2.com

GreatDepression2.com was activated on October 23, 2002.

This update [January 11, 2009] is being posted just after...

**“The largest stock market crash of the 21<sup>st</sup> century”  
is felt around the world.**

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“When companies implode slowly, folks often erroneously conclude that all is well. When Enron came unstuck, it unraveled slowly at first, before dropping from about \$ 38 to \$ 4 in two weeks.”

“To my eyes, FANNIE MAE is a train wreck moving in slow motion...”

Bill Fleckenstein – Contrarian Chronicles

[moneycentral.msn.com](http://moneycentral.msn.com)

January 24, 2005 (FNM stock price 65.10)

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Starting on  
June 23, 2003

the first of nine different advertisements appeared in the Rochester, NY Democrat and Chronicle newspaper giving official documented notice to:

*“Mark Your Calendar  
July 29, 2003  
The largest stock market crash  
of the 21<sup>st</sup> century will begin  
+ or - 3 days.”*

(Over 350,000 readers of the Democrat and Chronicle witnessed the first of four published forecasts)

**I hope you marked your calendar,  
because the stock market crash you felt  
during the week of October 6-10, 2008  
began on July 29, 2003, exactly as advertised.**

Matter of fact, the **four** largest market crashes of the 21<sup>st</sup> century [so far]

1. Bond Market Crash 2003 [July 28 – Aug 1, 2003]
2. Stock Market Crash 2008 [July 29, 2003]
3. Bond Market Crash 2008 [July 29, 2003]
4. Housing Market Crash 2008 [July 29, 2003]

and a **historic one-day** derivatives **blowout** back in 2003 [July 29, 2003]

all focus on July 29, 2003 + or – 3 days.

## **VERY QUICK SUMMARY**

The global **bond market crash** of 2003 [July 28 – Aug 01], sparked an **historic one-day** interest rate **derivatives blowout** [July 29] that is responsible for vaporizing Fannie Mae's capital. Warren Buffet's worst nightmare became a reality starting on July 29<sup>th</sup>. The information in the next five sections (1.0, 2.0, 3.0, 4.0 and 5.0) of this web site, document this interest rate **derivatives** (Swaps) destruction.

This is why Fannie Mae disintegrated, for over four years, before your very eyes. **This derivatives “Time Bomb” remained hidden under the surface and ticking away for almost FOURTEEN months** (July 29, 2003 – September 22, 2004). Contrary to what you might think, this was not just an accounting scandal. This was also an historic one-day derivatives accident that so far has taken over five years to play out. Warren Buffett refers to this as a “[iceberg situation](#).”

OFHEO's investigative report made public on September 22, 2004, said these **derivative** issues were “...serious and raise concerns regarding the validity of previously reported financial results, the adequacy of regulatory capital,... and **the overall safety and soundness of the enterprise**.”

That is why the collapse of Fannie Mae on September 7, 2008,  
was the ‘trigger’ for

**“the largest stock market crash of the 21<sup>st</sup> century.”**

that occurred during the week of October 6-10, 2008.

**For readers of this web site over the past several years,  
Fannie Mae's derivatives blowout and the accounting gimmicks  
used to cover up the damage was old news.**

The four largest market crashes of the 21<sup>st</sup> century are fractured and split but all focus on Fannie Mae and July 29, 2003. This fracture is caused by two issues.

- A. The 14 month time delay from July 29, 2003, until September 22, 2004, the day OFHEO exposed the derivatives damage inside Fannie Mae to the public.
- B. The 48 month time delay from September 22, 2004 (the day Fannie Mae started to collapse) until September 7, 2008, the day the derivatives damage finally had to be recognized by investors and the Federal Government.

## **Ask yourself this one simple question!**

When did  
“the largest stock market crash of the 21<sup>st</sup> century”  
**begin?**

The week investors **finally** came to the realization [October 6-10, 2008]  
that the first collapse of Fannie Mae might be the ‘**trigger**’ for a  
derivatives market meltdown (**deleveraging**)

or

The day the U.S. Government **finally** came to the realization [September 7, 2008]  
that Fannie Mae might be dangerously undercapitalized

or

The day the SEC declared Fannie Mae must issue a restatement [December 15, 2004]  
because she doctored her accounting numbers showing  
she was dangerously undercapitalized  
due to **huge derivatives losses**

or

The day OFHEO made the results of their investigation public [[September 22, 2004](#)] documenting that Fannie Mae was dangerously undercapitalized due to **huge derivatives losses**

or

the day Fannie Mae **actually became** dangerously undercapitalized [[July 29, 2003](#)] due to those **huge derivatives losses**.

All of the historical evidence is now in.

**The four most destructive market crashes of the 21<sup>st</sup> century [so far]**

1. Bond Market Crash 2003
2. Stock Market Crash 2008
3. Bond Market Crash 2008
4. Housing Market Crash 2008

and **two historic derivative blowouts**

- A. Derivatives Blowout 2003
- B. Derivatives Blowout 2008

All point to

**July 29, 2003**

+ or - 3 days.

You might want to talk to [Christopher Carolan](#),  
a recognized expert with Fibonacci mathematics.

July 29, 2003 can be found in his book "[The Spiral Calendar](#)" published back in 1992.  
October 1, 2004 was a historic day and the key to "standing in the middle"  
of a GSE collapse and Alan Greenspan's "Conundrum."

You can also talk to [Robert Prechter](#).  
He is the man that predicted the 1987 stock market crash.  
The 2<sup>nd</sup> upcoming meltdown of Fannie Mae will be  
the "trigger" for his "Tidal Wave."

[Robert McHugh](#) was spot on with his October 5, 2007

“absolutely gigantic Fibonacci Cluster” and the “crushing decline” Fannie Mae suffered.

You can read about it in Chapter 1 Section P “Now we wait for Judgment Day...”

Robert McHugh made over seventeen contributions to this web site between 2004 and 2008. His newsletter (#187) about FNM, M3, DERIVATIVES, The Fed’s warning to the banking system to unload FNM Preferred stock and a suspect GSE GUARANTEE all in one issue on July 8, 2005 will go down in the history books.

Special recognition should also go to [Sheldon of Las Vegas](#).

He was able to reconnect the 1929, 1987, 2008, dots [June 6, 2008] back to Fannie Mae and the largest stock market crash of the 21<sup>st</sup> century using “[The Spiral Calendar](#).”

## FIVE STARS AWARD

\* \* \* \* \*

Peter Eavis of [RealMoney.com](#) provided the most extensive and continuous coverage of any Wall Street investigative reporter. Peter has waged a relentless campaign to expose what he sees as a “NATIONAL SCANDAL” hiding deep inside Fannie Mae since the “[summer](#)” of 2003. A paid subscription to this service is an absolute must ! I can not stress this enough. A paid subscription to RealMoney.com is an absolute must if you want to follow and understand what has taken place. James J. Cramer and his team (Peter Eavis, Mark Haefele and David Merkel) have assembled the most in-depth storehouse of Fannie Mae data and analysis available anywhere.

Honorable mention should also be given to:

Donald McAlvany Adam Hamilton  
Magnus Ekervik Warren Pollock

There you have it from July 29, 2003, all the way to October 6-10, 2008.

Over five years for almost everything to play out.

There is only one more event left.

Please be advised that many of the hyperlinks on this web site may require a paid subscription, registration, or an [Adobe PDF reader](#) installed on your computer to view. At one time all of the listed news reports had active and working hyperlinks.

I anticipate that some of the hyperlinks will stop working over time.

Sections **1.0**, **2.0**, 3.0, 4.0, and 5.0 document, verify and prove in detail the July 29<sup>th</sup> market forecast.

The following brief news clips are just a small sample of the available evidence. The raw information is presented in **chronological order**, the way an intelligence analyst would receive and process all the different pieces of the puzzle **[Content Analysis]**. You will notice there are several different **themes** and **sub-themes** all leading up to the same final conclusion.

You will see **my emphasis** and my notes inserted within these news reports; **[July 28 – Aug 01]**, **[July 29]**, **[H2]** or **M3** etc... as a **helpful tool** to bring out, expose or showcase this evidence even more clearly.

***“One of the soundest rules to remember  
when making forecasts in the field of economics is that  
whatever is to happen is happening already.”***

*Sylvia Porter*

## **A. The largest stock market crash of the 21<sup>st</sup> century** **“BEGINS”**

July 29, 2003

(WescorpInvest.com) “Today’s Markets –Update 1:00 p.m.” “Distressed selling continues. The market is a mess. There is definitely some serious liquidation, and there could be more behind this move. From someone who has observed more than my share of markets, **this feels like some institution, fund, leveraged player or the like, got in big trouble** and this **liquidation trade [H2]** is the result. **Be watchful for some rumors or news on someone in trouble**. It’s just a guess on my part but it is not inconceivable in these days of leverage. It’s happened before.”

\*July 29, 2003

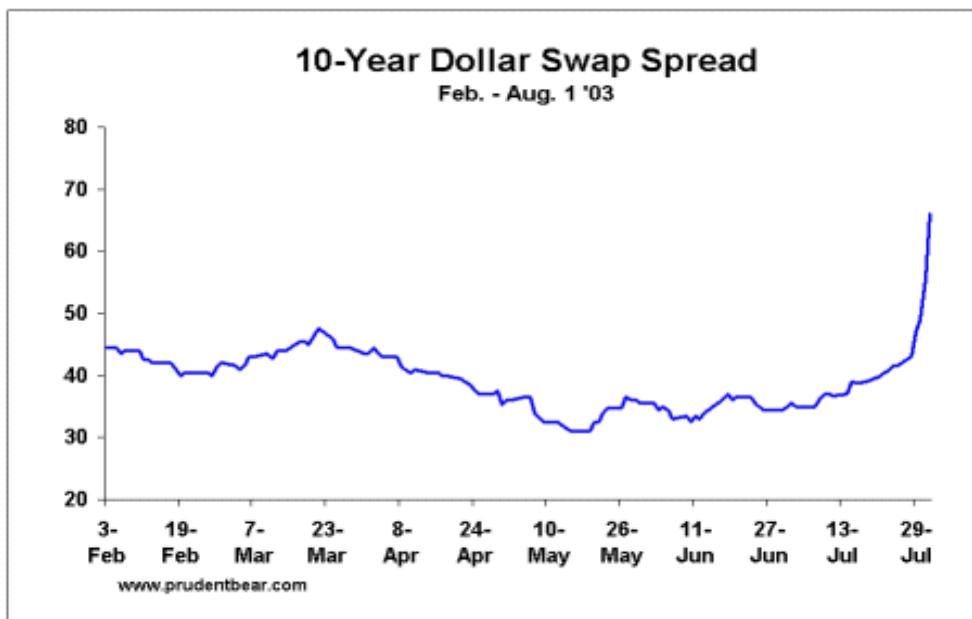
(Forbes) “Spreads on US Interest Rate Swaps **[derivatives]** on Tuesday **[July 29]** suffered their biggest **one-day blowout** since the Sept. 11 attacks... ”

July 31, 2003

(NewsNet5.com) “RED ALERT ! If the stock market had just suffered a collapse comparable to what’s just happened in the bond market, there would be front-page headlines screaming that the sky is falling.”

August 1, 2003

(PrudentBear.com) “**LOST CONTROL**”  
Credit Bubble Bulletin by Doug Noland  
“If not outright chaos, it was close.” “Articles describing trading conditions used words such as **obliterated** and **unprecedented**.” “Demonstrating the clear **panic** [H2] players were having off-loading interest rate risk, Dec 2004 3-month EuroDollar rates spiked 70 basis points higher this week [**July 28 – Aug 01**] to 2.93% (up 103 basis points in three weeks).”



[This is chart #3 “**10-Year Dollar Swap Spread**” that shows the stunning picture of the July 29<sup>th</sup> derivatives blowout.]

“Despite Treasury bond option volatility reaching the highest level since LTCM [**Long-Term Capital Management 1998**] and **panic selling** [H2] gripping the marketplace, yesterday’s developments didn’t even muster one of the 15 TOP STORIES on Bloomberg news in the evening.”

August 1, 2003

**[BINGO]**

(The Wall Street Journal) “ASSET CLASS: “DKW’s Monitor says the problem with some **derivative positions can remain hidden for a long time before**

**the damage they've done is apparent.” [July 29, 2003 to September 22, 2004.]**

- August 3, 2003 (CnnMoney.com) “All about Bonds”  
“The speed of the move smells of **panic** [H2], and **rumors are swirling through the market every day – ‘somebody’s portfolio is blowing up,’** goes the chatter...” **[Now we know whose portfolio was blowing up.]**
- August 4, 2003 (Forbes) World Bonds – “Market Storm may **threaten Stability**, FED unfazed.” **“Rapidly rising interest rates can generate a shock to the financial system,** jeopardizing the very financial stability the FED tries to foster.” “**‘Bad things tend to happen** when interest rates rise as much as they have and as **quickly** [H2] as they have,’ said Wachovia chief economist John Silvia.”
- August 4, 2003 **Fannie Mae** ([Financial Times](#)) “Bond Chaos hurts US Mortgage Financiers.” “...Triggered by a **steep rise** [H2] in government bond yields- has worsened troubles at Freddie Mac and Fannie Mae, the US mortgage financiers. Their funding costs have increased sharply in the past week **[July 28 – Aug 01]** as the value of their debt deteriorated because of an **extraordinary rout** [H2] in the mortgage securities market.”
- August 5, 2003 **Fannie Mae** ([ThisIsLondon.co.uk](#)) “Bonds’ collapse threat to shares.” “CONCERNS are rising that the recent **worldwide collapse** in the bond market could soon spill over into shares.” “The bond **rout** [H2] has also raised fears of a 1998-style financial crisis when hedge fund Long-Term Capital Management **[LTCM]** collapsed.” **“Someone is on the wrong side of this.”** “Sentiment is pressuring shares in well-established finance houses with bond exposure, such as ... Freddie Mac and Fannie Mae, although there is no suggestion they are in any trouble.” **[Now we know who that someone is.]**
- August 7, 2003 **Fannie Mae** ([New York Times](#)) “Fannie Mae’s loss risk is larger, computer models show.” **“Fannie Mae [FNM], the giant mortgage finance company, faces much bigger losses from interest rate swings than it has publicly**

**disclosed**, according to computer models used by the company to estimate the value of its assets and debts.”

\*August 7, 2003 (Forbes) US SWAPS- “Spreads tighten, market calm after mayhem.” “The **swaps curve** has continued to flatten after reaching its **all-time steepest level** last Tuesday [July 29], coming down to 2.72 percentage points from **2.99 percentage points.**”

August 11, 2003 (TheStreet.com) “No big bangs [Yet] from Bonds Volatility.” “Recent turmoil in the fixed-income market has sparked **frightening rumors** of failing hedge funds and overexposed financial firms.” “Quite possibly, either nobody interviewed for this story knows what’s really happening or they’re unable to speak publicly about some **horrific financial accident that’s already unfolding.** Perhaps there’s too much faith in the ability of **derivatives** and other modern financial tools to disperse risk.” “Or maybe the **sharpest selloff [H2]** in Treasuries since 1987 will really pass without much more turmoil.

**[BINGO]**

**If history is any guide, that's unlikely.”**

[All the historical evidence is now in.]

August 11, 2003 (Financial Times) “Turmoil and trouble in bonds.” “How bad can it get? There are some who believe that Freddie Mac and Fannie Mae are the potential **Achilles heels** of the US financial system.”

August 21, 2003 (CBS Market Watch) “How low can **Fannie Mae** go?” **“Will a 100 year storm sink Fannie Mae?”** “It is now quite likely that revelations of unhedged, miscalculated and undisclosed **derivative** risks, amounting to **TENS OF BILLIONS** of dollars **will soon rock the entire financial world.**”

2Q 2003 [According to Fannie Mae’s government regulator, **OFHEO**, on June 30, 2003, Fannie Mae only had a \$1.527 Billion dollar buffer of capital protection.]

3Q 2003 [This cover up of **TENS OF BILLIONS** of dollars of **Before Tax Derivatives Damage** during the week of July 28 – Aug 1, 2003, finally **rocked the world** starting on September 22, 2004.]

August 22, 2003 (The Wall Street Journal) “Off the run: Second

guessing the mortgage market bogeyman.” “When rates rise rapidly, the selling intensifies as mortgage investors **stampede** [H2] toward the exit at the same time. “This is what happened at the **end of July and early August** [July 28 – Aug 01] and sporadically throughout this month.”

August 25, 2003 (Forbes) World Bonds – “Echoes of **LTCM** in recent U.S. swaps [derivative] market storm.”

August 29, 2003 (WSJ.com) “Asset Class: Who’s taken the bond market hit ?” “Given that these are among the biggest financial companies [**Fannie Mae and Freddie Mac**] in the U.S. and that they have an exceptionally **thin capital base**, a mortgage **disaster** [H2] could **yet** have significant repercussions across the financial sector overall.”

September 2003 (McAlvany Intelligence Advisor) SPECIAL REPORT  
“The Anatomy of the **COMING DEPRESSION**  
**[Great Depression 2]**

Happy days

“As this issue of MIA [**McAlvany Intelligence Advisor**] goes to press, Wall Street, the Fed, and the financial media are celebrating a ‘rebound’ in the economy; a rising stock market and U.S. dollar; and singing the old 1930’s song ‘*Happy Days Are Here Again.*’ ”

“However, before joining the celebration, consider the financial realities discussed in this issue and choose a course of action accordingly. Above all, **choose wisely.**”

September 2, 2003 (Reuters) “Bush to have lunch with Greenspan on Tuesday.”

September 2, 2003 (Fxstreet.com) “... conspiracy theorists are wagging their tongues this morning over today’s lunch meeting between President Bush and Fed Chairman Greenspan...”

September 9, 2003 (**RealMoney.com**) **Peter Eavis Senior Columnist**  
**“Rate spike snags Fannie once again.”**  
“Sliding interest rates caused huge losses to Fannie Shareholders’ equity a year ago. Since then, rates finally halted their plunge and then turned **sharply upward** [H2]. But the mortgage giant appears not to have prepared for the

sudden spike [July 29, 2003] this summer, which means that its equity probably took another multibillion-dollar hit in July.”

“Looks like Fannie Mae has once again allowed interest rate moves to wreak havoc on its balance sheet.” “When asked at the end of July [July 28 – Aug 01] how Fannie Mae was responding to the panic selloff [H2] in bonds, CEO Franklin Raines said at a press conference that the company was ‘quite pleased’ with its strategies for dealing with interest rate movements.”

“He then added, somewhat ominously:  
but this is the fixed-income equivalent of the 100 – year storm.”

3Q 2003

“So what are the chances that this year’s third quarter [July Aug Sept] may also be a nightmare for Fannie? Pretty high, it would seem.”

September 10, 2003 (Reuters) “W. House backs Fannie, Freddie oversight.”

“… to reassure markets the mortgage finance companies do not pose a risk to the financial system.”

September 10, 2003 (The Wall Street Journal) “U.S. pressed on mortgage-firm ties.” “Senate Republicans called on Congress to consider severing some or all of the government’s ties to Fannie Mae and Freddie Mac to limit taxpayers’ exposure in the event of a meltdown at the companies.” [\[PDF file only\]](#)

September 15, 2003 (Barrons online) “Fannie Reduction ? Congress, which has been having nightmares of an Enron-Style blowup in its own backyard...”

September 16, 2003 (**RealMoney.com**) Peter Eavis Senior Columnist  
“Rate Risk taking toll on Fannie Mae.” “A recent detox suggested that a spike [H2] in interest rates in July [July 28 – Aug 01] likely caused a big loss to Fannie’s equity in the month.”

September 22, 2003 (WSJ.com) “Bonds’ Last Hurrah”  
“Someone is holding the bond bag, but it doesn’t appear to be the investment banks.” “When markets fall that sharply [H2], someone usually feels it.”

**But this time it's been a mystery; a magically pain-free crash.” [The mystery was solved exactly one year later but as you can see it will not be pain-free.]**

September 23, 2003 (The Wall Street Journal) “Capital Views: Tales from the GSE Re-Regulation Trenches.” “There are stories about an all-night debate on the GSE [Fannie Mae and Freddie Mac] policy between people at the Treasury and White House ...”

September 23, 2003 (**RealMoney.com Peter Eavis Senior Columnist**)  
“Morose Markets? Blame the easy FED.”  
“Who, then, has been on the other side of the trade and thus lost money? Well, look no further than the nation’s second-largest financial institution, Fannie Mae, whose desperate efforts to protect its balance sheet probably led to big losses during July.”  
[July 28 – Aug 01]

September 30, 2003 OFHEO releases their 2<sup>nd</sup> quarter [Apr May June] capital classifications audit report to the public.  
[[PDF file only](#)]

October 17, 2003 (PrudentBear.com) Credit Bubble Bulletin  
By Doug Noland “B of A Rings Fannie”

3Q 2003  
“Wall Street may celebrate, but **Fannie’s third quarter** [July Aug Sept] is an alarming development for systemic stability.”

October 21, 2003 (**RealMoney.com Peter Eavis Senior Columnist**)  
“Clearly, Fannie’s capital exceeds minimum capital by a relative sliver. At June 30, ‘core capital,’ the capital measure used by regulators for this ratio, exceeded the minimum capital requirement of \$ 29.2 billion by \$ 1.5 billion, or just 0.16% of assets.” [On June 30, 2003 Fannie Mae was on the financial brink of being declared dangerously undercapitalized going into that July 29, 2003 historic one-day derivatives blowout.]

The historic one-day interest rate derivatives blowout [TENS of billions of dollars], on July 29, 2003 (just 29 days after the OFHEO 2<sup>nd</sup> quarter audit) cracked Fannie Mae’s “core capital” shell and blew through that wafer thin .16% barrier, thus making Fannie dangerously undercapitalized. Because of Fannie Mae’s misleading accounting methods, the public would not know of any hidden derivatives damage until September

22, 2004. Warren Buffett unloaded most of his Fannie Mae holdings back in 2000 because of this exact “[iceberg situation](#).”

November 5, 2003 ([\*\*RealMoney.com\*\*](#)) [\*\*Peter Eavis Senior Columnist\*\*](#)

[“Troubling Questions on Fannie’s Books.”](#)

“The key point to hold on to here is that Fannie has only been booking a very small proportion of its new mortgage purchases as AFS – yet appears to have booked the vast majority of it in that segment in the **third quarter [July Aug Sept]**.” “What was behind a sudden shift?” [Shifting assets to boost equity for the July 29 derivatives damage?]

3Q 2003

December 18, 2003 ([\*\*RealMoney.com\*\*](#)) [\*\*Peter Eavis Senior Columnist\*\*](#)

“Fannie’s [CEO Franklin] Raines rolls out soggy defense.” “The company is piling up another type of loss – those caused by [interest rate](#) moves...”

“It is storing these unrecoverable losses, which occurred on derivatives, in its equity account – where, conveniently, they don’t hit earnings all at once.”

[[\*\*BINGO\*\*](#)] “It is [these losses that could one day capsize Fannie](#), and Raines refuses point blank to discuss them.”

December 31, 2003 OFHEO releases their **third quarter [July Aug Sept]** capital classification audit report to the public.

3Q 2003 [[PDF file only](#)]

2003

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2004

January 2, 2004 ([\*\*The Wall Street Journal\*\*](#)) Review & Outlook

[“Fannie’s Watchdog”](#)

“But if OFHEO really wants to make a difference, then its focus should be on Fannie, which is [dangerously undercapitalized](#) and is less capable of managing its risk. That’s clear enough if you inspect the “fair-value accounting” disclosure in Fannie’s own books.” “By that accounting, Fannie has lost so much capital in the past three years that its capital [is now](#) below Ofheo’s required minimum.”

3Q 2003

“ In other words, when Fannie’s losses are factored into its balance sheet under fair-value, it is [vastly under-](#)

capitalized.” [ Two days later the Wall Street Journal disagrees with the third quarter (July Aug Sept) OFHEO audit.]

- January 2, 2004      (**RealMoney.com**) Peter Eavis Senior Columnist  
“Fannie Mae’s fearsome challenge”  
“And this column has detailed how odd-looking balance-sheet shifts of securities at Fannie may have been carried out to boost equity.”
- January 15, 2004      (The Wall Street Journal) “Demands on Fannie Mae could precipitate disaster” “Less than 48 hours after the Office of Federal Housing Enterprise Oversight (OFHEO) announced that Fannie Mae was adequately capitalized, The Wall Street Journal wrote that it was ‘dangerously undercapitalized’ (Review & Outlook, Jan. 2). Who’s right?”  
[Now numerous Wall Street news analysts speculate that sometime after the second quarter OFHEO audit (June 30, 2003), and during the third quarter OFHEO audit period, Fannie Mae had become dangerously undercapitalized. The number of people reporting this information and the amount of evidence being published is now noticeably growing.]
- 3Q 2003

## **B. OFFICIAL WARNINGS**

- February 2, 2004      (WSJ.com) “Bush Budget: GSE’s need enough capital to Guard Vs Shocks.” “The Bush Administration, saying the three-housing related government sponsored enterprises hold much less capital than comparably sized financial institutions, warned that even a small mistake by one of the GSE’s [Fannie Mae] could impact the overall economy.” “More than six of 10 institutions in the banking industry hold as assets GSE debt in excess of 50% of their equity capital.”  
“... and cited a study last year by the agency [OFHEO] that regulates Fannie Mae and Freddie Mac as indicating that should a GSE [Fannie Mae] experience large, unexpected losses [July 29, 2003], the market for its and other GSE debt might become illiquid [Now].”

- February 24, 2004      (Reuters) “Fannie, Freddie pose big risk- Greenspan.” [M3]

- February 24, 2004 (FOXNews.com) Greenspan: “Mortgage debt poses threat” [...to financial system]. [M3]
- February 24, 2004 (The Wall Street Journal) “Greenspan: Govt bailout of Fannie, Freddie **tough to avoid.**” [M3]
- February 25, 2004 (Mlive.com) “After Greenspan warning, Fannie Mae, Freddie Mac heads assure...” “...giants **Fannie Mae and Freddie Mac assured senators Wednesday that their collapse was unlikely**, a day after Federal Reserve Chairman Alan Greenspan warned...” [M3]
- February 25, 2004 (**RealMoney.com Peter Eavis Senior Columnist**) “Greenspan Mortgage Rant Hits Home” “Under OFHEO’s weak watch, **losses due to big interest rate moves have crushed Fannie Mae’s equity.**” “The Fed chief might have **hinted** at big losses on bad mortgage bets.”
- February 26, 2004 (StarTribune.com) “Fannie Mae, Freddie Mac heads say **collapse unlikely**” “Raines characterized as an ‘unlikely event’ a major financial disaster that would jeopardize Fannie Mae.” “I don’t view Fannie Mae and Freddie Mac as being repositories of risk,’ he said.” “Syron called the chance of Freddie Mac failing financially akin to that of **‘an asteroid hitting the United States.’**” [famous last words.]
- February 26, 2004 (AlterNet.org) Molly Ivins “Oversight Past Due” “Freddie Mac and Fannie Mae have gone and gotten themselves in big trouble.” “Should they go under and the government not pay, it would be as though the United States government were defaulting on a sort of low-level debt.” “All that would do is cause financial collapse and chaos and probably **worldwide depression [Great Depression 2]**, but try not to think about it too long.” **This potential financial crisis is racing toward us like a tidal wave, gaining strength as it comes.**”  
**[BINGO!]**
- February 27, 2004 (PrudentBear.com) Doug Noland “The Curious Greenspan and the GSEs **[Fannie Mae and Freddie Mac]**” “As with many of his recent speeches, there is a clear effort by Dr. Greenspan to craft his legacy in a most positive light, as well as **attempt to distance the Fed from future crises**. Congress must cut spending, rein in social security, deal with the unwieldy GSEs they created, and so forth: the Fed has done a truly exemplary job and Congress needs to get with the

program or there will be problems. Our Fed chairman made for some good sound bites and most of what he said seems reasonable, if not genuine.”

“But I also get the sense something more significant may be at play. **Is Greenspan quietly crafting some major developments for the financial system?**” **[M3]**

“I will further conjecture that the true scope of the GSE problem became apparent to the Fed (and others) this past summer **[July 29, 2003]** and fall.”

**3Q 2003** “Between July and August **[2003]**, 10-year interest rate futures yields surged 120 basis points, while measures of bond market volatility exploded.”

February 28, 2004 (Fxstreet.com) Weekly commentary by Naval Vithalani  
“This week the Fed Chairman was on a whirl wind tour across the country, singing the recovery song and **leaving hints of potential risks** in the green speak. Is he warning us about the potential risks to the system, it seemed more like Mr. Greenspan was out there trying to defend his reputation and saying all the right things for once so that **if some accident should happen in the future** – which we feel will happen, the Chairman can sit down and say I told you so.”  
**[BINGO]**

“If a **derivatives accident** happens at any one of the GSE’ it will have a domino effect bringing down the financial system.”

February 29, 2004 (FT.com) “**Alarm bells sound for Fannie and Freddie**”  
“Last week, though, the Federal Reserve chairman’s warnings about Fannie Mae and Freddie Mac, the government sponsored enterprises, or **Sodom and Gomorrah**, as one friend of mine calls them, came as something as a shock.” “Mr. Greenspan’s warning was accompanied by one from Gregory Mankiw, the chairman of the President’s Council of Economic Advisors, who warned: Even a small mistake in GSE risk management could have ripple effects throughout the economy.” “**What’s most odd about these warnings is that they appeared to come out of the blue.**” “Since Mr. Greenspan is the master of acting hyper-political while posing as non-political, and since Mr. Mankiw is on a very short leash held by the White House’s political operators, one has to wonder the following:

**what do they know that we don’t know?**”

	<p>“Is some buttress in the financial system going to fail soon?”      “Why are the pilot and the co-pilot putting on their parachutes?”</p>
[BINGO!]	<p><u>“These are ass covering memos.”</u></p>
March 5, 2004	<p>(Mises.org) “Who made the Fannie and Freddie threat?”      “It seems to us however, that <b><u>Greenspan is already preparing the public for the likely bust of the housing market</u></b>. This in turn means that he is likely to fight off the burst of the housing bubble by an <b><u>aggressive monetary pumping [M3]</u></b>.”</p>
March 9, 2004	<p>(FT.com) “Fannie Mae faces <u>\$25bn derivatives losses</u>”      “The <b><u>potential scale of the liabilities</u></b>, which have yet to be recognized in the company’s earnings or in the minimum capital adequacy required by its regulator, <b><u>raise fresh doubts about the financial health of the mortgage finance giant</u></b>.”      [If the Financial Times calculation is even kinda sorta correct, Fannie Mae’s capital protection buffer is completely wiped out.]</p>
March 9, 2004 3Q 2003	<p>(FT.com) “How \$24bn losses <u>estimate</u> was reached”      “At the end of the <u>third quarter [July Aug Sept]</u>, Fannie Mae’s AOCI was <b><u>negative \$24.757bn</u></b> on a pretax basis.”</p>
March 10, 2004	<p>(Forbes) “Fannie Mae, Financial Times clash over derivatives”      “... Fannie Mae called the report a <b><u>gross misrepresentation</u></b>.”</p>
March 11, 2004	<p>(RealMoney.com) <b><u>Peter Eavis Senior Columnist</u></b>      “Fannie faces chance to come clean”      “Detox has been raising the issue of realized losses almost <b><u>ad nauseam</u></b> since <u>last summer</u>...”</p>
March 14, 2004	<p>(Fxstreet.com) Weekly commentary By Naval Vithalani      “Why is it that <b><u>nearly everyone who matters is warning on the GSE</u></b>, <b><u>are they preparing us for something?</u></b>”</p>
March 17, 2004	<p>(Reuters) “US Treasury eyeing Fannie Mae financial statements” “The U.S. Treasury Department is analyzing ‘<b><u>unusual</u></b>’ <b><u>multibillion-dollar</u></b> derivatives losses that were disclosed this week by mortgage finance giant Fannie Mae, an official said on Wednesday.”</p>
March 24, 2004 <b><u>GSE collapse</u></b>	<p>(cagw.org) Leslie Paige “Essential elements of GSE Regulatory reform” “A <b><u>GSE collapse</u></b> would almost certainly have a cataclysmic impact on the entire banking system, requiring congressional remediation, and in turn a possible</p>

taxpayer bailout.”

- March/April 2004 (Countryside Magazine) Vol. 88 Vol. 2 Nickolas I. Medin  
“World events & homesteading” “... we (U.S.) have exported our manufacturing base abroad, become the receivers of the world’s production, and changed positions from being the world’s largest creditor nation to the world’s largest debtor nation. In short, we have bankrupted ourselves. **Our debt today is so great there is no chance of it ever being repaid.**”
- “The consequences of these events grow more clear each day **for those who look.**”
- April 1, 2004 (Washingtonpost.com) “Agency [OFHEO] **hints** at Fannie Restatement.” “The outcome of the review may result in a **restatement of prior period results...**”
- April 1, 2004 (OFHEO) “If OFHEO has reason to believe that the capital calculations may be subject to change, we have an obligation to caveat the capital information with such a disclosure.” “Accordingly, OFHEO’s announcement continued to note Freddie Mac’s restatement and the possibility of change, and for the first time noted **the possibility of a Fannie Mae restatement and a subsequent effect on the capital calculations.**”
- April 1, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**A new reason to fret about Fannie**”
- April 1, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**Fannie misapplied GAAP?**”
- April 1, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**Feds to Fannie: Shut Up**”
- April 2, 2004 (FT.com) “Fannie inquiry focuses on **derivative losses**” “Fannie Mae might have breached generally accepted accounting principles in how it handles certain losses in the value of its **derivative** portfolio...”
- April 2, 2004 (allAfrica.com) “Derivatives: No longer a dirty word.” “Financial derivatives in the mid to late 1990s were generally known for one thing: **disasters**. Whether it was the Orange County debacle, the Proctor & Gamble fiasco or indeed the most celebrated event of them all, Nick Leeson’s blowing up of Barings, **derivatives were synonymous with financial**”

**disasters**, and on an enormous scale.”

“We have progressed dramatically since then...”

[Boy oh boy have we progressed.]

- April 4, 2004 (FT.com) “Derivatives dealers warned on exposure”  
“Patrick Parkinson, an associate director on the Federal Reserve Board’s research and statistics division, said he was concerned about the exposure of broker-dealers to Fannie Mae...”  
“Still, Mr. Parkinson’s concerns echo those of economists at Credit Suisse First Boston.” “They argued, in a report last month, that the enormous size of the interest-rate options market, and its concentration among a small number of dealers, meant it had become **a prime target to host the next financial crisis.**”
- April 6, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**“Fannie flap points to options grants”**
- April 8, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**“Fannie regulator aiming high”**
- April 10, 2004 (knowledgeplex.org) “Playing with fire; Fannie Mae and Freddie Mac.”  
“The continuing concerns about America’s twin mortgage giants.” “Of all the things that might upset America’s financial system, top of most lists are Fannie Mae and Freddie Mac. The two companies stand behind **\$4 trillion**-worth of mortgages; when that much money is involved, even a minor glitch can send tremors through financial markets. Recently both have had more than their share of problems with their accounts. There are shortcomings in their regulation. **If there were a disaster, no one could say that it had come without warning.**”  
**[BINGO!]**
- April 19, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**“Fannie fails to disclose equity”**
- April 19, 2004 (TheStreet.com) “**Fannie omits shareholder equity**”
- April 19, 2004 (**RealMoney.com Peter Eavis Senior Columnist**  
**“Fannie’s silence speaks volumes”**
- April 23, 2004 (PrudentBear.com) Credit Bubble Bulletin by Doug Noland  
“Fannie and Freddie to the rescue ?” “And looking at the current landscape, I think we can all now better appreciate the backlash against powerful financial institutions that

wreaked havoc during the great depression [Great Depression 1]. Once bubble dynamics take hold and powerful financial institutions evolve to the point of immense power over markets, asset prices and economic vigor – hence, the political process – **the prospects of reining them in prior to some type of collapse** are slim-to-none.”

May 9, 2004

(Canarc.net) Eric Hommelberg “It’s a Bull Market Stupid!” “And what about financial power houses such as Fannie Mae and Freddie Mac?” “Should we take this risk serious? Well, in just a matter of weeks, **Greenspan, Snow and Fed Governor Pool** issued strong warnings regarding these financial giants, **you really think this is without a reason?**”

**“Is a crisis imminent at Fannie/Freddie?”**

“Just repeat again the following:

**their capital positions were undesirably thin and leave the firms unnecessarily vulnerable to surprise shocks.**

“What surprise shocks you think he [Fed Governor Pool] is referring to? Well, my guess is **sharply higher interest rates!**” **[July 29, 2003]**

May 10, 2004

(RealMoney.com) **Peter Eavis Senior Columnist**  
**Fannie's accounting dodge**

May 10, 2004

(RealMoney.com) **Peter Eavis Senior Columnist**  
**Fannie Mae plays the SEC Card**

“How on earth did Fannie Mae, a villain among investors at the moment because of its less-than-pristine accounting, end up getting the main stock market cop [SEC] to trample all over its own regulator [OFHEO]?”

## **C. FED RESPONSE**

May 28, 2004

**M3**

(TechnicalIndicatorIndex.com) Robert McHugh Issue No. 54  
“Let me just say from the outset that the Federal Reserve has confirmed our Stock Market Crash forecast by raising the Money Supply (M-3) by crisis proportions, up another 46.8 billion this past week. **What awful calamity do they see? Something is up. This is unprecedented, unheard-of pre-catastrophe M-3 expansion. M-3 is up an amount that we've never seen before without a crisis** - \$155 billion over the past 4 weeks, a \$2.0

trillion annualized pace, a 22.2 percent annualized rate of growth!!!

**[BINGO!]**

**“There must be a crisis of historic proportions coming ...”**

“The amazing thing is, the Fed’s actions mean they know what is about to happen. They are aware of a terrible, horrific imminent event. What could it be?”

**[BINGO!]**

**“... something is up, bigger than we have ever seen in the history of the United States.”**

“The Fed knows something, and their massive infusion of liquidity is a signal that a crash event is not only imminent, but likely unavoidable.” [\[PDF file only\]](#)

June 7, 2004

(SafeHaven.com) **“Where is the Horror?”** By Magnus Ekervik

**M3**

“In recent weeks I as many other financial writers have noticed the extreme M3 expansion by the FED.” “The size of expansion is what would follow after a catastrophic event that could threaten the financial system like the WTC [World Trade Center] attacks or the failure of LTCM [Long Term Capital Management].”

“What kind of horror forces the FED to hyper inflate M3?”

**GSE collapse**

**“I think a severe shock is about to hit the financial markets in the form of a GSE collapse.** A crash like this will throw the US and world economies into recession so fast it will make your head spin. Eventually these events will lead the global economies into a new depression...[Great Depression 2]”

June 9, 2004

(jsmineset.com/miscfiles/PollockM3.pdf) Warren Pollock  
“Interest rate increases stress the banking system”

“The [settlement] system failed in July and August of 2003 when an unexpected market driven spike [H2] in long-term interest rates occurred.” [\[gridlock\]](#)

June 14, 2004

**M3**

(almartinraw.com) “Bloomberg News reported on June 10<sup>th</sup> that the Federal Reserve is expecting to double M3 money growth targets by the end of the year. This is virtually unprecedented. In other words, what they’re doing is flooding the so-called system with money that would provide liquidity to maintain markets in the event of some economic debacle. **This is the most ominous sign in the economy to date...”**

**“Traditionally this is what the Fed does when it is expecting some sort of serious economic or market meltdown.”**

June 17, 2004

(FinancialSense.com) Dr. Stephen Rinehart  
“FANNIE MAE PREDICTED THRU 2004 AND 2005”  
“Summary: 1. As a pure speculation regarding the behavior of the 133-week cycle, FNM and its shareholders may have avoided a bullet in early 2004 by the Fed intervening in FNM sometime in Fall of 2003 in a major way to prevent a subsequent crash in FNM.” [If you are deep into cycle analysis this is a must read]

June 29, 2004

(CBS.MarketWatch.com) “Derivatives markets outstrip regulation” “Favorite tool of hedge funds now a [\\$ 140 TRILLION](#) industry” “These poorly understood financial instruments have been at the center of most of the financial debacles of the past decade – Barings, Orange County, Long Term Capital, and of course Enron.”  
[and now Fannie Mae]

July 17, 2004

M3

(markswatson.com) “**The Coming Economic Depression**”  
**[Great Depression 2]**

“July Update” “M3” “Much has been made about the enormous amount of M3 created by the Fed during the month of May. Overall this year the Fed has pumped over half a trillion dollars of liquidity into the system... and the year is barely half over. I cannot stress this enough these numbers are unprecedented. Something very, very big has the Fed spooked but whatever it is, the FED is not talking about it.”

July 22, 2004

(economist.com) Volatility “An eerie calm”  
“The whole world is short volatility.”

July 22, 2004

(RealMoney.com) Peter Eavis Senior Columnist  
“Sinking feeling intensifies at Fannie”

August 2, 2004

(LewRockwell.com) Dr. Gary North  
“Another Great Depression?” **[Great Depression 2]**  
“On two occasions, once after 9/11 and in [July] August, 2003, the [settlement] system came close to going into gridlock. ”

September 2, 2004

(RealMoney.com) Peter Eavis Senior Columnist  
“As this column has often reported, Fannie has suffered gargantuan losses on derivatives under CEO Franklin Raines. The losses, which ballooned to nearly \$17 billion [TENS of

**BILLIONS** of before tax dollars] in 2003, [July 28 – Aug 01] appeared to be the result of a risky interest rate hedging strategy that backfired badly.”

September 14, 2004 [Tuesday FNM closes at 76.45.]  
September 15, 2004 [Wednesday FNM closes at 76.26.]  
September 16, 2004 [Thursday FNM closes at 76.44.]  
September 17, 2004 [Friday FNM closes at 77.21.]

September 20, 2004 [Monday FNM closes at 75.98.]  
September 21, 2004 [Tuesday FNM closes at 75.65.]

## **D. “GSE collapse” BEGINS**



## **September 22, 2004**

OFHEO’s investigation of **FANNIE MAE** has now been made public [**“in the middle of the week”**] [**41 Days before ELECTION DAY 2004**]. This official government report makes public for the very first time, the derivatives damage inside Fannie Mae. [[PDF File only](#)]

Warren Buffet’s ticking “**Time Bomb**” finally explodes.

Magnus Ekervik's "[GSE collapse](#)" [now begins](#).

Fannie Mae [stock holders](#) ([FNM](#)) understand the implications. [Wednesday "[in the middle of the week](#)" [FNM closes at 70.69 down 4.96 for the day](#)]

Many people that follow the [bond market](#) seem to be having a hard time trying to figure out this [\[new and different type\]](#) of phenomenon and how it is affecting the [\[Yield Curve\]](#).

September 22, 2004 ([RealMoney.com](#)) [Peter Eavis Senior Columnist](#)  
["Fannie board move raises eyebrows"](#)

September 22, 2004 ([RealMoney.com](#)) [Peter Eavis Senior Columnist](#)  
["Fannie findings put Raines on defensive"](#)

September 22, 2004 ([deloitte.com](#)) "Economist's Corner: [When the bond market speaks, everyone should listen](#)"

September 23, 2004 ([Howestreet.com](#)) The Daily Reckoning  
["The Great Disconnect"](#) "Watch those long bonds!  
[Instead of going down](#) with higher interest and higher inflation rates, [they're going up](#). [\[new and different type\]](#) [They're telling us to beware...](#)"  
[[Yield Curve](#)]

September 23, 2004 [[Thursday FNM closes at 67.15.](#)]

September 24, 2004 ([wsj.com](#)) The Macro Investor Steve Liesman  
"Does slide in Bond Yields Signal [the Sky is Falling?](#)"  
"I can assure you – having read all of them – there are exactly [5,422 different theories](#) [\[new and different type\]](#) that try to make sense out of the [inexplicable market reaction](#)." "But to me, all it boils down to this: Either the economy is about to [seriously weaken](#) [\[Great Depression 2\]](#) or we're on the verge of carnage in the long-end of the bond market."

September 24, 2004 ([Moneycentral.msn.com](#)) "Rate hike fears flatten Treasuries" "As a result [the spread between two and 10-year yields](#) shrank to 144 basis points, its lowest reading since the Fed's [emergency](#) rate cut of Sept. 2001."

September 24, 2004 ([jsonline.com](#)) Tom Saler "Bond market seems to know:

[Yield Curve]

**Something unusual** [new and different type] is going on in the economy.”

“...if plunging yields are accurately foretelling **a prolonged economic slowdown**, [Great Depression 2] stocks would suffer mightily...”

September 24, 2004 [Friday FNM closes at 65.51.]

September 26, 2004 (FT.com) “Treasury bond yields **puzzle** investors”

“Falling Treasury bond yields,... have made bonds more sensitive to economic data, as investors seek to understand what this **unusual market activity** [new and different type] implies for the US economy.”

September 27, 2004 (**RealMoney.com Peter Eavis Senior Columnist**)

“[Facing the facts at Fannie Mae](#)” [A must read]

September 27, 2004 (Barrons.com) “Yield Curve offers **Surprises...**”

[Yield Curve] “The slope of the **yield curve**, which represents the sum of the market’s expectations of future short-term rates, flattened in **spectacular fashion** [new and different type] last week...”  
“To those who watch the curve religiously, the flattening that occurred [in the middle of the week](#) was **beyond stunning**.  
“In this situation, financial markets are sensing an **economic slowdown...**” [Great Depression 2]

September 28, 2004 (TheStreet.com) Howard Simons “Futures Shock”

[Yield Curve] “An [Extinction](#) at the End of the Curvaceous?”  
“The **yield curve’s flattening** accelerated last week...”  
“Collectively, **we have no idea** [new and different type] why the bullish flattening of the yield curve was **so strong** last week.” “Such a move, if taken in a vacuum, would indicate a high likelihood for an **impending recession...**”  
**[Great Depression 2]**  
“**No previous period is comparable to the present:** [new and different type] the yield curve is now flattening at a extraordinary rate...”

September 28, 2004 (**RealMoney.com Peter Eavis Senior Columnist**)

“[Fannie Mess: One for the books](#)”

September 29, 2004 (Reuters.com) BOND NEWS Arindam Nag

“Fannie’s move to hire risk officer signals change”  
“Before it agreed to the step, the vast mortgage finance company saw **more than** \$ 10 billion [TENS OF BILLIONS] of shareholder wealth evaporate in the **space of a week.**”

3Q 2003

[July 28 –Aug 01]

September 30, 2004 (howestreet.com) The Daily Reckoning “Through the [Yield Curve] Roof and to the Moon” “... something strange is a-brewin’ in bonds...” **[new and different type]** “What could it mean?”

September 30, 2004 (moneycentral.msn.com) Peter Eavis “The Fannie Mae mess is one for the books” “... a close reading of the report suggests that Fannie could have kept billions of dollars of losses out of earnings – as well as out of an important **capital number** that is used by its regulator to determine the company’s financial strength.”

“If Fannie did fail to include those losses in earnings and **capital**, it would have drastic ramifications for the company, investors and the structure of the U.S. housing industry.”

3Q 2003

**[BINGO!!]**

“... there may have been times in the past three years when Fannie’s core capital number, if it wrongfully excluded the OCI losses, was so far below its **minimum capital** requirement that Fannie probably would have been **shut down** by the OFHEO.”

September 30, 2004 (comstockfunds.com) **Fannie Mae**: The tip of the Iceberg?

September 30, 2004 **[Thursday FNM closes at 63.40.]**

October 2004

([McAlvany Intelligence Advisor](#)) PAINFUL REALITIES: “A difficult time of painful realities lies directly ahead for most Americans, but **not one in a hundred Americans can see these realities coming; wants to hear about or believe these realities; or wants to prepare for them in any way.** We are the Pollyanna people – we want to hear good news – news that makes us feel good, not bad news. For this reason, the great majority of Americans do not understand the times, or the epic, painful changes which are coming in America and are not prepared (emotionally, physically, mentally, spiritually, or financially) to survive and prosper in the times which lie ahead.

October 1, 2004

(TheStreet.com) Aaron Pressman “Avoid Merck Myopia; **Focus on Fannie**” “Although the Merck story got wall-to-wall coverage, the potential fallout was far less than from Fannie Mae’s less sexy but more **significant bombshell** last week.”

October 1, 2004 (wsj.com) The Macro Investor Steve Liesman  
[Yield Curve] “**What are Bond Yields saying? [new and different type]**  
Readers share their thoughts.”  
“**Gary Palmero, a retired Oppenheimer & Co. stock analyst**  
out of St. Augustine, Fla., points out what several economists  
also have been saying. He thinks low interest rates on bonds  
have been caused by “short covering in the highly leveraged  
treasury market by hedge funds (who were betting on higher  
interest rates) and... **the looming crisis at Fannie Mae** where  
that implicit federal guarantee may be subject to question  
**causing a preference for treasuries?”**  
**[BINGO!]**

October 1, 2004 \* Fibonacci Christopher Carolan – The Spiral Calendar  
[Friday “**a wave of selling**” produces “**a selling climax**” so  
focused and so intense that **FNM** hits a 52-week  
“**washout low**” at 62.95.]

October 4, 2004 (FT.com) “Rewiring Fannie Mae before it’s too late”  
“Furthermore, since early this year, the time both GSEs  
have been negotiating with their newly aggressive regulator,  
they have abruptly stopped increasing the size of their balance  
sheets **as if the management was well aware of the storm**  
**ahead.**”

October 4, 2004 (howestreet.com) Financial Market Update Ed Gofsky  
[trigger] “The only thing that is needed to prick his bubbles [**Mr.**  
**Greenspan**] is what Nassim Taleb author of one of my  
favorite books ‘**Fooled by Randomness**’ calls a **black swan**  
**event** or if you will, an unseen event. This is something  
that comes out of left field, something that can not be  
predicted by Wall Street economists or the Fed. Something  
like... **a major accounting scandal (Fannie Mae)...”**

October 4, 2004 Miller Risk Advisors: “**Fannie Mae death watch** Part I”

October 6, 2004 (**RealMoney.com**) **Peter Eavis Senior Columnist**  
“**Fannie Execs face the music**”

October 6, 2004 (FedNews.com) **Hearing** of the Capital Markets Subcommittee  
of the House Committee on Financial Services SUBJECT:  
THE OFHEO REPORT: Allegations of accounting and  
management failure at Fannie Mae.

October 6, 2004 (OFHEO.gov) “STATEMENT OF ARMANDO FALCON, JR. BEFORE THE SUBCOMMITTEE ON CAPITAL MARKETS...  
SPECIAL EXAMINATION OF FANNIE MAE.”

### SECTION HEADING SFAS 133

“As of December 31, 2003, [remember the 3<sup>rd</sup> quarter capital classifications audit report for JULY Aug Sept] the balance in AOCI included roughly \$12.2 billion in deferred losses relating to derivatives.”

“In addition, adjustments to the carrying value of liabilities relating to fair value hedges amounted to \$7.2 billion as of that date. The reclassification of amounts out of AOCI and into retained earnings could have a significant effect on Fannie Mae’s regulatory capital, which is a crucial safety and soundness concern.”

October 6, 2004 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 88  
**P.P.T.**  
“We are three weeks before an election, and the PPT [Plunge Protection Team] is no doubt on the job. So it is possible for extreme overbought readings to live on for a longer-than-normal duration during this high-risk period for manipulation.”

October 7, 2004 (SafeHaven.com) Stock, Bond, Vix Ratios turn down...  
By Jes Black  
“Our study overlaid both the S&P 500 and the 30-year bond divided by the Vix to show that when these ratios have peaked together, as they are now doing, both the stock market and the bond market have gone down together, which is quite a rare event.”

“Therefore, it is with opportune deliberation that I point out that these two ratios for the first time ever have retested their all time peaks together and begun to turn down. My view is that it’s not a question of whether the bond market or stock market is correct. Instead we should ask if the bond market and the stock market are not both mistaken. The implication, of course is that investors have never been more wrong about the state of the economy, inflation expectations, or some combination thereof.”

October 11, 2004 Miller Risk Advisors: “Fannie Mae death watch Part II”

October 12, 2004 (prorev.com) UNDERNEWS “Fannie Mae hires ENRON

- lawyer”
- October 12, 2004 (TheStreet.com) James J. Cramer RealMoney.com  
[“SEC’s in Hot Seat with Fannie Mae”](#)
- October 12, 2004 (Fxstreet.com) The Dow Report By Alaron  
 “About 70% of equity commentators are bullish in the market going into and beyond this years Presidential Election. However the **30%** [millions of bears] are not only calling for a pullback, **they are predicting a Black Monday” crash.**” “Only time will tell...”
- October 13, 2004 (**RealMoney.com**) **Peter Eavis Senior Columnist**  
[“Fannie’s hedging deals look thorny”](#)
- October 13, 2004 (TheStreet.com) James J. Cramer RealMoney.com  
[“Fannie Mae Execs have it too easy”](#)
- October 13, 2004 (CBS.marketwatch.com) Paul B. Farrell “A 100-Year bear market?” “Today’s headlines confirm **Prechter’s dark predictions.**” “The world is racing headlong into a **catastrophic market crash** and a 100-year bear market.”  
 “And while his predictions may still be unacceptable to you and me, **the harsh reality is that the facts seem to be rapidly catching up with his theories.**”
- October 18, 2004 (FT.com) Jenny Wiggins “Analysts ponder Fannie delay”  
 “If Fannie did nothing wrong, **why can’t it file?**”
- October 18, 2004 (RealMoney.com) Mark Haefele **Street Insight Contributor**  
 “Fannie Mae had the One-Liners, but OFHEO had the facts”  
 “CFO Tim Howard **admitted [under oath]** the company created an undisclosed FAS 91 reserve used to smooth earnings.”
- October 18, 2004 (NewYorkMetro.com) “Fannie Mae, **the next Enron?**”  
 James J. Cramer “It appears that Fannie, far from being a prosperous enterprise that consistently delivers profits, is actually **technically insolvent**, and in need of billions of dollars in fresh capital to support the massive edifice of **derivatives** it has put on its books, in part to obscure how bad things really are.”
- October 19, 2004 (CBS.MarketWatch.com) “Fannie Mae files form 8-K with SEC”

“Fannie Mae today filed a Form 8-K with the Securities and Exchange Commission stating that the SEC has informed Fannie Mae that it has initiated a *formal* order of investigation. Fannie Mae had previously announced that the SEC was conducting an *informal* inquiry. **Fannie Mae will continue to fully cooperate with the SEC's ongoing investigation.**”

- October 20, 2004 (TheStreet.com) James J. Cramer  
“**Don't be fooled by phony cooperation**” “How can Fannie Mae be cooperating fully if the SEC had to crank up its subpoena power?”
- October 21, 2004 (financialsense.com) Today's wrap Up by Martin Goldberg  
“Chart fissures suggest **something big is about to happen**”
- “Technical analysis is a game of cold calculations, not feelings and emotions. So if I were to tell you that something big in the stock market is about to occur because I feel it in my bones, it wouldn't be the product of a technician – it would just be stray intuition. Yet there have been many fissures occurring in many technical charts over the last few weeks that may provide substantiation for my premonition. I don't know what it is specifically, **but it involves lots of debt**. I feel it in my bones – **something big is about to happen**.”
- “Following is a **one-year chart** of Fannie Mae [FNM]. It dropped [started collapsing] on that ‘little corruption thing,’ [OFHEO Report September 22, 2004] and then recovered on relatively low trading volume. Now it is heading down again with a loss of momentum and a pick up in volume.”
- “Something big is about to happen. **And that something probably is not bullish.**”
- October 21, 2004 (Forbes.com) Alfred E. Greenspan: **What Me Worry?**  
**[BINGO]** “For a guy who's not worried, Alan Greenspan sure is **talking a lot about how unworried he is.**”
- October 22, 2004 (safehaven.com) **Meltdown** dead ahead? David Chapman  
“We are always surprised at the complacency of the bulls in the face of mounting evidence that they may have got it wrong.”
- “If there is one thing this scandal [Marsh & McLennan] has accomplished is that it has pushed the **Fannie Mae** scandal into the background.”

- October 22, 2004 (FT.com) “Fannie’s late results raise eyebrows”
- October 25, 2004 (MSNmoney) Contrarian Chronicles by Bill Fleckenstein  
 “ When future historians look back on this period, with all its attendant dangers and warning lights flashing in neon, they will scratch their heads as to why everyone was so complacent and so supremely confident right before the financial hurricane hit.” **[Great Depression 2]**
- “By my reckoning, the next 18 months look to be one of the most dangerous periods for financial markets in the last 50 years. The destruction of capital measured in the trillions lies ahead in the not-too-distant future.”
- October 29, 2004 ([zeallc.com](http://zeallc.com)) Adam Hamilton “Valuation Wave Reversion 4”  
 “Seventy-five years ago to this very day one of the worst financial calamities in financial history rocked the world markets.”  
 “Today we peer back through history, all smug in our modern sophistication and high technology, and wonder how investors could have been so naïve.”  
 “Well dear friends, I fear the trick is on us as we plunge into Halloween 2004 exactly three-quarters of a century later. It is depressing to ponder, but for all of our vast knowledge, all of our unprecedented computing power, and all of our lightning-fast telecommunications networks, collectively we are making the very same mistakes of our American investing forefathers. In analogous historical terms, we are probably somewhere between 1930 and 1932 in today's US stock markets.”
- [Adam Hamilton really saw it shortly before ELECTION DAY 2004. Adam is saying you and I are now in the middle of a great depression.]**

**E. “You and I” are now “standing in the middle” of a [new and different type] of Great Depression.**

## ELECTION DAY 2004

You and I are now “standing in the middle” of Magnus Ekervik’s “GSE collapse” and Alan Greenspan’s “conundrum. ” You are also “standing in the middle” of Adam Hamilton’s Great Depression.

November 3, 2004 (money.cnn.com) “Election drops shares of Fannie Mae”

November 3, 2004 (wsj.com) “Gloves are off in GSE fight as Bush wins 2<sup>nd</sup> term.”

November 3, 2004 (financialsense.com) Today’s Wrap Up by Martin Goldberg  
“With the stock market rallying in what seems to be the most vertical “V” rally of 2004, is it time to get on the party hats and buy stocks for the long haul? This would not be a good idea because what we are seeing in the stock market is probably a gigantic head fake in my view. The longer this top takes to complete, the more important and devastating will be its ultimate end.”

November 4, 2004 (sfgate.com) Kathleen Pender “Wall Street welcomes Bush win”

“... Fannie Mae [FNM] was the worst-performing stock in the S&P 500 Wednesday [November 3, 2004], falling \$2.67 – or 3.7 percent – to \$68.77.”

**[Fannie Mae stock holders understood the implications of ELECTION DAY 2004]**

November 6, 2004 (LewRockwell.com) Charley Reese “A Storm is Coming”  
“While it’s out of the experience of most living Americans, what made the Great Depression so devastating was that it cut cash flows and rendered paper wealth worthless.”

“The Great Depression wasn’t the first depression to hit the United States, and despite the bunk you hear, it won’t be the last.”

“I believe a storm [Great Depression 2] is just over the horizon.”

November 11, 2004 (RealMoney.com) Peter Eavis Senior Columnist  
“Fannie fight about to get nastier”

November 15, 2004 (smartmoney.com) “Fannie misses deadline, faces loss up to \$ 9 Billion.” “Fannie Mae embroiled in an accounting

dispute, missed the deadline for filing its third-quarter earnings results Monday and projected as much as **\$9 billion in after-tax derivatives losses ...”**

November 16, 2004 (forbes.com) “Update 8: Fannie Mae warns of possible \$ 9B loss.” “Fannie Mae, whose accounting is under investigation by the Securities and Exchange Commission, also said Monday that if the agency finds that it has improperly accounted for **derivatives** – the financial instruments it uses to hedge against interest-rate swings – it would show an estimated net loss of \$9 billion for the July-September period.”

November 16, 2004 (martinweiss.com) “... Fannie Mae’s \$9 billion bomb”  
“I can’t tell you how this Fannie Mae story will end or what the ultimate outcome will be, but I can tell you that it has the potential to bring the **bond**, **stock**, and **real estate** market to its knees.”

November 16, 2004 (menafn.com) “**Outlook darkens further for Fannie Mae**”  
“The after tax loss stems from Washington-based Fannie’s **derivatives transactions** as of Sept. 30, ...”

December 14, 2004 (SafeHaven.com) Alex Wallenwein “Fundamentals and stones...”  
“We are living in fundamental times, Ladies and Gentlemen. Momentous events and powerful secular trends rule our economy, currency, and political landscape. The world is **[Standing] in the middle** of an **[Economic]** upheaval the likes of which it hasn’t seen in decades, and few appreciate its impact so far.”

## **F. FINAL STAGE OF “GSE collapse”**

### **December 15, 2004**

The Securities and Exchange Commission (SEC.gov) completes their **investigation of Fannie Mae**, which **validates all of OFHEO’s 211 page report**. [This public statement is released **43 days after ELECTION DAY 2004**] [September 22, 2004 and December 15, 2004 are now recognized as the **two most important days** in the ongoing collapse of Fannie Mae.]

December 15, 2004 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 107  
“Sometimes here in the east, when there is a major snowstorm developing, the meteorologist fails to anticipate the correct speed of its approach. The storm slows, choosing to gather more strength before striking. But the radar has the approaching mass on its screen, and those predicting the weather can only issue warnings that it is coming, the timing of its arrival dependent upon the wind. **There's a financial storm coming [Great Depression 2]. We see it on radar.** The winds of year-end holiday spirit, window dressing, and euphoric delusion may slow its descent. But a brisk unexpected gale could start the precipitation any day.”

December 16, 2004 (washingtonpost.com) “SEC **tells** Fannie Mae to **Restate Earnings**” “[\\$9 billion loss could result.](#)”

December 16, 2004 (cbs.marketwatch.com) “Fannie Mae shares fall on [SEC slap](#)”

December 16, 2004 (**RealMoney.com**) **Peter Eavis Senior Columnist**  
[“The Wheels of Justice flatten Fannie”](#)

December 17, 2004 (cfo.com) Stephen Taub “SEC **Orders** Fannie Mae to **Restate**”

December 22, 2004 (bbc.co.uk) “Senior Fannie Mae bosses [resign](#)”

December 26, 2004 (chicagotribune.com) “FANNIE MAE: 2 top execs of mortgage giant resign after SEC review.”

December 31, 2004 (wsj.com) “Fannie Mae still a **long way** from shoring up capital”

2004

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2005

January 4, 2005 (wsj.com) “Fannie Mae Bd engages Deloitte & Touche LLP as company independent auditor: Names interim Chief Risk Officer”

January 7, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 111  
“Well it looks like the Federal Reserve has identified the current period as susceptible to a declining equity market because once again they have allowed **M-3** to take off, **up a**

**M3**

**whopping \$ 56.6 billion in just the past week, a 31.3 percent annualized increase in money supply..."**

- January 9, 2005 (wsj.com) "Fannie Mae's **spiraling** troubles"
- January 13, 2005 (stlouisfed.org) William Poole "[GSE risks need to be mitigated](#)"  
\*  
**MAJOR  
FED  
WARNING**  
\*  
January 13, 2005 (stlouisfed.org) William Poole "[GSE Risks](#)"
- January 13, 2005 (wsj.com) "Fed's Poole: Investors must not ignore GSE risks"  
" Federal Reserve Bank of St. Louis President William Poole **issued another warning** on the risks presented by government sponsored enterprises like Fannie Mae and Freddie Mac Thursday."
- " 'An investor who ignores the risks faced by Fannie Mae and Freddie Mac under the assumption that a federal bailout is certain should there be a problem is making a mistake.' "
- " 'The Federal Reserve has adequate powers to prevent the spread of a liquidity crisis, but cannot prevent a **solvency crisis** should Fannie or Freddie exhaust their capital...' he said."
- January 14, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 113  
"It's important to understand that markets – and especially equity markets – seek **order**. The order they seek often falls into neat, precise **Fibonacci Ratio** time and price intervals."
- "About a year ago, we took notice that when the Dow Industrials ended their two-decade Bull Market on January 14<sup>th</sup> 2000, something spectacular occurred. It was as if that date was to become one of the most meaningful in the history of the markets. Yet, no one that I am aware of has identified it as such. What is so special about January 14<sup>th</sup> 2000? Yes, the Dow Jones Industrial Average topped then, but so what?"
- "Since this dramatic date, every single market top or bottom of measurable significance has occurred precisely in a Fibonacci .618 to .382 ratio of trading days from either that starting date 1/14/00, or another top or bottom that has occurred since 1/14/2000, based upon closing balances.

This is astonishing!"

"Every top. Every bottom. Every turn. Each, an exact Fibonacci ratio number of trading days from the Bear's start and from another top or bottom during the bear. And the trend continues. And nobody is talking about it! You didn't hear about this from your Merrill Lynch research department folks, nor the happy faces on CNBC. Nope."

"Below are 22 tops and bottoms since 1/14/2000 that have a phi mate. 22 pairs over a five-year period. I'm sorry, but this is not a random occurrence. This is nothing short of bizarre. There is no logical explanation for it from a human perspective. It is not coincidence."

**"Hey everybody, something huge, something surreal is going on here!"**

January 14, 2005 (Cincinnati.bizjournals.com) "Ohio granted lead plaintiff in Fannie Mae suit" "The state of Ohio has been named lead plaintiff in a class action lawsuit on behalf of shareholders of the Federal National Mortgage Association, better known as Fannie Mae."

January 17, 2005 (sprott.com) Eric Sprott and Sasha Solunac "Road to Ruin" "It should come as no surprise to our readers and fund investors that we are negative on the financial markets, and have been so for quite some time."

"Although the vagaries of short-term trends and the prevalence of myopic market sentiment can make us bears look foolish at times, we believe our long-term thesis remains firmly intact. At the risk of sounding like a broken record, allow us to summarize why we are finding it difficult to be bullish in this environment of egregious excesses and unprecedented financial imbalances."

January 18, 2005 (TheStreet.com) TSC Staff "Fannie Halves Dividend"

January 19, 2005 (TheStreet.com) David Merkel RealMoney.com "Fannie Mae cuts the common dividend"

January 19, 2005 (financialsense.com) "The dog ate my dividend"

January 19, 2005 (TheStreet.com) James J. Cramer RealMoney.com "Analysts get away from Fannie Mae"

- January 20, 2005 (wsj.com) “Forest City Enterp: Fannie Mae **withdraws lease intent**”
- January 20, 2005 (TheStreet.com) Dividend Stock Advisor David Peltier  
“A bite out of a dividend often leads to another”
- January 21, 2005 (globest.com) Barbra Murray “Fannie Mae **reneges** on just under 2M-SF lease plan.”
- January 21, 2005 (reuters.com) Julie Haviv “UPDATE 1- Fannie portfolio **shrinks** in Dec...”
- January 21, 2005 (abcnews.com) “Fannie will not pay execs cash bonuses”
- January 21, 2005 (ft.com) “Fannie accounting chief to **step down**”
- January 21, 2005 (cbs.marketwatch.com) “Mortgage giant **separates office** of chairman from CEO”
- January 22, 2005 (ft.com) “Fannie starts **revamp** of top team”
- January 24, 2005 (money.cnn.com) Bethany McLean “The Fall of Fannie Mae” “... the fight over Fannie is a nasty political showdown where everyone has his own agenda.”
- “For his part, [Armando] Falcon [Director of OFHEO] refused to be moved by the barrage of criticism from his fellow Democrats. To him the problems at Fannie were reminiscent of the S&L crisis. He told a friend that **the Democrats were ‘so blinded by their loyalty to Fannie that they can’t see what’s really happening**. If they want to repeat history, I won’t be part of it.’ ”
- January 24, 2005 (moneycentral.msn.com) Bill Fleckenstein “Behind the Numbers, Fannie Mae, GM are struggling”
- “When companies **implode slowly**, folks often erroneously conclude that all is well. When Enron came unstuck, **it unraveled slowly at first**, before dropping from about \$ 38 to \$ 4 in two weeks.”
- “To my eyes, **FANNIE MAE is a train wreck moving in slow motion...**”
- January 24, 2005 (nytimes.com) “Three [more] Fannie Mae executives

- stepping down”
- January 27, 2005 (mises.org) Robert Blumen “Fed Gov cites GSE risk”  
 “A speech by Fed Governor William Poole GSE Risks, outlines the risks that the GSEs could trigger a financial crisis. While this might be part of the Bush administration’s efforts to reign in Fannie Mae, it is still surprising that a central banker would be so outspoken on this point – in the speech he uses the word ‘crisis’ ten times.”
- January 28, 2005 (almartinraw.com) “Sell Fannie Mae while you still can”  
 “We have been warning our readers for months about Fannie Mae and its growing problems.”
- “Investors still do not realize just how much trouble Fannie Mae, Freddie Mac and the senior GSEs are in. Why don’t they realize this?”
- January 28, 2005 (wsj.com) US Homeowners file Antitrust suits against GSEs on fees”
- January 31, 2005 (mysan.de/international) “Fannie Mae announces two executive retirements”
- February 2, 2005 (wsj.com) Standard & Poor’s: “Fannie Mae CGS cut to CGS-7...”
- February 2, 2005 (thestreet.com) David Merkel “Troubling case for inverted yield curve” “...has the yield curve ever inverted with long rates falling? Not in modern economic history [new and different type], which for me is since Bretton Woods ended and we went to floating currencies.”
- “I don’t like being wrong, but what happens if I’m right? All sorts of relationships get out of kilter in the derivatives markets when the yield curve inverts...”
- “This ‘unusual’ [new and different type] inversion could create pain throughout the financial sector.”
- February 3, 2005 (marketwatch.com) “Fannie, Freddie regulator seeks power to close companies” “The federal office that regulates Fannie Mae and Freddie Mac is seeking authority to close the giant mortgage finance companies in the event of a financial crisis...”

- February 3, 2005 (wsj.com) “Fannie Mae finalizes hiring of Deloitte & Touche as auditor”
- February 5, 2005 (smh.com.au) James Tyson in Washington “**Atlanta Fed raises possible collapse** of home-loan giants” “A possible failure of one or the other of America’s home-loan megabanks, the so-called Fannie Mae and Freddie Mac, has been publicly mooted for the first time by senior monetary officials.”
- February 7, 2005 (howestreet.com) “The Daily Reckoning: Stocks bite the big one” “Meanwhile, in the most-recent 2-week period, the money supply, **M3**, increased at an **astounding rate.**”
- February 7, 2005 (reuters.com) UPDATE 1- “White House questions GSE value, urges changes” “The White House on Monday called for a new, stronger regulator for government-sponsored housing enterprises, saying **a problem at one of the giant mortgage funders could spread throughout the financial system.**”
- February 8, 2005 [Tuesday **FNM** hits a new 52-week low.]  
 February 9, 2005 [Wednesday FNM hits another new 52-week low.]
- February 9, 2005 (PRNewswire) The Council for Citizens Against Government Waste (CCAGW) “**Congress bears a significant portion of the blame** for what has occurred at Fannie Mae, and before it Freddie Mac. **Congress has abdicated its oversight role** and responsibility to protect taxpayers in favor of a superficial, politicized process that serves nobody’s best interest.”
- February 10, 2005 [Thursday FNM hits still another new 52-week low.]
- February 10, 2005 (schaeffersresearch.com) Bernie Schaeffer “A Fannie Mae follow-up”  
 “Since the start of the year, the security **[FNM]** has slid lower by more than 11 percent. One interesting tidbit is the contrast between the heavy stock volume that coincided with the equity’s September low **[OFHEO report release]** and the current light volume, which **I see as a concern, since it indicates a ‘slow bleed’** rather than a ‘V-bottom’ environment.”  
 “... I’d say **the chances of a major (and scary) break of support are much higher than they’ve ever been.**”

- February 10, 2005 (financialsense.com) “It takes a licking and keeps on ticking!” “I like to think of Fannie Mae as a Timex watch [You remember John Cameron Swaze, don’t you all?] – “it takes a licking and keeps on ticking” – yeah! – like a financial plutonium **derivative** fusion bomb!”
- February 10, 2005 (National Taxpayers Union) “Amidst House and Senate hearings on the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, **a grassroots coalition** of 37 federal, state, and local groups – representing millions of Americans – **is warning Members of Congress that if they don’t act now to pass reforms it may soon be too late.**  
**[BINGO!]**
- February 11, 2005 [Friday FNM hits a 4<sup>th</sup> new 52-week low.]
- February 11, 2005 (prudentbear.com) Doug Noland “Credit Bubble Bulletin” “And no discussion of Bubble distortions and potential dislocation in the interest-rate **[derivative]** markets would be complete without some mention of **GSE** balance sheets.”  
**[GSE]**
- [DERIVATIVE]** “We can only hope that the **GSEs** are more adept at **derivative** hedging than they are accounting. But one can look at the current **yield curve** environment and see plenty of potential for error.”
- [GSE]** “But what would happen if the cost of financing the massive **GSE** short-term debt rose but 10-year Treasury yields actually declined? And what would be the consequences if such hedges began to falter for the **GSE** and others throughout the marketplace? Would players be forced to restructure their hedges – perhaps forced to buy the 10-year (on leverage, of course) and short the 2-year instead? And would the **yield curve** effects of such a move by huge market players force others to cover short positions and unwind hedges out the **yield curve**, while shorting, say 2-year Treasuries?”  
**[YIELD CURVE]**
- [BINGO!]** “Am I suffering from a wild imagination when I ponder **the possibility that such operations could be inciting destabilizing yield curve gyrations and derivative hedging tumult?**”
- “Well, enough conjecture for this week. But a **very fascinating dichotomy [new and different type ]** is developing in the marketplace.”
- February 11, 2005 (Bloomberg.com) “Just like old times as Joe Granville yells “**SELL**.” “We’re in the critical portion of a **coming**

collapse and the market's screaming to get out."

February 11, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 123  
“The bizarre aspect to the markets right now is that pretty much everything is rising all at the same time. What that says is that the Federal Reserve is aggressively pumping liquidity **[M3]** into the markets. Why? Because they know something, or fear something that could disrupt markets. What that is, we can't be sure.”  
**M3**

February 16, 2005 (thestreet.com) Gary B. Smith “Does vacation mean a trading hiatus?” “FNM finally broke out of this huge triangle. Unfortunately, for the bulls it was to the downside. That says if you're long, get out.”

February 16, 2005 (federalreserve.gov) “Testimony of Chairman Alan Greenspan” [Famous yield curve “conundrum” speech. Alan Greenspan now gives a name to this “[new and different type]” of phenomenon.]

February 17, 2005 [Thursday FNM hits another new 52-week low.]

February 17, 2005 (marketwatch.com) “Continuing growth of mortgage holdings by Fannie Mae and Freddie Mac could disrupt U.S. financial markets if the giant institutions fall into trouble, U.S. Federal Reserve Chairman Alan Greenspan said Thursday.”

February 17, 2005 (unknownnews.net) Adam Smithereens “Greenspan's BINGO!” conundrum is Fannie Mae's tsunami of doom?”

February 18, 2005 [Friday FNM is hammered first thing in the morning and hits a big new 52-week low.]

February 18, 2005 (PrudentBear.com) “It has everything to do with finance...” Credit Bubble Bulletin by Doug Noland “My sense is a period of heightened uncertainty and instability may be developing.”

February 19, 2005 (detnews.com) “Bond market confounds even Greenspan” “The decline in long-term yields while short-term rates are rising is causing the yield curve – to flatten in a way not seen [new and different type] in the recent past.” “Often when the curve flattens, the bond market can be signaling that its seeing troubling economic times [Great Depression 2] in the not-so-distant future.”  
**[Yield Curve]**

- February 19, 2005 (theoaklandpress.com) “Even **Greenspan confused** by [**new and different type**] bond market gyrations”  
[Yield Curve]
- February 21, 2005 (wsj.com) Michael Santoli “Lots of movement below a calm surface” “Evaluating the investment merits of Fannie Mae and Freddie Mac was tough enough when the variables were generally financial.” “Now, though, the fate of Fannie and Freddie shareholders is largely in the hands of politicians and regulators, thickening an already soupy fog that shrouds the companies’ future. **By the evidence of the stock action late last week, a number of its stalwart shareholders may have sold into the dimness.**”
- February 21, 2005 (ft.com) Jenny Wiggins “**Setbacks take their toll on Fannie Mae**” “**Fannie’s stock has tumbled this year**, losing 17 per cent to close \$ 58.90 on Friday – its lowest level in almost **two years.**” “‘People are starting to realize that if Fannie has to **de-leverage**, it will have a real economic impact,’ said Mark Hafele...”
- February 22, 2005 (financialsense.com) Jim Puplava & Frank Barera “**The day after tomorrow**” **Part 1** [**hypothetical short story about the Great Depression 2**]
- February 22, 2005 (cfo.com) Ed Zwirn “Look both ways: A flatter yield curve” “Ten-year Treasury yields have gone down while Fed Funds targets are being raised; it’s a ‘**conundrum**,’ [**new and different type**] says Greenspan.”  
[Yield Curve]
- February 22, 2005 [Tuesday FNM hits yet another new 52-week low and a critical support level has now been breached.]
- February 22, 2005 (wsj.com) “Mortgage-Bond sector grows wary” “After enjoying a long period of calm in a strong market, **investors in mortgage-backed bonds are starting to get nervous.**”
- February 23, 2005 (usatoday.com) “Regulators find **new** problems at Fannie Mae”
- February 23, 2005 (guardian.co.uk) “Regulator: Problems in Fannie’s securities”
- February 23, 2005 (wsj.com) “Fannie’s capital deadline is **extended**”
- February 23, 2005 (inman.com) “Fannie Mae portfolio **shrinking fast**”

February 23, 2005 [Wednesday FNM hits yet another new 52-week low.]

February 23, 2005 (ft.com) Jenny Wiggins “Fannie Mae acts over new rules”  
“The stock [FNM] is now trading at its lowest since  
September 2000.”

February 23, 2005 (inman.com) Fannie Mae regulator: “We've got trouble”

February 23, 2005 (ft.com) Lex: Fannie Mae  
“Since the scandal [GSE collapse] erupted five months ago  
[September 22, 2004] the company's value has dropped by a quarter, or \$19bn.”

February 23, 2005 (gold-eagle.com) Jim Willie CB “Fat Fanny falls out of bed”  
“To say the FNM share price looks sickly would be a generous assessment. It has fallen out of bed...”

### GSE collapse

### [BINGO!]

### [Yield Curve]

### [BINGO!!!]

“Critical support had held at [\$] 60-61 for two years, now shattered with a close on Tuesday under 58. We have the breakdown seen from the 50week moving average turning below the 100week MA, a strong signal of downward momentum. A memorable event came in March 2003, when St. Louis Fed Governor Poole warned of economic meltdown if Fanny Mae were to collapse. He warned that its capital foundation was inadequate, and was curiously criticized. It is my belief that its [FNM] capital foundation is non-existent, and now operates merely as a financial centrifuge, in Doug Noland's keen words.”

“We have made modern history, last week Greenspan called the refusal of long rates to rise a ‘conundrum.’ The flattening yield curve has him and many others perplexed [new and different type]. This is unprecedented, and will surely go down as the Yield Curve Conundrum Speech.”

“Let this be known, NEVER IN THE HISTORY OF THE FED HAS THE LONG END FAILED TO REACT WITH SHOCK TO HIKES IN THE SHORT END. Welcome to the Kondratieff Winter.” **[Great Depression 2]**

February 23, 2005 (RealMoney.com) Peter Eavis Senior Columnist  
“Fannie deserves another haircut” “... investment banks are now mounting a zealous propaganda campaign aimed at bringing buyers back to the government-sponsored mortgage giant ...”

- February 24, 2005 (nytimes.com) “Fannie Mae scrambles for new ways to raise capital” “In an attempt to control a crisis that began last fall [September 22, 2004] after a highly critical report from its chief regulator [OFHEO], Fannie Mae said that its cost-cutting measures would include sharply curtailing its use of political consultants and lobbyists.”  
 “Wall Street did not seem deeply troubled by the news of further accounting problems, although Fannie Mae’s stock continued its slide.”
- February 24, 2005 (nypost.com) “Probe: Fannie keeps cookin’ ”  
 “Fannie Mae released the news of the latest problems deep into a press release that merely updated the yearlong probe.”
- February 24, 2005 (wsj.com) “UPDATE: Fitch raises questions about Fannie’s capital plan”
- February 24, 2005 (fool.com) Bill Mann “Fannie’s sweater has a loose thread”  
 “It is with no overt sense of hyperbole or irony that Bill Fleckenstein from Fleckenstein Capital has taken to calling Fannie Mae FANRON.”
- February 25, 2005 (News.Yahoo.com) SYDNEY (AFP) “Australian Prime Minister John Howard dismissed as ‘alarmist’ a warning by the government’s chief economic adviser that the United States was heading for a financial crash that could ravage the global economy.”
- February 25, 2005 (mondaq.com) Sally Serena Ramage “United Kingdom: Fannie Mae” [This report compares Fannie Mae to the 1989 Savings and Loan crisis and links Fannie Mae to rampant mortgage fraud as recognized by the F.B.I.]
- February 25, 2005 (wsj.com) “Ex-Fannie CEO, CFO say past pay unaffected by restatement” “There were tens of millions of dollars transferred in the dead of night to executives prior to Fannie’s registration, which this board rubber stamped, based upon reported performance which has been admittedly falsified”, said Darren Robbins of Lerach Coughlin.”
- February 28, 2005 (washingtonpost.com) “Wall Street is stuck with Fannie Mae” “Nobody wants to be the one who starts a run to dump Fannie Mae stock. But nobody wants to be the one left holding the bag.”

“ ‘A stock can only take so much bad news,’ [Paul J.] Miller said. **‘People are panicking.’”**

February 28, 2005 (fortune.com) Andy Serwer STREET LIFE  
“Jim Rogers says to short Fannie Mae. He targets it at **\$8.**”

February 28, 2005 (ft.com) “Market Insight: **Uncertain future** for Fannie Mae.”  
“There may be no more hotly contested stock on Wall Street than Fannie Mae.”

“Fannie Mae bulls view the stock as comically cheap, while **bears see the fall as a prologue to Fannie’s true demise.”**

March 1, 2005 (forextv.com) Black Swan Currency Currents  
“The mortgage-bond market has been **struggling since** Fannie Mae last week said that it sold mortgage bonds from its retained portfolio, seen widely as part of its efforts to bolster its capital.”

“ ‘**People are pretty nervous,**’ said Bill Chepolis, senior mortgage-backed securities strategist and portfolio manager for Deutsche Asset Management in New York. ‘**Everyone’s got one eye on the door...’”**

March 1, 2005 (financialsense.com) Eric Englund “Fannie Mae resurrects the forty-year mortgage in **an attempt to remain solvent”**

March 2, 2005 (**RealMoney.com**) **Peter Eavis Senior Columnist**  
“Fannie mess could get worse” “Is the Fannie Mae scandal **about to get markedly worse?**”

March 3, 2005 (smartmoney.com) “Fannie Mae faces billions in **new** losses”

March 3, 2005 (msnbc.msn.com) “Fannie Mae faces billions more in new losses” “Report: Regulator may force **another** restatement.”

March 3, 2005 (wsj.com) “Fannie Mae **Stock, Bonds Down;** Investors eye accounting woes”

March 3, 2005 (schaeffersresearch.com) Bernie Schaeffer “Kicked in the Fannie, Again”  
“Continued weak price action in the stock may **flood** the market with additional **supply...”**

March 3, 2005 (wsj.com) “Morgan Stanley recommends **shorting**

Fannie Mae stock.” “Morgan Stanley slashed its price target for Fannie Mae and advised investors Thursday to short the company’s stock.”

“...Posner’s recommendation is **highly unusual** on Wall Street, where many analysts hesitate to lower estimates and rarely make sell recommendations. Recommendations to short a stock are even more rare.”

March 4, 2005 (marketwatch.com) Peter Brimelow “Fannie Mae’s fans standing firm” “Our take [Jim Bianco] is that **Fannie is fighting for its life.**”

“The size of Fannie Mae’s derivative positions is so great that its problems could rock the financial world – and possibly trigger an interest rate ‘melt-up.’ [gridlock] which in turn would make Fannie Mae’s position even more parlous.”

March 4, 2005 (washingtonpost.com) “Speculation drops Fannie stock” “This used to be one of the more active communicators with Wall Street analysts. Now, they’re completely shut down. It’s just, ‘No comment.’ ”

March 6, 2005 (baltimoresun.com) Jay Hancock “Greenspan’s ‘**conundrum**’ could indicate trouble ahead”

**[Yield Curve]**  
**[BINGO]**  
“**SOMETHING bizarre** [new and different type] is happening in finance. Alan Greenspan is paying attention to it, and so should we, because it’s trying to tell us the future and it’s not encouraging.”

March 7, 2005 (moneycentral.msn.com) Bill Fleckenstein “Housing mania will end in tears”

March 8, 2005 (primezone.com) “Keller Rohrback L.L.P. announces investigation of the Fannie Mae ESOP – FNM” “...for violations of the Employee Retirement Income Security Act of 1974 (ERISA)”

March 8, 2005 (primezone.com) “Law offices of Charles J. Piven, P.A. announces [another] investigation of Fannie Mae retirement plans and the Fannie Mae ESOP – FNM”

March 8, 2005 (primezone.com) “Emerson Poynter LLP announces Federal National Mortgage Association retirement plan participants’ legal rights may be affected – FNM” [ERISA

**[and ESOP]**

- March 8, 2005 (inman.com) “Fannie Mae tightens up [even more]”
- March 8, 2005 (wsj.com) “Fannie, Ofheo expand shakeup”
- March 8, 2005 (wsj.com) “UPDATE: Fannie agrees to prevent execs from altering data”
- March 8, 2005 (marketwatch.com) “Members of a House Financial Services subcommittee will review Fannie Mae’s just-announced agreement with its federal regulator at a hearing on April 5. Rep. Richard Baker, R-LA, said the agreement, concluded March 7, ‘raises many disturbing questions, especially about tampering with records.’”
- March 8, 2005 (**RealMoney.com**) Peter Eavis Senior Columnist  
“Fannie and Falsification”
- March 9, 2005 (inman.com) “Fannie Mae agreement with regulator raises ‘disturbing questions’”
- March 9, 2005 (thestreet.com) “Fear and Selling in [10-Year] Treasuries”
- March 9, 2005 (wsj.com) “Mortgage Bonds widen sharply as 10Y Tsy Yld breaks 4.50%”
- March 9, 2005 (fool.com) Bill Mann “The Fannie Mae mad lib”  
“So to make it easier to write further columns about regulators stepping on Fannie Mae’s neck, I have put together a brief standardized form for future use, with apologies to Penguin Putnam...”
- March 10, 2005 (wsj.com) HUD, Lawmakers challenge Fannie defense in Mtge fraud case”
- March 10, 2005 (freebuck.com) Jim Willie CB “Goldilocks & Conundrum”  
“The latest incredible development in the financial world is the Greenspan ‘conundrum’ speech where the Fed Chairman actually admitted his confusion [new and different type] as to why long-term interest rates failed to respond to his six short-term rate hikes.”
- [Yield Curve]**
- GSE collapse**
- March 11, 2005 (“A recent dire signal is the gradual collapse of Fanny Mae. ”)
- March 11, 2005 (warren pollock) “Shaking the hedge fund tree”

“The monies of layman investors are being corralled into the likes of an insolvent General Motors, a bubbled Ryland Group, and the squirrelly Fannie Mae (FNM, or ‘Faith No More’).”

“... what good is a high dividend if your stock portfolio might be subject to a standard **Fibonacci downdraft** of 38.2 per cent?”

- March 11, 2005 (inman.com) “Fannie Mae: **No stock options** for top execs”
- March 12, 2005 (washingtonpost.com) “Fannie Mae **restructures** pay system”  
“Incentives now linked to non financial goals.” [How well they **obey the regulator**]
- March 13, 2005 (ft.com) “Growing fears credit boom may **implode**”
- March 14, 2005 (gloomboomdoom.com) Marc Faber “Low volatility [**VIX**] pointing to some ‘**BIG MOVES**’ in investment markets!”
- March 14, 2005 (barronsonline.com) “Value in dividends – Part II”  
“Q: How do you make a decision to sell? Hoover: Our most important parameter is valuation.”  
“**We sold Fannie Mae** when it was at 66 based on that, and it is now in the mid-50s.” “Its 10K AND 10Q filings **border on hieroglyphics**.”
- March 15, 2005 (**RealMoney.com**) Richard Suttmeier “**Trouble at GSEs**  
[Fannie Mae] will hurt [10y] Treasuries”
- March 15, 2005 (wsj.com) “Fannie’s regulator says problems not yet resolved”  
“For Fannie Mae, **the worst may be yet to come**.”
- March 15, 2005 (wsj.com) “US House lawmakers could introduce **GSE bill** this week”
- March 16, 2005 (nationalreview.com) Bruce Bartlett “The free lunch may be over”  
“**Growing nervousness in the bond market** may be signaling an end to the free lunch Americans have enjoyed ...”
- March 17, 2005 (ft.com) “Fannie sees potential for **further losses**”
- March 17, 2005 (wsj.com) “**Fannie shares down 3.7%** [-4.30% at close]; new concerns on financial results”

- March 17, 2005 [Thursday FNM hits a new 52-week low and another critical support level has now been breached on very heavy volume.] [The “zealous propaganda campaign” does not seem to be very effective.]
- March 18, 2005 (thestreet.com) TSC Staff “Fannie sees more red” “A cyclone of scandal continues to engulf Fannie Mae.”
- March 18, 2005 (inman.com) “More bad news from Fannie Mae”
- March 18, 2005 (latimes.com) “Fannie Mae may see ’04 losses jump”
- March 18, 2005 (abcnews.go.com) “Fannie Mae to miss 2004 filing”
- March 21, 2005 (marketwatch.com) Report: Fannie Mae shrinks loan portfolio  
“Mortgage giant Fannie Mae, whose accounting is under investigation by federal regulators, continues to shrink its loan portfolio at a robust clip …”
- March 21, 2005 (wsj.com) “Fannie Mae mortgage portfolio d[ow]n annualized 19.1% in Feb”
- March 22, 2005 [Tuesday FNM hits another new 52-week low.]
- March 22, 2005 (freemarketproject.org) “Government-Sponsored Enron”
- March 22, 2005 (thelongwaveanalyst.ca) Ian Gordon “The tipping point”  
“The stock price [**FNM**] has formed a large declining broadening top that appears to be in danger of breaking down. A weekly closing price below \$48.00 would confirm this breakdown and suggest that FNM would move to the next area just below \$20.00.”  
“Technical indicators suggest that \$48.00 will not hold.  
In this case the share price descent should become much more rapid.”
- [BINGO!]** “US stocks are in the Kondratieff winter bear market.”
- March 23, 2005 (howestreet.com) “Fannie Mae continues her nervous breakdown” “... our girl Fannie Mae (FNM), the queen of the mortgage lenders and the pin up girl for the housing boom, continues her year-to-date nervous breakdown, off nearly 24% for the year and sulking at \$54.”
- March 23, 2005 (Richard McClendon) “U.S. Bear Market Commentary”

“We, like Japan, will now experience **a housing bust** & a **market bust** at the same time”

- March 25, 2005 (marketwatch.com) Robert Schroeder “Fannie Mae facing **another class action lawsuit**”
- March 28, 2005 (mortgagenewsdaily.com) “Fannie Mae misses year-end report deadline” “Mortgage giant Fannie Mae filed form 12b-25 with the Securities and Exchange Commission (SEC) to announce that it will be late – **apparently very late** – with its annual report to the regulator (Form 10-K) ...” “Fannie **did not bother** to request the extension.”
- March 28, 2005 (marketwatch.com) “Moody’s **downgrades** Fannie Mae Rating”
- March 28, 2005 (marketwatch.com) “Fannie Mae **delays** release of capital classification”
- March 29, 2005 (reuters.com) “U.S. Treasuries bounce, but **mood still bearish**”
- March 29, 2005 (Warren Pollock) The Macroeconomic Newsletter  
“Fannie Mae, for instance, cannot classify itself as adequately capitalized or undercapitalized or significantly undercapitalized or critically undercapitalized. It cannot and will not have audited statements for some time to come!”  
“After some **stock price carnage**, analysts are still too reticent to pull the trigger on FNM credit quality ratings.”
- March 29, 2005 (goldseek.com) Ceri Shepherd “Is Alan Greenspan now between a rock and a hard place?” “This is Alan Greenspan’s very high wire balancing act and his real ‘**conundrum**’. He must raise interest rates to keep Americas creditors happy but he must also simultaneously try and keep the **Stock markets, Bond markets** and **Housing markets** afloat. It is rapidly becoming the moment of truth for a highly leveraged America.”
- March 29, 2005 (howestreet.com) Dr. Kurt Richebacher “Structural Drags”  
“It ought to be realized that a rise in long-term rates by only 1-2 percentage points would rapidly play havoc with all existing **asset bubbles – bonds, stocks, housing** – and in consequence, with economic growth. Within a matter of months, there would be **deep recession .**”**[Great Depression 2]**

- March 31, 2005 (washingtonpost.com) “Study of Fannie Mae cities ‘**Perverse**’ Executive-Pay policy”
- March 31, 2005 (**RealMoney.com**) James J. Cramer “Can’t price the unknown into AIG” “When have any of the numbers that first came out from these scandals been the right number? It wasn’t the case with **Enron**. It wasn’t with **WorldCom**. It wasn’t with **Fannie Mae**. The exposure always started small. **And then grew and grew and grew again.**”
- March 31, 2005 (baltimoresun.com) “[**Franklin Delano**] Raines **loses** corporate ethics institute post”
- April 1, 2005 [Friday FNM hits another new 52-week low.]
- April 1, 2005 (dailyreckoning.com) Dan Denning “Smoldering Mortgage Market” “... **something is smoldering** in the mortgage-lending market, and the heart of fire is on the balance sheets of Freddie Mac (FRE) and Fannie Mae (FNM).” “The stock [**FNM**] itself is **violating** a ten-year upward trend and moving toward a **serious breakdown**.”
- April 3, 2005 (nypost.com) Terry Keenan “**Greed’s lessons**” “Have investors learned nothing from the scandal-infused implosions that decimated the stocks of Enron, Tyco and WorldCom among scores of other household names just four short years ago?”
- “If truth be told – and **the stock charts bear this out** in almost every case – from Enron to Lucent to AOL TimeWarner, [**Fannie Mae**] the scandals led to slow-motion train wrecks.”
- April 3, 2005 (prudentbear.com) Rob Peebles “Random walk” “Waiting on an epiphany” “Dictionary.com calls an epiphany ‘A comprehension or perception of reality by means of a sudden intuitive realization...’ ”
- “Take his [**Fed Chairman Alan Greenspan**] recent testimony before the House of Representatives on the GSEs (Fannie, Freddie and the like).” “... a light clicked over Mr. Greenspan’s head, prodding him to say that ‘... left to their own devices, the GSEs have a subsidy granted not by law but by the marketplace, which therefore gives unlimited access to capital below the normal competitive rates, and therefore, given no limits on what they can put in their portfolios, they can, by merely their

initiative, create an ever-larger increase in portfolio, which, given the low levels of capital, means they have to engage in very significant dynamic hedging to hedge interest rate risks. If you get large enough in that type of context and something goes wrong [July 29, 2003], then we have a very serious problem...’ **[GSE collapse]**”

“Mr. Greenspan has traditionally avoided using the terms ‘**problem**’ and ‘**GSE**’ in the same sentence.”

- April 4, 2005 (barrons.com) Kopin Tan “Fannie Exposure”  
“As Fannie Mae sorts through its messy accounting, **its share price isn’t the only thing that has shrunken**. Its options, quite literally, are disappearing.”
- April 4, 2005 (money.cnn.com) “Fannie Mae’s **trusts** under scrutiny?”
- April 4, 2005 (cbs.marketwatch.com) “**New probe** at Fannie Mae”
- April 4, 2005 (cbs.marketwatch.com) “Congress to probe Fannie, Freddie”  
“U.S lawmakers are preparing for **three hearings** involving mortgage giants Fannie Mae and Freddie Mac to be held this week.”
- April 4, 2005 (reuters.com) “Fannie Mae **investigation widens**”
- April 4, 2005 (thestreet.com) James J. Cramer “No trust for support of AIG, Fannie Mae”  
**“Who is going to break \$50 first**, AIG or Fannie Mae?”
- April 4, 2005 [Monday FNM is **slammed** first thing in the morning and breaks James J. Cramer’s \$50.00 barrier first. A **major** 52-week low has now been reached.]
- April 4, 2005 (financialsense.com) “House of cards? Nahhhh! – A house of paper!” “The econometrics of nitro glycerin...”  
“... GSE [Fannie and Freddie] mortgage backed securities and derivatives bets will have to be covered in a **major paper burn** ...”
- M3**
- April 4, 2005 (ft.com) Stephen Schurr “Fannie off balance”  
“So many shoes have dropped at Fannie Mae that the accounting investigation is beginning to resemble a centipede.”  
“... **Fannie is like the guy with a bomb strapped to his chest**. The situation has to be treated delicately.”

- April 5, 2005 (wsj.com) “Uncertainty in Fannie acct raises concerns over Capital.” “OFHEO said Fannie’s **critical capital level**, which is the threshold that **triggers conservatorship provisions** under Fannie’s governing law, was **\$ 16.3 billion**.”
- April 5, 2005 (marketwatch.com) “Fannie Mae, Freddie Mac regulator resigns” “Armando Falcon, head of the regulatory agency that oversees government-sponsored housing enterprises Fannie Mae and Freddie Mac **has resigned his position** effective May 20...”
- April 5, 2005 (thestreet.com) TSC Staff “Falcon flies OFHEO coop” “ Falcon set his departure for May 20, ‘**absent extraordinary circumstances**.’ ”
- April 6, 2005 (forbes.com) “Update 4: Greenspan wants portfolio size limits” “Greenspan’s remarks about the two mortgage giants **repeated a warning** that the Fed chief has been issuing **for more than a year**: that **the country’s financial system could be put at risk** unless the growth of the two giant mortgage lenders is restrained.”
- April 6, 2005 (wsj.com) “IMF identifies **credit derivatives** as a market risk” “The International Monetary Fund, in an otherwise sanguine review of the world’s financial system, warned that the growing market for credit derivatives and other complex securities **could suffer a rapid and ‘disorderly’ sell-off** if conditions turned negative.”
- April 6, 2005 (humaneventsonline.com) Dan Gainor “**Networks ignoring** the coming Fannie Mae \$11 billion [plus] bailout”
- April 6, 2005 (wsj.com) “OFHEO: Big capital hit possible from Fannie trust acctg” “OFHEO already lowered Fannie’s capital classification for the third quarter, categorizing the company as ‘**significantly undercapitalized**’ after Fannie verified in December that it overstated earnings through 2001 by roughly \$9.2 billion and would have to correct those errors. That designation, which is just one level above OFHEO’s lowest capital classification [**critically undercapitalized or CONSERVATORSHIP**], triggered a series of events under Fannie’s governing law...”
- April 6, 2005 (**RealMoney.com Peter Eavis Senior Columnist**  
**Fannie Mae’s trust fund troubles**”

- April 6, 2005 (wsj.com) “Greenspan, Falcon [**testimony**] **unnerve** mortgage bonds; agencies flat”
- April 7, 2005 (thestreet.com) “Business ethics magazine lists 100 best corporate citizens” “Changes of note since last year’s survey include last year’s No. 1 finisher, **Fannie Mae**, the government-chartered home mortgage lender that **was removed from this year’s list** due to investigations surrounding accounting irregularities.”
- April 7, 2005 (wsj.com) “OFHEO confirms complaints that Fannie cherry-picks MBS” “Fannie Mae’s federal regulator confirmed Wednesday what some mortgage investors have long suspected: Fannie cherry-picks the best mortgages for its own portfolio and **dumps the junk onto others.**”
- April 8, 2005 (wsj.com) “White House, Fed launch attack on Fannie, Freddie” “The Bush administration and the Federal Reserve unleashed a double-barreled assault against Fannie Mae, Freddie Mac and the Federal Home Loan Banks this week, **warning of a near-certain financial crisis if congress doesn’t curb their vast mortgage portfolios.**” [Congress fiddles while Fannie burns]
- April 9, 2005 (safehaven.com) Will Reishman “The hirelings are running the world” “What we’ve gotten is Fannie Mae with less than \$30 Billion in equity supporting almost \$ 1 Trillion in assets, hedged with another Trillion in derivatives. **Fannie is a pure socialist creature**, and will go the way of all such monstrosities. **Let’s pray it doesn’t take the financial system down with it.**”
- April 10, 2005 (washingtonpost.com) **Paul A. Volcker** “An economy on thin ice” “The U.S. expansion appears on track.” “Yet, under the placid surface, there are disturbing trends: huge imbalances, disequilibria, risks – call them what you will. Altogether the circumstances seem to me **as dangerous and intractable** as any I can remember, and **I can remember quite a lot.**”
- April 10, 2005 (nypost.com) Terry Keenan “**CONSIDER YOURSELF WARNED**” “...unlike Greenspan, the folks at Hoisington [**Management**] are not puzzled by the bond market at all. Rather, they think the stubborn resistance of long-term rates to move higher reflects an **imminent slowdown** [**Great Depression 2**] in the U.S. economy.”

- April 11, 2005 (thestreet.com) Aaron Task “The ‘**conundrum**’ continues” “Over a beautiful spring weekend on the east coast, I found myself inexplicably wondering about this ‘**conundrum**’ and **couldn’t recall reading or seeing a good explanation [new and different type]** of why long-term rates remain so relatively low, especially given the Fed’s action and stance. Some of the common explanations are: inflation is dead, foreign central bank buying, concerns about MBS due to **FNM/FRE** problems (see Jim Griffin’s latest offering, What the Fed fears: Fannie and Freddie), and **a looming economic cataclysm.**”
- [BINGO!!]**  
**[Great Depression 2]**
- April 11, 2005 (howestreet.com) Jay Taylor “Roach, Hoye and Russell all point toward deflationary pressures” “Bob Hoye, Institutional Advisor’s Levente Mady said the following in his March 28<sup>th</sup> ‘Bond Works’ publication
- ‘Well Fed Funds are scheduled to hit 3% in a little over a month from now and **I can’t ignore the signal that the flattening yield curve is screaming at me: economic growth will be coming to a screeching halt.**’ ”
- [Yield Curve]**
- April 12, 2005 (washingtontimes.com) “Fannie’s and Freddie’s portfolio” “Federal Reserve Chairman Alan Greenspan took aim at political and economic behemoths Freddie Mac and Fannie Mae recently, **pointing to the potential financial shockwaves that their collapse could cause.**”
- GSE collapse**
- April 12, 2005 (nypost.com) “The \$30B scandal that TV forgot” “Why isn’t TV news giving the Fannie Mae scandals the **same level of coverage** that it gave to Enron.”
- April 13, 2005 (wsj.com) “Fannie foundation **halts** grant requests, reviews spending”
- April 13, 2005 (reuters.com) Bond News “UPDATE 2 – **[U.S. Treasury Secretary John] Snow renews warning** on U.S. mortgage enterprises”
- April 14, 2005 (washingtonpost.com) “Fannie’s troubles may hit big donor” “The cuts would add to the local fallout from an accounting scandal that has sent **Fannie Mae’s stock plunging**, toppled senior executives and prompted the company to withdraw from a major redevelopment project in Southwest Washington.”
- April 14, 2005 (aei.org) Peter J. Wallison “Addressing the real public risk

from Fannie Mae and Freddie Mac”

- April 14, 2005 (usatoday.com) “Fannie Mae Foundation studies cuts” “The Fannie Mae Foundation, the charitable arm of the scandal-plagued Fannie Mae corporation (FNM), may slash spending during its 2005-06 year because of the sinking stock and financial problems of its corporate donor.”
- April 15, 2005 (realmoney.com) Dan Fitzpatrick “Five charts from the readers mailbag” “I covered Fannie Mae last month, noting the levels of support at \$50, \$40, \$30, \$20.” “The recent bounce establishes the near-term support line at \$50. The other levels are just conversation at this point. Until current support is successfully tested, though, the downtrend is still in place.”
- April 16, 2005 (washingtonpost.com) “Fannie Mae’s top lawyer to quit, join old firm” “Fannie Mae’s top legal officer is leaving the company to rejoin his former law firm, the latest in a string of executive departures...”
- April 18, 2005 (business.timesonline.co.uk) Gay Duncan “Disaster looms, but no one seems to care” “Paul Volcker, the former Chairman of the US Federal Reserve and one of the most respected figures among international policymakers, is among those who are deeply worried.”
- April 18, 2005 (moneycentral.msn.com) Bill Fleckenstein “Contrarian Chronicles” “Speaking of our macro problems, in last Sundays Washington Post, former Fed Chairman Paul Volcker penned ‘An economy on thin ice,’ a column that obviously shouldn’t have made anyone get all warm and fuzzy.”
- “But I do agree with his summation: ‘A wise observer of the economic scene once commented that ‘what can be left to later, usually is – and then, alas, it’s too late.’ He is so right. It’s already too late. The only question is when all hell breaks loose.”
- April 20, 2005 (safehaven.com) Rob Kirby “Curiosity concerning conundrums?” “In a nutshell, [Warren] Pollock reasons that the FED is in a pickle and cannot raise interest rates through the ‘meat of the [yield] curve [5 – 10 yr.] without ‘blowing up the entire [financial] system. If you buy into this thesis there are only two viable courses of action in

the near future namely a] the FED raises rates or b] the market raises rates. What got me scratching my head was that both potentially end with **systemic financial melt down** ..." [Great Depression 2]

"...I probably didn't need **Paul Volcker** to write an OP-ED piece entitled, **On Thin Ice**, in the Washington Post to make that point abundantly clear."

"That's why Alan Greenspans visits to the White House have become **so frequent**..."

April 22, 2005 (financialsense.com) Jim Puplava & Frank Barera  
"**The day after tomorrow**" **Part 2: Broken Resolutions**  
**[hypothetical short story about the Great Depression 2]**

April 24, 2005 (ft.com) Andrew Parker "KPMG **offers deal** on accounts"  
"KPMG's US business has offered to publish annual accounts if **lawmakers provide auditors with protection** against potentially catastrophic negligence claims."

April 25, 2005 (taipeitimes.com) J. Brad Delong "America's interest rates puzzle world economy"  
"A **great puzzle [new and different type]** in today's world economy is the continued low level of long term real interest rates in the US."  
"The puzzle is not only that long-term rates are too low when viewed in the international context, but also that they are too low when viewed in America's domestic context."

April 25, 2005 (thestreet.com) Jim Griffin "Trusted forecasters predict storm"  
"Former Fed Chairman **Paul Volcker is among those sounding strident alarms** about where we're headed."

"I don't know whether change will come with a bang or a whimper, whether sooner or later. But as things stand, it is more likely than not that it will be **financial crisis** rather than policy foresight that will force the change."

**Financial crises?** Coming from Volcker, how do we discount that opinion?"

April 26, 2005 (howestreet.com) The Mogambo Guru "INTRACTABLE PROBLEMS" "... a lot of people have suddenly decided that **something ugly is in the wind**. One of them is Alan Abelson, in his Up and Down Wall Street column in Barron's, is also

noticing the outbreak of the heebie-jeebies, and notes a 'peculiar disquiet' among both economists and everybody else."

**[BINGO!]**  
“If you want another example, then here is Richard Russell, he of the Dow Theory Letter, who says ‘There’s something BIG coming up in the markets and in the U.S. economy during the months ahead. If you look at the market action, if you listen to the language of the market, you can almost taste it.’ ”

April 27, 2005 (mises.org) Llewellyn N. Rockwell, Jr. “What made the next depression [Great Depression 2] worse”

April 28, 2005 (wsj.com) “Fannie Mae regulator says more problems might be found”

April 28, 2005 (wsj.com) “Fannie Mae March mortgage portfolio down 13.6%”

April 28, 2005 (safehaven.com) Levente Mady “BondWorks”  
“Bonds just don’t want to sell off. While shorter maturity issues were somewhat weaker than expected economic data, the long end of the yield curve continues to defy gravity and be a conundrum [new and different type] for the Fed.”

**[BINGO!]**  
“The fixed income market is still insisting that there is something afoot to hold yields at low levels, but the mainstream – lead by the cheerleaders at the Fed – chooses to ignore the wisdom of the bonds.”

May 2, 2005 (ft.com) “Dark clouds on US economic horizon”

May 2, 2005 (deltaga.com) Chip Hanlon “Market Insights”  
“The bond market isn’t stupid; in fact this is the deepest, most sophisticated pool of capital in the world and it’s one that’s also quite fearful of inflation. Here, then, the bond market has for some time been signaling exactly what the stock market finally started to suggest in recent weeks and what commentators are now acknowledging: the risk now is one of economic slowdown, perhaps a nasty one”

“If lower long-term interest rates, then, are problematic at this point in time, it raises the question of: WHAT SORT OF DISASTER MIGHT WE FACE?” [Great Depression 2]

May 2, 2005 (investors.com) Tomi Kilgore “Yields suggest preparing for worst is prudent” “If Federal Reserve Chairman Alan Greenspan thought the bond market was a ‘conundrum’

- two months ago, he must be **really mystified now.**"
- May 2, 2005 (marketwatch.com) "Fannie Mae **dropping** international services"
- May 3, 2005 (financialsense.com) Ben Jones "Another day in the **housing bubble**" "The monthly summary from Fannie Mae is also not mentioned in the media, but I posted a little refresher. The quick version? – **Fannie is unraveling**, or at least that is what the data tells me."
- GSE collapse**
- May 4, 2005 (safehaven.com) Steve Moyer "Get ready for deflation"  
 "... I am referring to the coming **BIG KAHUNA** – a contraction in credit..."  
 "Forget the mainstream financial media; **the reversal has begun.**"
- [Yield Curve]  
 "The 'flattening' of the bond yield curve (short term interest rates rise; longer term rates don't), a precursor to **economic recession, [Great Depression 2] looms large.**"
- May 4, 2005 (wsj.com) "Fannie charity **cuts** 05 budget 22%, **closes** 2 local offices"
- May 5, 2005 (news.yahoo.com) "Greenspan **warns** on Fannie, Freddie **again**"
- May 5, 2005 (ft.com) "Greenspan **warns** on credit derivatives"
- May 5, 2005 (wsj.com) "Greenspan links swaps mkt **liquidity worries** to Fan[nie Mae], Fred"
- May 5, 2005 (martinweiss.com) Tony Sagami "**Yield curve forecasting slowdown**" "It isn't getting much attention, but the yield curve – the spread between 2-year and 10-year treasury bonds – is getting pretty darn flat."
- [Yield Curve]  
 "The yield curve should be getting lots of attention because it has been an **extremely reliable indicator of the economy**"  
 "This yield spread shrinkage isn't a 100% guarantee that **our economy is headed for a slowdown**... but I believe only a fool would stick his head in the sand and ignore this information."

- May 6, 2005 (thestreet.com) James J. Cramer “[Fret over Yield Curve](#), not inflation”
- May 8, 2005 (wsj.com) Jonathan Clements “Real Estate: Can you handle the truth?” “[It'll end in tears.](#)”
- May 9, 2005 (iht.com) Daniel Gross “Are the [storm clouds on the horizon](#) the harbingers of doom?” “The doomsday theme is seeping into the normally circumspect world of economics.”
- “The forces propelling and buffeting the economy are like a series of interrelated and interconnected weather systems. Could they be setting the conditions for [a perfect storm](#) – a swift series of disturbances that causes lasting damage?”
- May 9, 2005 [Yield Curve] (realmoney.com) Jim Griffin “The Fed stares down [future fears](#)” “... with the yield curve so flat it is not difficult to see an inversion from here – and that raises the possibility of [unbearable stress](#) somewhere in the system and the risk of [systemic crisis.](#)”
- “He’s [Fed Chairman Alan Greenspan] [repeatedly](#) expressed concern about the stability of the financial system.”
- May 9, 2005 [Yield Curve] (wsj.com) “[Yield curve may be sending a signal](#)” “Like animals before a storm, the bond market has been [exhibiting ominous behavior](#) ...”
- May 10, 2005 (marketwatch.com) Irwin Kellner “The interest rate conundrum [deepens](#)”
- [Yield Curve] “In spite of the ‘[perfect storm](#)’ of the past two weeks, yields on the bellwether ten-year Treasury note have gone nowhere during this time. Talk about a [conundrum.](#)”
- “Since the end of April, there have been a number of events – any one of which might have been expected to send long-term rates soaring. This time, they all occurred within a two-week span and yet long rates have barely budged.”
- “If this ‘[perfect storm](#)’ can’t boost interest rates, [what will?](#)”
- May 10, 2005 (seattletimes.com) Michael Liedtke “Corporate watchdogs fight scandals...” “Glass Lewis [smelled something rotten](#) at Fannie Mae [six months before](#) securities regulators cracked down on the nation’s largest buyer of home mortgages last

- year. It advised major shareholders to oppose the re-election of six company directors and company auditor KPMG.”
- May 12, 2005 (wsj.com) “The **ski darkens** for bondholders”
- May 15, 2005 (gold-eagle.com) Chris Laird “**Depression Coming**” “I am going to write about a **coming depression [Great Depression 2]** in general terms. I have some suggestions for how to prepare...”
- May 16, 2005 (barrons.com) Michael Santoli “The Trader” “If sliding Treasury yields and the flattening yield curve keep indicating to stock investors ebbing economic growth, and if soft financial stocks **keep hinting at fears of some undisclosed financial mishap [FNM]**, then stocks will likely stay on the defensive.”
- May 16, 2005 (usnews.com) Paul J. Lim “Money Watch” “Hey, is the maestro **[Fed Chairman Alan Greenspan]** running short of magic?”
- “Call it **the revenge of the bond market.**”
- May 20, 2005 (reuters.com) Mike Dolan “‘**Conundrum**’ revisited: cheap borrowing persists” “Many experts reckon Greenspan’s ‘conundrum,’ a word he has since said he regretted using, mirrors the ‘irrational exuberance’ phrase he used to describe rising equity prices in late 1996.”
- “Then, it took almost 4 years for equities to peak in what is widely considered to have been a bubble. **Whether bond markets are experiencing something similar is unclear.**”
- May 22, 2005 (boston.com) Charles Stein “Are declining long-term rates in our best interest?” “On the surface, the drop in long-term interest rates, such as mortgage rates, is a **puzzle [new and different type].**” “But like meteorologists who warn of storms that don’t arrive, the experts keep getting the forecast wrong.”
- “If Greenspan can’t explain what is going on, **I don’t want to be overconfident.**”
- May 22, 2005 (marketwatch.com) Paul B. Farrell “Greenspan and Gross agree that ‘**conundrum**’ **spells trouble**”

“This time the buzzword is ‘conundrum,’ which is Greenspan’s way of saying something’s wrong, except this time he can’t explain why.”

[BINGO!] “Is there a delayed reaction **hidden** in this conundrum? Could an **unexpected shock** [FNM] suddenly increase interest rates, sending bond funds into a tail spin?”

“Seven shocks could disrupt stability” [number five on the list]  
“A collapse of a **leveraged** [FNM] investor” [It can’t get any more leveraged than Fannie Mae]

May 23, 2005 (barrons.com) Jim McTague “**Greenspan’s Warning**”  
“A recent speech by Federal Reserve Chairman Alan Greenspan, who is known in some circles as ‘Darth Vagueness,’ has left at least two money managers with nightmares of the Dark Side. So **they’ve begun bailing out of stocks and bonds** and getting into cash and Treasuries.”

\*  
**MAJOR  
FED  
WARNING**  
\*  
“The two have carefully deconstructed nine pages of ‘remarks’ that Greenspan made on May 5 about the growing risk to banks and investors posed by a possible liquidity crisis in the \$220 trillion derivatives markets. Their conclusion: **This was not the usual bland and indecipherable Greenspan fare, but rather a clear-cut warning of market dislocations to come.**”

May 23, 2005 (wsws.org) Nick Beams “US indebtedness a **growing threat to global stability**”

May 24, 2005 (marketwatch.com) Dr. Irwin Keller “The market is the message”  
“By pushing interest rates lower at a time when they might ordinarily be expected to rise, **the bond market is telling us something.**”

May 24, 2005 (thestreet.com) Howard Simons “**Flatten down the hatches**”  
“The economy as a broken car”  
“Have you ever had a car, preferably one made by manufacturer with investment-grade bonds, go haywire on you? Say you stepped on the brakes and the windshield wipers started flapping away and the turn signal began blinking. This is how Alan ‘**Conundrum**’ Greenspan must feel.”

May 25, 2005 (dallasnews.com) Danielle DiMartino “Economy may soon fall flat” “...readers have asked that I revisit the **incredible flattening yield curve.**”

“For months, short term rates have risen while long-term rates have fallen, flattening the yield curve. In the last month, the pace has quickened, raising alarm bells worldwide.”

May 26, 2005 (money.cnn.com) “Bond wars II: Revenge of the Conundrum”  
“The economy doesn’t appear to be on the precipice of a major slowdown...”

May 26, 2005 (wsws.org) Nick Beams “OECD warns time is ‘running out’ to correct global imbalances”

May 27, 2005 (safehaven.com) Nigel Maund “The financial endgame slowly plays out – and then...

...the sudden systemic implosion [FNM] which will usher in the [Great Depression 2] brave new world.”

**M3**  
“Complacency [VIX] is currently rife, as the markets defy financial and economic logic, and its economic paradigms and models are apparently refuted by the ‘new economics’ of never ending FIAT expansion, akin to medieval alchemy.”

May 27, 2005 (heraldtribune.com) Ed Valek II “Prevent a scary sequel to ‘Enron’ ” “The motion picture ‘Enron: The smartest guys in the room’ opened recently, documenting the infamous absence of financial accountability that led to our nation’s greatest corporate downfall.”

“A more ominous sequel may already be in the works, unless the federal government and congress take immediate action to increase oversight and accountability of Fannie Mae...”  
[Congress continues to fiddle while Fannie Mae continues to burn.]

May 31, 2005 (post-gazette.com) E.S. Browning “Stock bulls celebrate low bond yield”  
**[Yield Curve]**  
“Something strange has been going on in the bond market, and, so far at least, it has been great news for stocks.”

**[BINGO!!]**  
“A lot of people, he says [Marc Stern Chief Investment Officer Bessemer Trust], including some of his own clients, worry that some kind of negative event is looming.” [FNM]

May 31, 2005 (usatoday.com) Adam Shell “Strategists perplexed as 10- year yield falls” “Something else [FNM] is driving (long-term) rates other than economic data points,’ says Bill Dawson, vice

- chairman of fixed income at Federated Investors.”
- May 31, 2005 (ft.com) Jennifer Hughesin “Treasury yields drop below 4%” “‘Maybe the true bubble in the world is in the bond markets,’ said one trader in New York. What is dangerous is that **everyone's now looking for the bogeyman that bond yields are hinting at [FNM] – thinking that yields are doing this for a fundamental reason – and that down the road we'll find out what the bad stuff is.**”
- [Yield Curve]  
**[BINGO!!]**
- May/June 2005 (Countryside Magazine) Vol. 89 No. 3 Ruth Burke (AZ) “Preparing your family for the **Great Depression II**” **[Great Depression 2]** “Some people, such as survivors of the Great Depression, immigrants who have been through tough times in their home countries, and the poor among us, are already prepared.”
- “For those of you who haven’t a clue as to what to do, here are some suggestions to help avoid the coming hard times...”
- June 1, 2005 (wsj.com) Alan Murray “Rates lay bare Greenspan challenge” “In February, he **[Alan Greenspan]** called the behavior of market interest rates a ‘**conundrum**’ – a rare Greenspan acknowledgment that he can’t explain what is happening. Since then, the Fed has ‘raised rates’ two more times, and the conundrum has deepened. **It has become the central mystery [new and different type] of today's economy.**”
- June 2, 2005 (money.cnn.com) “A conundrum story... worry, worry, worry” “But you have to remember that when yields fall it’s also sending a message and right now that message is **be on the lookout.**”
- [Yield Curve]
- June 2, 2005 (Richard McClendon) “US Bear Market Commentary” **“The U.S. economic ship of state is going to sink”**
- June 3, 2005 (Bloomberg.com) Mark Gilbert “Greenspan’s bond **conundrum ripens into an enigma**” “‘All of the economic forces point to a **dramatic slowdown ahead** which will turn into a **serious recession, [Great Depression 2]** with almost no tools left to abort that possibility,’ says **[Gabe] Borenstein**, whose firm **[Investec Holdings Ltd. NY]** manages \$100 billion globally.”
- June 3, 2005 (theglobeandmail.com) Allan Robinson “Market forecast” “Bond yields are at levels that would suggest **the U.S. economy is heading straight into the abyss, [Great Depression 2]** but it

- continues to grow at steady, if increasingly moderate, pace.”
- June 3, 2005 (money.cnn.com) Chris Isidore “Soft and Flat? **Danger!**” “Bond rally, low rates could signal **economic woes ahead**”
- June 3, 2005 (sun-sentinel.com) Chet Currier “Danger: Yield curves are ahead on money funds” “In normal times, the yield curve should slope upward,’ says David Kelly, senior economic advisor at the Boston money manager Putnam Investments.  
**[Yield Curve]**  
**A downwardly sloping yield curve is ominous.**’ ”
- June 3, 2005 (msnbc.msn.com) Martin Wolk: “Eye on the economy” “This is the **only time in modern history [new and different type]** that a rate-hike cycle from the Fed didn’t push up rates at the long end of the yield curve,’ said **[Ethan] Harris [Chief U.S. Economist for Lehman Bros.]**. ‘It’s not just that yields are low, but they are **way out of line with historical behavior.**’ ”  
**[Yield Curve]**
- June 4, 2005 (safehaven.com) Doug Noland “**This time it is different**” “Most prominently, Total US Mortgage Debt has doubled in seven years to \$10.5 Trillion. And let there be no doubt, this \$5 Trillion inflation in mortgage debt is the flipside (the liability side) of the much trumpeted but misnamed ‘excess global savings.’ That it is backed by inflated collateral and, in many cases, has been extended to marginal borrowers on aggressive terms is apparently today a non-issue. It will, however, be a critical factor come the **inevitable (during our lifetime!) downside of the mortgage debt boom.**”
- June 4, 2005 (blackenterprise.com) “OUTLOOK: The conundrum of low long-term rates is easily answered. They are just too damn low.” “Alan Greenspan, chairman of the US Federal Reserve, has called it a ‘**conundrum.**’ The Bank of England prefers the word ‘**puzzle.**’ However you want to describe it, **no one has yet come up with a wholly convincing explanation [new and different type]** for why long- term interest rates should be so low.”  
**[Yield Curve]**
- June 4, 2005 (ft.com) Phillip Coggan “Watch out for the **shock [FNM]** that will burst the bubble” “Calling the top of a bubble is a very difficult task. First, many people will deny there is a bubble and resent those who describe one as such. They have a self-interest in viewing prices as reasonable.”  
**[trigger]**  
“So for the bubble to burst properly, we may need some kind of **shock...**” “**Such a shock will come eventually.**”

- June 4, 2005 (safehaven.com) Randolph Buss “Global **fear** … don’t flinch” “Just when you thought it was safe to go back into the water the market forces have seemingly been stirred up and have thrown off some new waves.” “To my mind, right now, the overlying tendency which I sense right now is **fear**. The **fear** I sense is slowly creeping all over the marketplace(s). It is **fear** which is oozing into every major market and marketplace in the world.”
- June 5, 2005 (wsj.com) Paul B. Farrell “Another bubble set to blow up?” “Lately, I’m seeing telltale signs everywhere that despite all the bullish talk, **a bubble’s about to burst**. Something [FNM] will pull the **trigger** – real estate, hedge funds, deficits, something.”
- [trigger]
- June 5, 2005 (scotsman.com) Bill Jamieson “Bond yields send mixed message” “STATISTICAL oddities are a byproduct of markets. It’s the job of fund managers to spot and exploit them. But what happens when an entire market becomes an oddity? Particularly when it is the US bond market – by far the biggest market in the world?”
- [Yield Curve]
- “What, then, is bearing down so heavily on yields [FNM] at the long end?”**
- June 6, 2005 (marketwatch.com) Greg Robb “Greenspan: No easy answers for long-term rate drop” “‘**We’ve never run into anything like this before**,’ [**new and different type**] Greenspan said at an American Bankers Association conference in Beijing Tuesday.”
- “ ‘The economic and financial world is changing in ways that we still **do not fully comprehend** [**new and different type**],’ Greenspan said.”
- June 6, 2005 (realmoney.com) James J. Cramer “Without big growth, **Fannie Mae withers**”
- June 6, 2005 (barrons.com) Alan Abelson “In like a lion” “… we’re of a mind that the possibility of a big hedge-fund blowing up [FNM] and causing a **widespread chain reaction** is a constant of investment life these days.”
- June 8, 2005 (schaeffersresearch.com) Bernie Schaeffer “Volatility spike lite?” “**…every additional grind lower in volatility [VIX] and every additional grind higher in the blue-chips indices substantially increases the ultimate risk of a market blowup, a risk that is already way above historical norms.**”

- June 9, 2005  
**[Yield Curve]**  
 (investors.com) Donald H. Gold “Bond yields a puzzle...”  
 “Is the bond market trying to warn us of a **recession** [**Great Depression 2**] around the corner?”  
 “The flattening yield curve, like low bond yields, **normally would grab economists' attention**, like a red light on the dashboard.”
- June 10, 2005  
 (newsmax.com) “[**Paul Volcker**: **U.S. ECONOMIC CRISIS IMMINENT**]”
- June 10, 2005  
**M3**  
 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 175  
 “M-3’s rapid growth is camouflaged by Maestro rhetoric about rising short-term interest rates. Fact is, the Fed is causing/allowing M-3 to rise faster than reported inflation, faster than reported GDP growth, faster than the media suggests. Why? Because the Fed knows something. They know that **deflation** [**Great Depression 2**] is a huge risk right around the corner.”
- June 10, 2005  
**[Yield Curve]**  
 (theaustralian.news.com) Geoff Elliott “Greenspan’s conundrum is everyone’s problem” “In layman’s terms the conundrum is this: Greenspan is raising rates in anticipation that the US economy is picking up more speed, so he needs to quell inflation. But investors in long-term bonds are betting the opposite: interest rates need to stay low because **the economy is headed into the cellar.**”  
 “[Economic] **History shows the markets are usually right.**”
- June 13, 2005  
**[Yield Curve]**  
 (csmonitor.com) David R. Francis “The troubling mystery of the ‘yield curve’ ” “This narrowing of the gap between short-term and long-term rates is called a flattening of the yield curve. And it’s a concern. If short-term rates actually exceed their long-term cousins, **then wild and potentially harmful things can happen to the stock market and economy.**”
- June 14, 2005  
 (wsj.com) “**Mr. Oxley’s slush fund**”  
 “In the name of reforming these ‘government sponsored’ mortgage giants, the **members [of Congress] voted to make them even more financially dangerous, while grabbing a chunk of their profits for political payola to boot.**” [**Congress is now really fiddling while Fannie Mae is blazing away.**]”
- June 14, 2005  
 (wsws.org) Nick Beams “Global interest rate ‘**conundrum**’ **recalls the 1930s**”

- June 14, 2005 (Richard McClendon) US Bear Market Commentary  
 “Our country is about to undergo some dramatic economic, political and sociological earthquakes from which nothing will ever be the same again. As the editor to these pages I have tried to warn of this and offer explanations of the underlying causes and how to prepare and deal with what's coming.”
- June 15, 2005 (wsj.com) Dawn Kopecki “OFHEO sums up Fannie, Freddie exams in report to Congress” “The federal regulator that oversees Fannie Mae (FNM) and Freddie Mac (FRE) gave both companies credit for improving their financial condition last year, cautioning that Fannie remains a ‘significant supervisory concern’ in a new report released Wednesday.”
- June 15, 2005 (cbsnews.com) “Fannie Mae, Freddie Mac still have problems”
- June 15, 2005 (inman.com) “Problems persist at Fannie Mae and Freddie Mac”
- June 16, 2005 (latimes.com) “Fannie, Freddie cut derivative use in ‘04”
- \*  
**MAJOR  
 FED  
 WARNING**  
 \*  
 June 16, 2005 (economist.com) “In come the waves” “The worldwide rise in house prices is the biggest bubble in history. Prepare for the economic pain [Great Depression 2] when it pops [FNM].”
- June 16, 2005 (economist.com) “House prices” “After the fall”  
 “PERHAPS the best evidence that America’s house prices have reached dangerous levels is the fact that house buying mania has been plastered on the front of virtually every American newspaper and magazine over the past month.”  
 “Now that others have noticed as well, the day of reckoning is closer at hand. It is not going to be pretty [Great Depression 2].”
- June 16, 2005 (wsj.com) “Sen Shelby opposes profit-based housing fund [Congressman Mike Oxley slush fund] in GSE bill”
- June 17, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 178  
 “M-3 is rising hard again, the Federal Reserve pumping aggressively in clandestine fashion.” “Take a look at the profligate growth in the

raw M-3 figures this week: Up \$79 billion in just the last week alone, a 42.5 percent annualized rate of growth! Up 98.6 billion the past two weeks, 26.6% annualized rate of growth.”

### **M3**

#### **“M3 growth is on fire!”**

“If the Fed allows money supply to grow at an astronomical rate, something far beyond normal, something inconsistent with its rhetoric regarding ‘measured’ increases in interest rates, than it is occurring because **the Fed knows something**. What do they know? If M-3 is growing twice as fast as GDP, five to twenty times as fast as inflation, is growing at an outrageous rate during an interest rate tightening phase, then the Fed sees a risk out there somewhere that threatens the velocity of money process, threatens to contract money supply, threatens to devalue wealth – some threat or risk the Fed feels it must compensate for. What threat do they see that they must allow outlier levels of liquidity to flow into the economy? We don’t know. But by watching the M-3 numbers, and knowing the Fed’s power over those numbers, we can logically conclude they see something they don’t like very much, **a risk sufficient that they feel the need to act upon it, long before the threat becomes public.”**

“Maybe they fear an **equity market meltdown** [“**Largest stock market crash of the 21<sup>st</sup> century”**].”

“Maybe a derivatives blowup; or a hedge fund **[GSE] collapse**; or, use your imagination.”

“But for the kind of M-3 increase we’ve seen this past week, we have to ask, **‘What else is out there?’ [Great Depression 2]**”

June 20, 2005

(wsj.com) Ruth Simon “Fannie sees **higher odds** of regional **housing busts**” “The report, presented to a group of home builders in Washington last month but not yet released publicly, finds conditions in many parts of the country ‘**mirror past conditions that preceded regional housing busts.**’ ”

June 20, 2005

(leavittbrothers.com) Jonathan R. Laing “The bubbles new home” “YALE ECONOMIST ROBERT SHILLER delivers his forecast for **U.S. housing** with a scholarly diffidence that only slightly mutes his stark message: The market is in the throes of a bubble of **unprecedented proportions** that probably will **end ugly [Great Depression 2].**”

June 21, 2005

(signonsdiego.com) Mike Freeman “Report: Housing market

at risk.” “UCLA forecast warns boom is unsustainable.” “But the future of housing looks dim, according to the economists who produced the forecast. They portrayed housing as so top heavy with appreciation and investment that it could topple, dragging the overall economy down with it.”

June 22, 2005 (miami.com) Matthew Haggman “Miami’s housing ‘bubble’ biggest in nation”

June 23, 2005 (thetrumpet.com) Fred Dattolo “The housing bubble-Everybody’s talking” “Last year, the Trumpet warned of a housing bubble about to burst, while some experts were ridiculing the notion. Recent reports have silenced these critics.”

“We proffer the same advice to you now that we did in November. Prepare now to reduce your standard of living.”

June 28, 2005 **(RealMoney.com) Peter Eavis Senior Columnist**  
“Peter Eavis digs into Fannie Mae” “Editor’s note: On Monday night, TSC’s Peter Eavis received the 2005 Gerald Loeb Award for commentary, recognizing his outstanding work uncovering and explaining accounting problems at Fannie Mae, the nation’s largest mortgage company. Judges in the country’s top annual awards for business journalism said Eavis ‘spelled out the accounting troubles at Fannie Mae long before any findings of wrongdoing were raised and dug into Fannie’s financial statements finding numerous areas of concern, even going so far as to tell federal regulators where to look.’ ”

\* \* \* \*

July/Aug 2005 (theatlantic.com) James Fallows “Countdown to a meltdown” “America’s coming economic crisis.”

July 1, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 185  
“Well, I’m hearing from several bankers that the Fed is putting pressure on them to unload Fannie and Freddie paper.”

July 8, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 187  
“Where there is smoke there is risk that threatens to burn the economy. The master planners are hosing down the ground with lots of liquidity [M3] just in case. What does the Fed fear? How about that Fannie and Freddie kindling? How about the derivatives tinder? Commercial Banks have been told to get rid of their Fannie and Freddie Preferred Stock holdings.  
Shovel it with a big pitchfork into the wagon load of thick nitrogen rich humus and feed it to the cornfields. Lighten up

**M3**  
**[BINGO!]**  
**[BINGO!]**  
**[BINGO!]**

**[BINGO!!]**  
**[BINGO!]**

on the Mortgaged-backed paper. **Your GSE guarantee is suspect.**  
**Yes, Watson, something is afoul here.”**

July 10, 2005 (Warren Pollock) “The Macroeconomic Newsletter”  
“The majority of people I speak to *vehemently* object to the possibility that real estate may become illiquid or lose value.  
‘Place to live’ has been confused with ‘investment’; ‘debt’ has been confused with ‘wealth, equity, and savings’. **Levered booms are emotional.**”  
“Real estate investors (homeowners) don’t understand that a fragile market with poor fundamentals can freeze up in an instant. Emotionally, they don’t want to know about it.”

July 11, 2005 (forextelevision.com) “Black Swan Currency Currents”  
“There is still much talk about whether **the yield curve** (above) **is telling us something** or not.”

July 22, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 194  
“There has been **behind the scenes examiner pressure** on banks to back off on mortgage backed Fannie and Freddie paper and preferred stocks, and to tighten the reigns on home lending. **It appears the Fed is bracing the banking industry for a slowing in housing, perhaps the end of the bubble [FNM] ?”**

July 26, 2005 (news.yahoo.com) Christopher Farrell “A housing boom built on folly” “It seems that **everyone** from Wall Street to Main Street to Capital Hill **is watching the biggest housing-market boom in history** with awe and dread. Awe because trillions of dollars in new wealth has been created (\$5 trillion since 1996) and the home-ownership rate has reached a record 69% of U.S. households. Dread because the boom is attracting so much speculative investing that a growing number of market watchers fear that a bust is inevitable and will end in **economic catastrophe [Great Depression 2].**”

July 29, 2005 (financialsense.com) Jim Puplava & Frank Barera  
**“The day after tomorrow” Part 3: The Great Unraveling [hypothetical short story about the Great Depression 2]**

August 4, 2005 (atimes.com) Doug Wakefield **“Waiting for a tsunami”**  
“Now is the time for every investor to ask, ‘What evidence is there that a major decline could occur in the financial markets and what actions can I take to address any systemic risks?’ ”

“... [investors today have a great deal of information](#) **warning them of events to come.** [Economic] History warns us to avoid

the pitfalls of not heeding its voice.”

“For those today who have many opportunities to protect themselves but continue to deny that a tsunami could occur in the financial markets, I only stand amazed at the blatant denial of reality.”

August 4, 2005 (forbes.com) James Stack “Adviser Soapbox”  
**“Wall Street’s fate caught up with housing”**

August 5, 2005 (ft.com) Richard Beales “On Wall Street”  
“No one can foresee the exact shape [FNM] or timing of the next crisis. But, despite historically low volatility [VIX] and other benign conditions in financial markets, many worry that **we are closer to the next market shock** than to the last.”  
[trigger]

August 9, 2005 (marketwatch.com) “Fannie Mae shares **halted** after the closing bell”

August 9, 2005 (reuters.com) “Fannie sees restatement in ’06, **NYSE list at risk**”  
“The company’s failure to file may keep its independent auditor from issuing opinions on the effectiveness of Fannie’s internal controls over financial reporting for not only 2004, but 2005 as well.”

“It also potentially threatens Fannie Mae’s listing on the New York Stock Exchange.”

August 10, 2005 (marketwatch.com) Robert Schroeder “Fannie shares drop; restatement eyed. Mortgage giant **risks delisting** if no report by December.”

August 10, 2005 (reuters.com) “Fannie Mae stocks drops as restatement drags on”  
“Shares of Fannie Mae fell \$2.44, or 4.43 percent, to \$52.38 in morning trade.”

August 12, 2005 (reuters.com) “China holdings of GSE debt drives US policy – report” “China’s U.S. agencies holdings are double what they were three years ago, leaving its ‘fragile’ banking system vulnerable to **GSE shocks**, according to Federal Financial’s [Analytics Inc.] report called ‘The China Syndrome.’ ”

“ ‘China has of course a fragile, stressed banking system that could not withstand even a short-term liquidity crunch from any **GSE market shock**,’ the report said.”

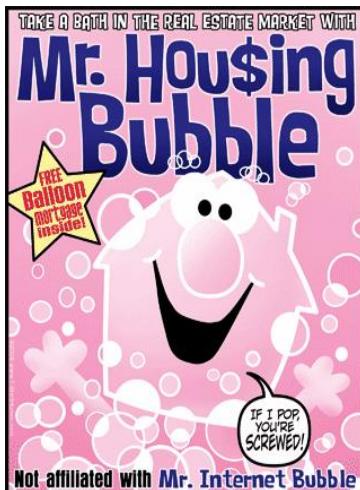
August 15, 2005 (wsj.com) Dawn Kopecki "Fannie's 1,500 consultants about half of Freddie's in '04"

"**Fannie's stock is down nearly 35% since [the GSE collapse began]** its 12-month high of \$77.54 a share last September – a few weeks before regulators at the Office of Federal Housing Enterprise Oversight presented a critical assessment of the company's accounting ..."

August 17, 2005 (usatoday.com) "Mr. Housing Bubble tries to wash away the worries" "Striking a chord with uneasy U.S. property investors, T-shirthumor.com's latest design – '**Mr. Housing Bubble**' – has become its best seller in less than a week."

"Anthony Phipps, T-shirtHumor.com communications director, said the T-shirt company has sold hundreds of the \$20 cotton shirts since they went on sale last week."

" 'I think it's pretty clear that there are a lot of people in fear over the potential of a housing bust,' Phipps said."



August 19, 2005 (riskwaters.com) "Extra Credit: A roundup of the week's events..." "The Treasury market experienced further tightening this week in a rally that continues to confound and alarm investors anxious about the flattening yield curve."

August 19, 2005 (safehaven.com) David Chapman "Complacency Abounds" "We have constantly pointed out that the market and the economy has been held aloft by record low interest rates and massive

**M3**

injections of liquidity from the Federal Reserve and the other world central banks. This has been the plan from the beginning of how Alan Greenspan would save us from the Kondratieff winter [Great Depression 2].”

“But has he?”

“We believe that all he has accomplished is to delay the inevitable...”

August 22, 2005 (azcentral.com) Robert Tanner “Big debt imperils economy”  
“A chorus of economists, [some] government officials and [very few] elected leaders both conservative and liberal are warning that non-stop borrowing could bring fiscal disaster, one that could unleash plummeting home values, rocketing interest rates, lost jobs and threats to government services ranging from health care to law enforcement.”

August 23, 2005 (lewrockwell.com) **Congressman Ron Paul** “Borrowing, Spending, Counterfeiting”

“Will it take an economic depression [Great Depression 2] before the American public finally holds the political class accountable for its reckless borrowing, spending, and counterfeiting?”

“The greatest threat facing America today is not terrorism, or foreign economic competition, or illegal immigration. The greatest threat facing America today is the disastrous fiscal policies of our own government, marked by shameless deficit spending and Federal Reserve currency devaluation.”

August 25, 2005 (nytimes.com) Riva D. Atlas “Fed officials summon Wall St. firms to discuss derivatives”

August 26, 2005 (forextelevision.com) Paul Kogut “Market Imbalances”  
“There have been very interesting fundamental developments over the past couple of weeks that, to me, signal a epic shift in economic trends.”

“... the Fed this week announced a September fifteenth meeting of the top 15 derivative trading houses to discuss the large backlog of unsettled transactions. If that's not a cause for concern, I don't know what is.”

August 27, 2005 (business.timesonline.co.uk) Graham Searjeant “US heading for

**house price crash**, Greenspan tells buyers”

August 28, 2005 (nytimes.com) Edmund L. Andrews “Greenspan says **housing boom is nearly over**”

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\* \* \* This final **update / posting** on the internet begins here \* \* \*

\* \* \* \* \* \* \*

## **G. Only Fannie Mae crashes**

September 1, 2005 [Thursday FNM hits a new 52-week low.]

September 2, 2005 [Friday FNM hits another new 52-week low.]

September 6, 2005 [Tuesday FNM hits another new 52-week low.]

September 7, 2005 [Wednesday FNM hits yet another new 52-week low.]

September 9, 2005 [Friday FNM hits yet another new 52-week low.]

September 13, 2005 [Tuesday FNM hits yet another new 52-week low.]

September 14, 2005 [Wednesday FNM hits yet another new 52-week low.]

September 20, 2005 [Tuesday FNM hits another big new 52-week low.]

September 21, 2005 [Wednesday FNM hits another new 52-week low.]

September 22, 2005 [Thursday FNM hits another new 52-week low.]

September 28, 2005 (businessweek.com) “Fannie accounting probes find problems”  
“... **Fannie’s restatement is likely to show that its total cumulative losses will be higher and will include more ‘realized’ losses, as opposed to paper losses, than the company has previously disclosed and many investors anticipate.**”

“Chief Executive Daniel Mudd, when asked last week whether the losses from Fannie’s restatement could be higher than previously estimated, told Dow Jones Newswire, ‘**we are**

**current on all of our disclosures.** ” ”

- September 28, 2005 (marketwatch.com) Robert Schroeder “Fannie Mae shares drop nearly 11%” “On Wednesday, a Dow Jones Newswires report said **Fannie Mae’s restatement of past years’ earnings may show it losses will be higher than the company has previously disclosed.**”
- September 28, 2005 [Wednesday **FNM** hits a **massive new 52-week low.** Fannie Mae loses **over 10%** of its total market value in just this one day of trading.]
- October 27, 2005 (lewrockwell.com) **Ron Paul** “**The GSE Crisis**”  
**RON PAUL!**

## **H. END OF M3**

*“To paraphrase Clemenceau, money is much too serious a matter to be left to the Central Bankers.”*

*Milton Friedman  
Capitalism and Freedom*

*“The federal courts can shield Mr. Greenspan from the law and the Constitution. They cannot shield him from the verdict of history, which will peg him as the most destructive monetary charlatan since John Law.”*

*Reg Howe*

*“You are a den of vipers and thieves. I intend to rout you out, and by the Eternal God, I will rout you out... If people only understood the rank injustice of the money and banking system, there would be a revolution by morning.”*

*Andrew Jackson*

- November 10, 2005 (FederalReserve.gov) **Discontinuance of M3**  
**END OF M3** “On March 23, 2006, The Board of Governors of the Federal Reserve System will cease publication of the M3 monetary aggregate.”

- November 11, 2005 (dailykos.com) G John Sit “The Fed plans monetary inflation”  
**END OF M3**  
 “The Federal Reserve released a statement yesterday that went completely unreported by the news media.”
- November 12, 2005 (Free Market News Network) “M3 Stats, Altered, Gone”  
**END OF M3**  
 “There aren’t a lot of reasons I can come up with why they would do this... good reasons anyway.”
- November 12, 2005 (Financial Sense) Toni Straka “Unpleasant M3 Trend”  
**END OF M3**  
 “M3 is the most important money aggregate for economists, analysts and Fed watchers to get an idea at what the speed the (electronic) printing press is running.”
- November 14, 2005 (Safehaven.com) Robert Mc Hugh “The Fed announces it will hide M-3 to keep you from knowing what?”  
**END OF M3**
- November 14, 2005 (Gillespie Research) “Bye- Bye, M3, but Why?”  
**END OF M3**
- November 18, 2005 (Bloomberg.com) Caroline Baum “Europeans, Conspiracy Theorists Lead M3 Mourners”  
**END OF M3**
- November 22, 2005 (newyorkpost.com) John Crudele “What’s the Fed up to?”  
 “Because Bernanke is the guy who said a couple years ago that if the government’s monetary policy wasn’t working, Washington could just print money to get the economy going and drop it from helicopters.”  
 “And in the very unlikely event that the government took Bernanke’s advice, where would that shocking breach of monetary policy show up?”
- [BINGO!!]** “In the M3 figures that are being discontinued, of course.”
- November 23, 2005 (SafeHaven.com) Douglas R. Gillespie “More on the strange pending disappearance of M3 without even a reasonable Fed explanation”  
**END OF M3**
- November 23, 2005 (financialsense.com) Jim Puplava & Frank Barera  
“The day after tomorrow” PART 4: Helicopter Commander  
[hypothetical short story about the Great Depression 2]  
 “There would come a day that would be unlike any other day. There would be an event unlike any other event. It would precipitate a crisis unlike any other crisis before it. It would

emerge out of nowhere at a time no one would expect. It would be an event that no one anticipated – a crisis the experts didn't foresee.”

“The events as they unfolded had a beginning [July 29, 2003] as they would have an end. The clues warning of the coming storm were there for all to see. They were simply ignored.”

November 27, 2005 (howestreet.com) Jay Taylor “Stealth Helicopter Ben Bernanke?”  
**END OF M3**  
“Could Bernanke’s decision to take away M-3 be spooking the gold market?”

“So why did the Fed make this announcement?”

“Why does the Fed no longer want to report the total quantity of dollars in circulation.”

**“They know what’s coming.”**

November 30, 2005 (PrudentBear.com) John Williams “Fed abandons M3 without honest explanation” “Unilaterally and without reasonable explanation, the Fed has decided to stop reporting money supply M3, the broadest of the monetary aggregates and probably the most important statistic published by the U.S. central bank.”  
**END OF M3**

November 30, 2005 (HoweStreet.com) Dan Denning “Bernanke’s looming emergencies” “Note that the Bernanke is loud and clear that the Fed does not want to be on the hook for a default on GSE bonds.”

**“Expect the meltdown at Fannie Mae to continue** in the back pages of the Wall Street Journal.”

December 20, 2005 (wsj.com) James R. Hagerty “Mortgage Race: Freddie Vies With Fannie in Market Value” “Freddie Mac briefly pulled ahead of rival Fannie Mae in terms of stock-market value yesterday before a rally put Fannie [**47.24 C**] back on top.”

December 22, 2005 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 256  
**M3**  
“So what about M-3 the past week?” “For the raw figures, fasten your seat belt. Are you ready? M-3 was increased \$58.7 billion last week (that does not include the huge Repo infusions noted above), a 30.0 percent annualized rate of growth.”

“Over the past 6 weeks it is up \$192.9 billion, a 16.7 percent

Banana Republic hyperinflationary pace. This is nuts, folks – **unless there is an incredible risk out there we are not being told about.”**

2005

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2006

January 2006

(Sprott.com) Eric Sprott and Sasha Solunac “Road to Ruin, Part Two” “We started off 2005 with an article titled ‘Road to Ruin’ and we thought it befitting that this year’s lead article be similarly themed. **2005** was an interesting year for financial markets. It **was a year when many of the tenets of macroeconomic theory were thrown to the wind.** Financial and economic territories strewn with ‘Do Not Enter’ signs were flouted, seemingly with impunity. Although the financial crisis that we foresaw (and still foresee) didn’t happen in 2005, several long strides were nonetheless taken down the road to ruin, making the ultimate disaster that much more ruinous when it happens.”

January 8, 2006

**M3**

(safehaven.com) Robert McHugh “The Fed’s Money Supply Armament is Underway” “M-3 has been launched into outer space, up another \$56.3 billion last week, up \$92.4 billion over the past two. This is some real horse power.”

“Wow. There must be a need for this.”

January 10, 2006

**M3**

(dailyreckoning.com) The Mogambo Guru “A War of Economics” “Things are spinning out of control, and I have locked myself inside the Mogambo Bunker Of Raw Fear (MBORF), whimpering like the little crybaby I am. For example, the damned Federal Reserve is still cranking out the money and credit with both hands, which they figure is real clever...”

January 10, 2006

(corpwatch.org) “US: Lobby Firm Is Scandal Casualty” “One of Washington’s top lobbying operations will shut down at the end of the month because of its ties to disgraced lobbyist Jack Abramoff and former House majority leader Tom Delay.”

“Alexander Strategy Group, which had thrived since its founding in 1998 thanks largely to its close connections to DeLay (R-Tex), will cease to operate...”

- “ASG, based in Georgetown, lobbies for an A-list of about 70 companies and organizations, including [Fannie Mae](#)...”
- January 19, 2006 (Bloomberg.com) “Fannie, Freddie cut ties to firm linked to Rep. DeLay (Update2)”
- January 26, 2006 (marketwatch.com) “[Former New Hampshire Senator Warren] [Rudman](#) set to deliver report on Fannie governance reforms”
- January 26, 2006 (nypost.com) Suzanne McGee “[Economists see Housing Bubble Deflating](#)”
- January 31, 2006 (usatoday.com) Barbara Hagenbaugh “Bigger-than-life Fed chairman [\[Alan Greenspan\] retires](#)”
- February 5, 2006 (seattletimes.com) Greg Burns “Rising economic star [warns](#) of risks ahead” “These are quiet times in the global economy, just the sort of lull that worries Raghu Rajan, one of the University of Chicago’s leading stars.” “Difficult to track and often disguised, the steady accumulation of risks has increased the odds of what Rajan cautiously terms ‘[a greater](#) [albeit still small] [probability of a catastrophic meltdown.](#)’”
- February 6, 2006 (cbsnews.com) “New Fed Chairman [\[Ben Bernanke\] Sworn In](#)”
- February 7, 2006 (GoldenJackAss.com) Jim Willie CB “Inelastic Gold Supply” [“My conjecture is that Fanny Mae already blew up,](#) but its publicity has been smothered in secrecy under the aegis of the US Federal Reserve.”
- February 8, 2006 (dailycardinal.com) Katie Kalmerton “Greenspan has left the building”
- February 8, 2006 MACROECONOMIC NEWSLETTER [ALERT – An Atonal Day](#)  
[\[Yield Curve\]](#) Warren Pollack “I posit that stocks are out of kilter, in sympathy and synergy to a yield curve that has entrenched itself into inversion. The inversion being the [big signal](#) that the economy has been running on fumes.”
- February 9, 2006 (prudentbear.com) Doug Wakefield “Wanted: Excellent Managers, [Storm](#) Experience Required” “I watch in amazement the bullish rhetoric that continues to come from the mouths of our political and financial establishments, while [the cold hard facts are completely dismissed.](#)”
- February 10, 2006 (UPI.com) “Bond yield curve fully inverts”

[Yield Curve] “The U.S. bond market sent a powerful signal Friday that the nation’s economy is headed for a recession [Great Depression 2].”

February 10, 2006 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 272  
“There is a Significant Fibonacci Cluster Event from February 15<sup>th</sup> to March 7<sup>th</sup> 2006”

“So what’s happening next? Well, we’ve noted that *phi* mate dates that have more than one *phi* mate tend to be more important turns. We’ve also noted that *phi* mate dates with a partner that was a significant turn in itself are prone to be more important turns. Further, we’ve noted that *phi* mate turn dates that occur within a period of time where there are a cluster of dates that converge a Fibonacci number of trading days from many previous tops and bottoms also have significant turn potential. **The next *phi* mate turn date has all three of these extraordinary conditions.**”

“Houston, we have *a cluster* sighting.”

“That’s 10 prior tops or bottoms that occurred a Fibonacci number of trading days from dates within this three week cluster period – which is amazing. Our *phi* mate analysis, which again is different than Fibonacci cluster date analysis, shows a best mathematical fit of February 24<sup>th</sup> +/- a few days for a tighter target. With this much Fibonacci presence occurring during late February and early March, clearly something special is coming.”

February 12, 2006 (safehaven.com) Sol Palha “Potentially Dangerous Forces Looming In The Horizon” “Many forces are aligning up and if things continue to unfold as they are doing so right now the markets could be in for a rather hard landing.”

February 13, 2006 (moneycentral.msn.com) Bill Fleckenstein “Notes from a housing bubble’s bust” “Longtime readers know that I have been expecting a stock dislocation to mark the end of our long-running mania.”

February 13, 2006 (ft.com) John Authers “Coming in on a wave theory” “Technical analysis can be a thing of beauty, even if, as now, the story it has to tell is ugly.”

“What does technical analysis foretell? Steven Hochberg, chief market analyst of Elliott Wave International, says the patterns

**point to a sharp correction in US stocks and other markets ...”**

- February 14, 2006 (marketwatch.com) Paul B Farrell “OIL? America’s addicted to everything!” “Wake up America! Oil’s only one minor symptom. **We are a nation of addicts, in denial of so many threats external to our bubble world.** Mentally we are at greater risk than with the irrational exuberance of 2000. Except this time the threat is global, systemic and potentially catastrophic, far outside the box of our mega-rational economic models and market forecasting systems. Soon your denial system may no longer work, reality will implode.”
- “So please, **be prepared for market losses far greater than the \$8 trillion we lost between 2000 and 2002.**”
- February 16, 2006 (house.gov/paul) Congressman Ron Paul R TX “Paul Questions Bernanke on **M3**, Inflation”
- February 16, 2006 (real-wealth-society.com) Wayne N. Krautkramer “**Pop** Goes The Real Estate Weasel (Part 2)”
- February 17, 2006 (STLtoday.com) David Nicklaus “Should we go around the bend over the shape of the yield curve?” “Today, rates are low by historical standards. While the Fed has been pushing short-term rates higher, it has done so gradually and has kept markets fully informed of its intentions. The unusual behavior, therefore, has been at the long end of the curve.”
- [Yield Curve]
- “A **dire economic outlook [Great Depression 2]** is one possible explanation for this behavior, but many economists postulate that something else is going on.”
- February 20, 2006 (marketwatch.com) Paul B Farrell “Dr. Doom warns: ‘Correction Time!’ ” “Sherlock Holmes might call it ‘The Strange Case of the Blind Investor at Market Top.’ ”
- “Neither the victims (Main Street), nor the perpetrators (Wall Street), nor even the police (Washington) want this case solved. All are in a trance, much like a deer in the headlights of an oncoming train, to mix metaphors a trifle. Even if we offered our services free at this juncture, no doubt we’d be summarily dismissed from the case, **chastised as ‘doomsayers,’** by victims, perpetrators and police alike.”
- “No, my dear Watson, **we stand far outside the American**

psyche.”

## I. Yield Curve Reverses

\* **FEBRUARY 23, 2006** (fanniemae.com) “Fannie Mae Releases [Rudman Report](#)”

February 23, 2006 (thestreet.com) Matthew Goldstein “[Report Is Kind](#) to Fannie Mae”

February 23, 2006 (Bloomberg.com) “Fannie Rudman [Report May Lift Shares, Confidence](#), Analysts Say”

February 24, 2006 (usatoday.com) Paul Davidson “[[Stock and Bond](#)] [Investors relieved](#) by Fannie Mae report”

February 25, 2006 (theaustralian) Jennifer Hughs “[Fannie](#) fraud [still a ‘threat’](#) ” “He [[Randy Quarles, undersecretary for domestic finance at the US Treasury](#)] acknowledged that the report had found that the accounting violations and corporate governance deficiencies were being repaired, but insisted: ‘[The broad systemic risks](#) inherent in the retained portfolio that was at the heart of the process [remain unchanged.](#)’ ”

February 2, 2006  
**Part 1** (resourceinvestor.com) Dudley Baker and Lorimer Wilson “[Ominous Warnings and Dire Predictions](#) of Financial Experts, [Part 1](#)”

March 3, 2006  
[trigger] (wsj.com) Mark Gongloff “Debate over [Fannie](#), Freddie Takes Place in the Extremes” “Most critics believe the loans Fannie and Freddie hold make up a [giant, ticking time bomb](#). A sudden and severe change in interest rates [[July 29, 2003](#)] could hit the GSEs with massive losses, forcing them to dump assets, which would cause more losses for other investors and [trigger](#) a chain reaction throughout the financial system.”

March 6, 2006  
[Yield Curve Reverses] (Bloomberg.com) “U.S 10-Year Treasury [Yield Rises](#) to Highest Since June 2004” “U.S. Treasuries fell, pushing the yield on the benchmark 10-year note to the highest since the day before the Federal Reserve began a series of 14 straight interest-rate increases in June 2004.”

March 6, 2006 (morganstanley.com) Stephen Roach “New Game”

[Yield Curve Reverses]

“The message from the recent sell-off in global bond markets should not be ignored. **The great conundrum** of unusually low real long-term interest rates **may now be a thing of the past.**”

March 7, 2006

“From their **recent lows on 22 February, [\* FEBRUARY 23, 2006]** yields on 10-year Treasuries have moved up...”

(reuters.com) Burton Frierson “ANALYSIS – **More head scratching over U.S. yield curve**” “After debating at length whether a rise in short-term bond yields above longer ones signaled recession in the U.S., **global investors are now wondering what the unwinding of this situation might bring.**”

“Investors’ decision to bail out of bonds has **started to undo the inversion of the yield curve** just as many had become comfortable with the **unusual** rise in two-year yields above 10-years.”

“But now the head scratching concerns the sell-off that is wiping out the inversion.”

[Yield Curve Reverses]

“ ‘The speculators had driven this inversion, and **suddenly a couple of weeks ago** [\* **FEBRUARY 23, 2006**] **it started to go into reverse** and it’s just now accelerating at a very rapid pace and I think that’s all it is,’ said David Keeble, head of fixed income strategy at Calyon.”

March 7, 2006  
[Yield Curve Reverses]

(investors.com) Dr. Irwin Keller “What if the yield curve stops being inverted?” “Don’t look now, but the yield curve appears to be twisting back toward its normal positive slope.”

March 8, 2006  
[Yield Curve Reverses]

(smh.com) John Garnaut “**The ground shifts** – long-term rates on the rise”

March 8, 2006  
[Yield Curve Reverses]

(biz.yahoo.com) Stephen Lewis “MONUMENT SECURITIES: Fed Greets **End Of Conundrum**”

March 9, 2006  
[Yield Curve Reverses]

(dailyreckoning.com) Bill Bonner “If the US Stock Market were a broken down car...” “Ten-year rates are finally moving up. **Greenspan’s conundrum is disappearing**, one basis point at a time.”

March 10, 2006

(ft.com) Philip Coggan “If you think it’s shaky now, wait until

later” “**The tectonic plates appear to be shifting**. Financial markets seem to be moving into a new phase, one that looks more volatile and thus more dangerous. The really significant move has been the rise in government bond yields.”

“The conundrum was not solved during Greenspan’s term of office...” [Not only was it **solved** and then **published** (September 12, 2005) but it was **forecasted** (July 24, 2003) over a year before Alan Greenspan even knew what a conundrum was.]

[Yield Curve Reverses]

March 13, 2006

(washingtonpost.com) David S. Hilzenrath ‘Fannie Mae Warnings Documented’ “... the [Rudman] report, **commissioned by board members** at a cost of up to \$70 million, said **the board ‘endeavored’ to meet its obligations** but was not alerted to problems by Fannie Mae’s management.”

March 16, 2006

(cepr.net) Dean Baker “The Menace of an Unchecked Housing Bubble” “Like the stock bubble, **the housing bubble will burst. Eventually, it must**. When it does, the economy will be thrown into a **severe recession...[Great Depression 2]**”

March 21, 2006  
**Part 2**

(financialsense.com) Dudley Baker & Lorimer Wilson  
**“OMINOUS WARNINGS AND DIRE PREDICTIONS OF WORLD’S FINANCIAL EXPERTS, PART 2”**

March 23, 2006

**END OF M3**

March 24, 2006

**GSE collapse**

(safehaven.com) John Rubino “The Real National Debt” “ Fannie and Freddie between them now own and/or insure \$4 trillion of mortgage debt, which means trouble at either would cause a financial earthquake. Picture a scenario in which a derivatives accounting problem costs a GSE its AAA rating, which causes all the bonds it has insured to fall, which lowers the value of its bond portfolio, which cuts its credit rating even further, and so on, in a **death spiral** that takes the whole global financial system along for the ride.”

March 25, 2006

(The Wall Street Examiner) Lee Wheeler “The New Worldwide Super (Duper) Bubble” “And when every chart breaks, it will happen globally, synchronously, all at once. Maybe world asset prices won’t fall 50% in one day, thanks to ‘circuit breakers’ and so forth. But **everyone will realize simultaneously that it’s over.**”

- March 29, 2006  
**[BINGO!!!]**
- (goldismoney.info) Jim Willie “The High Cost of Inflation”  
**“Few seem to be aware that Fanny Mae is bankrupt, under liquidation and receivership.** See a dedicated website on the subject of the **Fanny Mae death spiral** (<http://www.greatdepression2.com/>) from a diligent subscriber.”
- April 3, 2006  
**[Yield Curve Reverses]**
- (wsj.com) Mark Whitehouse “Long-Term Rates Creep Higher After Years of Resisting the Fed” “After stubbornly resisting **nearly two years [September 22, 2004 to February 23, 2006]** of prodding by the Federal Reserve, Long-term interest rates are on the rise...”
- April 9, 2006  
**[trigger]**
- (thebusinessonline.com) Peter Dixon “The Market – Calculating cost of changing risk” “Then there is another form of risk – systemic risks to the financial system which await a **trigger** before activating. A good example are the concerns of former Fed Chairman Alan Greenspan over the actions of **Fannie Mae** and Freddie Mac in the US...”
- April 9, 2006  
**[Yield Curve Reverses]**
- (todayonline.com) “ **‘Conundrum’ winds down** as US bond yields rise”
- April 9, 2006
- (ft.com) George Parker “**Europe simulates financial meltdown**” “Europe’s financial regulators have held a ‘war game’ exercise, simulating a continent-wide financial crisis, amid fears they are ill-prepared to stop a problem in one country spreading across borders.”
- April 12, 2006  
**FINAL  
OFHEO  
REPORT**
- (marketwatch.com) Damian Paletta “Job at regulator vacant as agency **[OFHEO] readies Fannie report**”
- April 13, 2006  
**[Yield Curve Reverses]**
- (ft.com) Joanna Chung “Benchmark Treasury **yield tops 5%**” “The yield on the benchmark 10-year US Treasury rose above 5 per cent for the first time in almost four years on Thursday...”
- April 16, 2006
- (msnbc.msn.com) Michael Mandel “Choose Your Own Crisis Scenario” “I spend a lot of my time thinking about ‘low-probability disasters.’ That’s a polite term for those unexpected, unwelcome events that take a stock market or a currency down 40%, 50%, or even more in a relatively short time.” “They’re the monster in the woods that every once in a while turns out to be real.”

**[BINGO!]**

**"Right now, there's a low probability disaster – a global financial crisis – lurking out there somewhere** in the wilds of the world financial system."

April 17, 2006  
[Yield Curve Reverses]

(Canada.com) Jacqueline Thorpe "Bonds shed as reality sinks in"  
**The bond conundrum is dead.**"

April 24, 2006  
**FINAL  
OFHEO  
REPORT**

(reuters.com) "US OFHEO eyes **final Fannie report** in coming weeks" "A U.S. regulatory agency on Monday said it was rapidly completing its special examination into Fannie Mae's accounting problems and hoped to release its final report in the next few weeks."

April 27, 2006  
[Yield Curve Reverses]

(Bloomberg.com) Caroline Baum "**We Hardly Knew Ye, Conundrum; Now You're Gone**"

April 27, 2006

(reuters.com) Kristin Roberts "Fed eyes Fannie/Freddie debt, next regulator named" "On Thursday, President Bush nominated James Lockhart, deputy commissioner of the Social Security Administration, to lead OFHEO. According to sources, **Lockhart had been wary of taking the job.**"

### **"TREASURY'S INTENT?"**

**Speculation has run high in Washington about the Treasury Department's intentions. Treasury officials regularly discuss the department's authority over Fannie's and Freddie's debt sales, but always stress that Congress should act.**"

April 27, 2006

(itulip.com) Eric Janszen "The **Modern Depression [Great Depression 2]**"

May 2006

(michael-hudson.com) Distinguished Professor of Economics at the University of Missouri – Kansas City Michael Hudson "the new road to serfdom" "An illustrated guide to the **coming real estate collapse**" [published in Harper's Magazine]

May 3, 2006

(gold-eagle.com) Cliff Droke "**How Close Is A Real Estate Meltdown?**"

May 9, 2006

(minyanville.com) John Succo "Value At Risk: Just Valid Enough To Be Dangerous" "With an **economy hooked on steroids** (our best guess is that M3 is growing at an astounding

**M3**

10%), it is crucial that thinking not be replaced by statistics in controlling risk...”

May 10, 2006 (reuters.com) Kristin Roberts “Fannie CEO: Major accounting issues found” “Fannie Mae Chief Executive Officer Daniel Mudd told Reuters on Wednesday the major accounting problems with the largest impact on the mortgage giant’s total profit restatement have already been found.”

“Fannie’s CEO said it has been ‘fully cooperative’ with OFHEO during the agency’s examination, which he called ‘quite comprehensive.’ He would not speculate about the report’s contents. ‘It’s going to be very tough. It’s going to be a bad day,’ he said.”

**[BINGO!]** “Mudd told Reuters the portfolios do not pose a systemic risk when well managed.”

## **J. Congress fiddles**

May 15, 2006 (washingtonpost.com) Jerry Knight “We’re Stuck With The Mortgage Monsters” “We still don’t know the truth about their finances, but last week we found out how much it is costing Fannie Mae to find out.”

“Would you believe \$800 million?” “When the \$800 million number was disclosed last week, not a whimper was heard from **Congress**, which for months has been dithering about what to do about regulating Fannie and Freddie.”

**[Congress fiddles]**

**“Congress dares not complain because it is culpable.”**

May 15, 2006 (chron.com) “Fannie Mae to Suspend Issuing Securities”

May 15, 2006 (marketwatch.com) “Fannie Mae limits debt issue; OFHEO to release exam May 23”

***FINAL  
OFHEO  
REPORT***

May 15, 2006 (OFHEO.gov) “James B. Lockhart, Acting Director of the Office of Federal Housing Enterprise Oversight (OFHEO), today announced that the Report of the Special Examination of Fannie Mae will be released next Tuesday at 10 a.m. May 23, 2006.”

***FINAL  
OFHEO  
REPORT***

- May 16, 2006 (biz.yahoo.com) “NY Fed head sees benefits, risks in derivatives”  
 \* “ ‘Most crises come from the unanticipated,’ said [Timothy] Geithner, adding that the increased role of **non-bank financial institutions** [reference to Fannie Mae] also made them potential catalysts for broader market failure.”
- MAJOR  
FED  
WARNING  
\*
- May 16, 2006 (marketwatch.com) Damian Paletta “Fannie **cancels speeches** ahead of OFHEO report”
- May 18, 2006 (nationalreview.com) Thomas E. Nugent “**From Boom to Bust** All Over Again?” We could be looking at the end of the real-estate bubble, just like the tech bubble before it.”
- May 19, 2006 (marketwatch.com) Robert Schroeder “U.S. says **urgent Congress** limit Fannie, Freddie portfolios” “It’s ‘**imperative**’ **Congress** empower a new regulator for Fannie Mae...”
- May 19, 2006 (businessweek.com) “Fannie Mae audit chairman **resigns**”
- May 22, 2006 (businessweek.com) Sonja Ryst “The **Growl** of a Housing Bear”
- May 23, 2006 (moneyweek.com) “Is the US housing market **crumbling**? ”
- May 23, 2006 **FINAL**  
**OFHEO**  
**REPORT** OFHEO releases the results of its **Special Examination** of Fannie Mae to the public.
- May 23, 2006 (13wham.com) Matthew Goldstein “Feds Fine ‘Arrogant’ Fannie Mae” “The company is still bracing for a massive earnings restatement, which has already cost shareholders hundreds of millions of dollars in fees paid to professional advisers.”
- One of those advisers is former Sen. Warren Rudman of New Hampshire, who issued his own report in February about accounting fraud at Fannie. **Many on Wall Street and Capital Hill viewed the Rudman report as a ‘whitewash’** because it absolved Raines and Fannie’s board of any serious blame for the accounting woes.”
- “The investigations of both government sponsored companies were begun by former OFHEO director Armando Falcon, whose term expired in 2005.”
- [Congress “Falcon issued a statement **blaming Congress** for allowing the

- fiddles]** fraud at Fannie to fester, noting that **the mortgage firm long boasted one of the most-effective lobbying operations on capital hill**. He called Fannie Mae a ‘government sponsored Enron.’ ”
- May 25, 2006 (alternet.org) Jan Freil “What went wrong with Fannie Mae?” “... it wasn’t just the case of the execs fudging the books for massive pay benefits – it’s that Fannie Mae, a mortgage insurer that’s backed by the federal government, has been conducting a **massive bipartisan buyoff in Congress for years** to keep pesky oversight investigators from taking a look at the books. A government-backed entity making political contributions? Yep.”
- [Congress  
fiddles] May 26, 2006 (csmonitor.com) The Monitor’s View “Fannie must” “When a company chartered by Congress to help finance affordable housing for lower-income Americans cooks its books to line the pockets of its managers, **one might hope Congress would seek quick reform. It’s worth asking why it hasn’t.**”
- May 28, 2006 (buffalonews.com) Marcy Gordon “More **handcuffs and perp walks** on horizon for next wave of execs” “This week’s revelations concerning Fannie Mae ... were a reminder that there’s more out there.”
- May 29, 2006 (denverpost.com) “Yet another financial scandal” “Add Fannie Mae executives to the long list of names who came to **Washington, D.C.**, to do good – and stayed on to do well.”
- May 30, 2006 (progress.org) Fred E. Foldvary “Fannie has been a Bad Girl” “If Fannie was naughty, so are the government chiefs responsible for her and the voters that elected these chiefs. Fannie was spanked, but the public will be punished much more badly in **the next depression [Great Depression 2]**, and sadly, they won’t know why.”
- June 1, 2006 (safehaven.com) Dudley Baker and Lorimer Wilson  
**Part 3** “Ominous Warnings and Dire Predictions of World’s Financial Experts – **Part 3**”
- “Together we have compiled a remarkable summary of the ominous warnings, dire predictions and perceived devastating consequences that the vast majority of economists, financial analysts, economic research firms and financial commentators are saying about our current economic situation and what is most likely to unfold in the months and years ahead.”

**Laurence Kotlikoff** “As they say, bad things happen to good countries, and we are heading into one God-awful fiscal storm, the full dimensions of which are hard to fathom.”

**Maya MacGuineas** “We face tremendous fiscal challenges. We have no plan for how to eliminate the deficit and the Baby Boomers’ retirement, which will only make our fiscal situation deteriorate more quickly, is just around the corner. The **political class** has not yet woken up to the seriousness of these tremendous challenges. **Will it be a financial market meltdown that finally forces their hand?**”

**Mike Hoy** “I cannot emphasize enough the importance of understanding that the way of life the world has accepted as normal for the last two decades is nothing more than a time bomb whose fuse has now been lit.”

“...the fate of those caught in the path of this blast will not be pretty.”

**James Sheperd** “This much leverage and debt is destined to unravel into a black hole of debt driven deflation, and soon. When a certain saturation point of debt and leverage is reached, **only a minor dislocation will be sufficient to cause a dramatic collapse.**”

**Peter Bernstein** “Current trends are not sustainable. The imbalances are now enormous.”

“The restoration of balance will be a compelling force roaring through the entire economy – globally in all likelihood. The breeze will not be gentle. Hurricane may be the more appropriate metaphor.”

June 2, 2006

(pahrumpvalleytimes.com) J.C. Watts “One kick from the mule ought to be sufficient” “There’s a saying where I come from in rural Oklahoma: There ain’t no knowledge in the second kick from a mule. It’s a truism as old as the hills, but that bit of folk wisdom doesn’t seem to have migrated up to **Washington, D.C.**”

“I make this statement in the context of a report that has come out documenting cooked books and systemic corruption at Fannie Mae...”

[Congress  
fiddles]

“It’s the second such report this year, and **it’s the second time Congress has been kicked in the head by this massive scandal**

that has grown to be 19 times larger than Enron's accounting fraud.”

June 10, 2006 (wallstreetexaminer.com) Lee Adler “Real Estate Bubble To Real Estate Crash”

June 10, 2006 (theithacajournal.com) Faith Bremner “Freddie Mac, Fannie Mae spend big to gain Congress' favor” “While Congress debated legislation that would rein in mortgage giants Freddie Mac and Fannie Mae, lobbyists for one of the companies bragged about keeping one committee chairman ‘on the sidelines’ and buying ‘unparalleled access’ to another, according to documents obtained by Gannett News Service under the Freedom of Information Act.”

[Congress fiddles]

“Congress has debated legislation for nearly seven years.”

June 15, 2006 (counterpunch.org) Gabriel Kolko “Why a Global Economic Deluge Looms” “People who know the most about the world financial system are increasingly worried, and for very good reasons. Dire warnings are coming from the most ‘respectable’ sources. Reality has gotten out of hand.”

June 15, 2006 (marketwatch.com) Robert Schroeder “No guarantee for Fannie, Freddie bailout: Treasury”

June 16, 2006 (forbes.com) James Grant “Yes, But Glitter” “You are Chairman Bernanke. What do you do? A conscientious fellow, you try first to do no harm. You have made a lifelong study of deflation and the Great Depression. Of all the mistakes you could make at the helm of the Federal Open Market Committee, there is one you really want to avoid: You do not want to go down in history as the scholar of the Great Depression who inadvertently steered the highly leveraged U.S. economy into Great Depression Part II [Great Depression 2].”

June 16, 2006 (swnebr.net) “[Senator Chuck] Hagel [R-Neb] Statement on Fannie Mae \$11 Billion Accounting Scandal” “We have been warned, this committee has been warned time after time, year after year, about the systemic failure that's at risk here. My goodness, when will Congress act?”

June 16, 2006 (opednews.com) Alex S Gabor “America's Fannie has been spanked but its' name is Mudd!”

“Yes, I am predicting the collapse of America's Fannie.”

“Under NYSE rules, Fannie Mae was in danger of being ‘delisted’ from the exchange, a step that could undermine confidence in the company and pressure on its stock. The NYSE says that it made an exception for Fannie Mae to avoid disrupting the market.”

“So why make exceptions when fraud is clearly self-evident and **the worst financial disaster in the history of the world is teetering and looming right before our eyes**?”

**[BINGO!!!]**

June 23, 2006

(aei.org) Peter J Wallison “**Moral Hazard on Steroids**”

“The OFHEO Report Shows that Regulation Cannot Protect U.S. Taxpayers”

“... regulation is highly overrated as a means of controlling risk. Risk is created at the top of an organization by management policies, in meetings that the regulators do not and never will be able to attend.”

“The only sensible course is to reduce the risks that Fannie and Freddie are able to take.”

“In its report, OFHEO complained that in trying to hit the profit numbers that would have assured their bonuses, Fannie’s management did not take the prudent steps necessary to hedge its **interest rate risk [July 29, 2003]**.”

June 26, 2006

**3Q 2003**

(marketwatch.com) “**Interest rate shock could lead to GSE insolvency: [Emil] Henry [U.S. Assistant Treasury Secretary]**”

“The assistant secretary concluded that ‘serious financial problems in the GSEs are not only a possibility, but an **unfortunate reality.**’”

June 27, 2006

**3Q 2003**

(seattletimes.nwsource.com) “Fannie and Freddie at risk, Treasury says” “The massive portfolios of government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac could become insolvent in a period of ‘**significant interest-rate movement [July 29, 2003]**,’ U.S. Assistant Treasury Secretary Emil Henry said Monday.”

“If GSE hedging models failed to anticipate an **interest rate shock [July 29, 2003]**, ‘**the results would be without precedent,**’ he said.”

June 28, 2006

(publicradio.org) Tess Vigeland “Housing bubble **deflating**”

June 29, 2006

(marketwatch.com) Chris Oliver “Growing evidence of real estate

**bust”**

- July 2006 (housingfinance.com) John Zipperer “Fannie settles with OFHEO” “The U.S. Senate is still considering legislation to tighten regulation of Fannie Mae and Freddie Mac, but observers are divided over whether the settlement with OFHEO will speed up the legislation or if **Congress is too preoccupied with election-year issues to be able to act** on the bill before the year is out.”  
[Congress fiddles]
- July 5, 2006 (safehaven.com) The Mogambo Guru “E-Economic Newsletter” “The Mogambo Instant Summary (MIS) is that Fannie Mae is going down, down, down, and because the Fed and the **Congress allowed it to get so big, big, big**, Fannie Mae is going to take everything down, down, down, with it, too. Ugh.”  
[Congress fiddles]
- July 5, 2006 (laborradio.org) “Economic Report: Can world economy absorb **U.S. housing market crash?**” “That is the big question that billionaire George Soros said the world should be asking.”
- July 5, 2006 (moneyweek.com) “How US mortgage debt could cause a global financial crisis” “In the US, Fannie Mae (FNMA) and Freddie Mac are Government Sponsored Enterprises (GSEs) which buy residential mortgages and repackage them to sell on as mortgaged-backed bonds. Although these bonds are not backed by the US government, most believe the GSEs would never be allowed to fail. But Dan Denning reports below on how a US Treasury report has warned that this **mistaken belief** and the illiquid nature of property means that an **‘interest rate shock’ [July 29, 2003]** could topple the US mortgage market – making the Long Term Capital Management (LTCM) crisis look like a walk in the park...”
- 3Q 2003 “It’s both refreshing and **astonishing for a public official to state what has been plainly obvious for three years now; The GSEs could become insolvent, and take a lot of people with them.** It is not the idle musings of congenital doom-mongering pessimists like myself.”
- July 10, 2006 (newswithviews.com) Devvy Kidd “**CONGRESS IGNORING LOOMING FINANCIAL CATASTROPHE**” “One economist I know simply said, ‘Mother of God. The American people are going to be shocked into a comatose state because they don’t have the understanding to prepare for **what’s coming’ [Great Depression 2]**.”  
[Congress fiddles]
- July 11, 2006 (businesswire.com) “Fitch Discusses Beginning of U.S. Homebuilder **Contraction** Today @ 11AM ET”

- July 11, 2006 (suburbanchicagonews.com) “Fix mortgage giants to avoid super scandal” “It’s hard to believe, with Randy ‘Duke’ Cunningham rotting in prison and cash bulging from a Democratic congressman’s freezer, but **a potentially more serious corruption scandal is quietly percolating in Washington.**”
- [Congress fiddles] “We’re talking about the enormous risk to the world’s financial system posed by the executives who run Fannie Mae and Freddie Mac, **abetted by their minions in Congress.**”
- 3Q 2003 “... mortgage lending can be risky, as any 1980s savings and loan executive could tell you. So Fannie and Freddie have hedged their considerable risk with a variety of exotic, unregulated financial instruments called derivatives or interest rate swaps.” “Alan Greenspan and his successor at the Federal Reserve, Ben Bernanke, call this ‘**systemic risk,**’ a nice way of saying that **a mortgage giant meltdown, probably caused by rapid swings in interest rates [July 29, 2003], threatens the international banking system.**”

## **K. Hard landing!**

- July 14, 2006 (smartmoney.com) Janet Morrissey “Home Builders Hit by Warning, Bearish Call” “The nation’s home builders were the biggest losers among 100 sectors of the Dow Jones indexes Friday, as jittery investors appeared to react to negative news from D.R. Horton Inc. (DHI) and an analyst’s report on the housing industry that **compared current housing trends to conditions that led to a crash in the late 1980s.**”
- July 18, 2006 (allheadlinenews.com) Patricia Shehan “**Foreclosures Increasing Nationwide, With 3 FL Counties Doubling The National Rate**”
- July 19, 2006 (marketwatch.com) Rex Nutting “**Mortgage applications fall 4.6%**”
- July 19, 2006 (cbs4denver.com) “Colorado Leads The Nation In Home **Foreclosures**”
- July 19, 2006 (Bloomberg.com) “U.S. **Housing Starts fell** 5.3% to 1.850 Million Rate in June”
- July 19, 2006 (suntimes.com) “Economist: ‘The **housing market’s in trouble**’ ” “Confidence among U.S. homebuilders dropped this month to the

**lowest level in more than 14 years** as sales fell and orders were canceled.”

- July 20, 2006 (globaleconomicanalysis.com) Mike Morgan “Ghost Housing Market” “We recently had two more of Wall Street’s finest out on a tour of Florida real estate markets. After the first day, these guys needed **diapers**. They’ve been listening to the garbage from home building company management teams and what dribble they hear on the conference calls. **I showed them reality**, and it hit them like a ton of bricks.”
- July 20, 2006 (forbes.com) Jeannine Aversa “Fed Chief: Housing Market **May Land Safely**”
- July 23, 2006 (dallasnews.com) Danielle DiMartino “Housing: Grin and bear it” “The first stage of grief is **denial**. That’s the state the few remaining housing bulls seem to be in.”
- July 24, 2006 (newswithviews.com) Frosty Wooldridge “**Economic ‘PERFECT STORM’ Brewing**”
- July 24, 2006 (poll.gallup.com) Dennis Jacobe “Investors at their most pessimistic for the year” “... it is not clear the ultimate fate of the residential real markets in the U.S. will be in coming months. But no one should underestimate the ramifications of a **housing sector collapse**.”
- July 24, 2006 (epolitix.com) “Chancellor **warned** on economic prospects” “An influential economic forecast has warned of trouble ahead for the British economy.” “With Brent crude closing on \$80 a barrel, the hurricane season beginning shortly in the Caribbean, **the US housing market looking ready for a crash** and the recent decline in Japanese consumer confidence, the chancellor can’t pack his bucket and spade and head to the beach quite yet.”
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- July 24, 2006 (iht.com) Aparajita Saha-Bubna “Home builders’ bonds take **tumble**”
- July 24, 2006 (gazetteextra.com) “**Sagging** housing market hits owners in western Wisconsin”
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 “... the question flickering behind my eyelids isn’t ‘whether’ there’s a slowdown/recession/deflation--or worse [**Great Depression 2**] — but how it will manifest and when it will creep into the collective consciousness.”
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- July 26, 2006 (csmonitor.com) Mark Trumbull “Housing market slowdown rippling across the economy”
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“Now, fasten your seatbelts: Things are getting very ugly, very quickly.”

“The latest news from WCI Communities (WCI) will blow your mind. WCI builds condo towers and single-family homes all over Florida and a few other places.”

### **“Orders for condo towers declined 88.8 freaking percent?**

That's insane! If that's not a total market collapse, I don't know what is. The market is coming unglued.”

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- We’re headed for a new [and different type of great depression]**
- “The price on gas and heating oil keeps going up. The price of food keeps going up. Student loan interest rates are going up.”
- [BINGO!]**
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“... America will not be so lucky. Our property market will come down in the biggest, hardest landing ever.”
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“The real estate market will not soft or hard land, it will **crash and burn**. Those who did not have the foresight to bail out may be faced with a distinct shortage of parachutes.”

“For those who think the inventory of unsold homes is high now, **you ain’t seen nothing yet.**”

August 25, 2006 (thestreet.com) Jim Cramer “**Lots of Factors Brought Down the House**” “How about how Fannie Mae and Freddie Mac were able to do whatever they wanted to make housing affordable?”

“When you tax-advantage the heck out of property, any property, you are going to inflate it.”

[Congress fiddles] “**Politicians working with the real estate lobby couldn’t stop.**”

August 25, 2006 (nytimes.com) Paul Krugman “Housing Gets Ugly” “A rapidly growing glut of unsold houses is a recipe for a major bust, **not a soft landing.**”

August 25, 2006 (fool.com) Selena Maranjian “**Mortgage Disaster Ahead?**”

August 25, 2006 (thestreet.com) Katie Benner “Mortgage Trouble Hits H&R Block” “H&R Block said late Thursday that it will likely need to set aside \$61.3 million, or 19 cents a share, to protect against loan liabilities related to **rising mortgage delinquencies** at its Option One Mortgage unit.”

August 25, 2006 (elliottwave.com) “ ‘Regression to the mean’ ... and Real Estate?” “Which brings to mind some of the chatter I’m hearing this week about the dismal home sales numbers. A couple of commentators think a regression to the mean is a fancy way of saying ‘soft landing’ – a little bit of a relatively painless slowdown in real estate, then all’s well and back to normal.”

“Apparently they don’t realize that **the regression can accelerate, to the point that prices cross the mean and keep going in the other direction.** In case you’re wondering how that can really happen and what it looks like, go grab a chart of the NASDAQ from 1997 to 2003. It’ll speak for itself.”

August 25, 2006 (opednews.com) Allen L Roland “LOOMING HOUSING CRASH IS HERE / RECESSION NEXT” “Dean Baker of the Center for Economic and Policy Research says that **if housing prices fall at least 10%, it could be even more damaging than the collapse of**

**the high-tech stock bubble in 2000.”**

“Are you ready for this? **Housing prices could very well fall at least 10% in the next two to three months.”**

- August 26, 2006 (Canada.com) “Recession wolf at door”  
“With stunningly bad news this week on the U.S. housing market,  
**the ‘R’ word** is back in play.”
- August 27, 2006 (sfgate.com) Joel Kotkin “Once bubble bursts, **cities feel the pain**”
- August 27, 2006 (observer.guardian.co.uk) Heather Stewart “US housing slump fuels  
crash fears” “Foundering American property market could spark  
**global slowdown worse than dotcom collapse**”
- August 28, 2006 (nysun.com) Dan Dorfman “Frightening Talk of a **Monster Recession [Great Depression 2]**”
- August 28, 2006 (bridgenews.org) Bill Cunningham “**This is the big one**”
- August 29, 2006 (theglobeandmail.com) Eric Reguly “Get out before U.S. housing  
**caves**”
- August 29, 2006 (in2perspective.com) Laurie Osborne “US housing market  
**in freefall**”
- August 29, 2006 (dallasnews.com) Danielle DiMartino “Builders may be near  
**liquidity crisis**”
- August 29, 2006 (chron.com) Lingling Wei “Early Subprime **Mortgage Defaults Rising**”
- August 29, 2006 (inman.com) “Massachusetts sees **56% jump** in foreclosures”
- August 30, 2006 (iht.com) Charles V. Bagli “MetLife is selling 110 New York buildings” “NEW YORK Metropolitan Life, one of the largest life insurers in North America, is putting Stuyvesant Town and Peter Cooper Village – a stretch of 110 apartment buildings along New York’s East River – on the **auction block**.  
“With a target price of nearly \$5 billion, the sale would be the biggest deal for a single American property in modern times.”

- August 30, 2006 (usatoday.com) “Demand for purchase mortgages weakest  
since 2003”
- August 30, 2006 (canada.com) “‘**Hard landing’ or ‘recession**,’ U.S is about to get hurt”
- August 30, 2006 (finfacts.com) “US mortgage applications **down 22.4%** compared with same week a year ago”
- August 31, 2006 (usatoday.com) Sue Kirchhoff “Builders **cut back** landholdings”
- September 1, 2006 (baltimorest.com) Jamie Smith Hopkins “Housing slump slashes jobs”
- September 1, 2006 (sltrib.com) Martin Crutsinger “**Construction spending plunged** by largest amount in nearly **5 years**” “The decline was far worse than the unchanged level of activity that Wall Street forecasters had been expecting.”
- September 1, 2006 (freemarketnews.com) “THE CROWD AND A SOFT LANDING” “Today, **the crowd is convinced** that U.S. housing is going to make a soft landing.”
- September 1, 2006 (thestreet.com) Steven Smith “It’s Quiet **[VIX]**, but keep on you toes” “The lesson as always is: Be prepared for the **‘black swan event’** ...”
- September 1, 2006 (inman.com) “Bill to strengthen oversite of Freddie, Fannie **[One part of Congress fiddles]** stalls in Senate”
- September 5, 2006 (easybourse.com) Damian Paletta “OFHEO: Average 2Q US **Home Price Growth Slowest In 30 Yrs**”
- September 5, 2006 (money.cnn.com) Les Christie “Sharp home price pullback” “Government index shows the largest quarter-to-quarter fall off in home price increases **in three decades**. ”
- September 5, 2006 (inman.com) “Deceleration of real estate prices **sets record** in Q2” “OFHEO index details major slowing in home-price growth”
- September 6, 2006 (prweb.com) “**The Housing Bubble Gets Ready To Burst:** Homeowner Tips To Survive The Real Estate Burst” “The other culprit according to **[Thomas]** Martin is a ‘greedy

- [Congress fiddles] mortgage industry combined with a Fannie Mae, Senate & House Banking Committee all asleep at the switch..."
- September 7, 2006 (redding.com) Barrie McKenna "**Home market heads for crash**" "**Collapse could be signal of larger economic troubles ahead**" "The U.S. housing crash may prove to be the economic equivalent of the canary in the coal mine – a warning of impending danger in an economy that has surged too far, too fast."
- [BINGO!]**
- September 8, 2006 (taftmidwaydriller.com) Daniel B. Kline "U.S. economy remains precariously resilient" "The American economy has become such a precarious mix of potential disasters that it's almost impossible to worry about which way it might fall apart. While I'm generally a financial optimist who believes that our capitalist system can usually overcome the incompetence of our politicians, the sheer volume of things going wrong now scares me."
- September 11, 2006 (onlinejournal.com) Mike Whitney "Day of reckoning; America's economic meltdown" "There's growing concern among economists and market-savvy pundits that the global financial system is hanging by a few well-worn threads that could snap at any time."
- September 12, 2006 (goldseek.com) Peter Grandich "Special Alert: A Realist's View" "While I'm now in my 23<sup>rd</sup> year in the financial arena, I have never seen such a discrepancy between what I perceive the future holds versus how the majority of Americans are living their lives and are seemingly unprepared for it." "... our country's financial health is rapidly deteriorating and little if anything is being done to prevent a catastrophe that will make the Great Depression look like a walk in the park."
- September 13, 2006 (goldseek.com) Rick Ackerman "An Algorithmic Frankenstein..." "Does the stock market know there's a spectacular housing bust gathering momentum – one that could conceivably usher in a Second Great Depression [Great Depression 2]?"
- September 13, 2006 (youtube.com) Rob Hustle VIDEO DOWNLOAD TITLED "Housing Bubble vs. Great Depression [Great Depression 2]"
- September 13, 2006 (safehaven.com) Doug Wakefield "Please, Proceed to the Nearest Exit – Part 1" "Today, as I write this article, a financial

storm [Great Depression 2] continues to build. Still, most people don't want to be bothered with the details."

September 15, 2006 (news-journalonline.com) Lee Bidgood "Feels almost like we're in 1926 Florida" "Will Florida endure a rerun of 1926? In that year a great Florida real estate bubble burst. The event foreshadowed the 1929 stock market collapse followed by the great depression."  
**[BINGO!]**

September 17, 2006 (heraldtimesonline.com) "Is the housing bubble about to burst?"

September 18, 2006 (reuters.com) "Time slipping away for GSE reform, lenders say"  
[Congress  
fiddles]

September 19, 2006 (centralvalleybusinesstimes.com) "California housing bubble about to burst"

September 21, 2006 (theglobeandmail.com) Wendy Stueck "U.S. real estate crash could cause global ripples" "Yale's [Robert] Shiller warns of consequences"

September 25, 2006 (cbs4.com) "Has The Housing Bubble Burst?"

September 25, 2006 (prweb.com) "If the Housing Bubble Bursts, Where Does It Leave Consumers"

September 25, 2006 (bloomberg.com) Mark Clothier "Lowe's Reduces Forecast Third Time as Housing Slows (Update2)"

September 25, 2006 (msnbc.msn.com) Anders Bylund "Prepare for a U.S. Market STOCK CRASH" "The crash is coming. Here's how to beat it."

September 25, 2006 (nader.org) Ralph Nader and Robert Weissman  
"Letter to SEC Chairman Cox Regarding Fannie Mae"

September 26, 2006 (inman.com) Marcie Geffner "Congress must fix mortgage watchdog" "...Congress may be engaged in a deliberate delay to keep OFHEO in play until after the November election."  
[Congress  
fiddles!!]

September 27, 2006 (wbir.com) "Has the housing market bubble burst?"

September 28, 2006 (easybourse.com) "OFHEO Chief: Things Could Get 'Ugly' Without GSE Bill"  
[Congress  
fiddles]

- September 29, 2006 (madison.com) Ray Unger “[\*\*Recession is coming\*\*](#), recession is coming...”
- September 29, 2006 (moneyweek.com) Cris Sholto Heaton “Are the good times ahead for the financial vultures?” “Despite compelling evidence that [\*\*a severe US slowdown is on the way\*\*](#), economic cheerleaders are still talking up their book.”
- September 30, 2006 (scotsman.com) Bryan Johnston “Stock deals on the margins threaten [\*\*repeat of the Crash of '29\*\*](#)” “**ON 3 SEPTEMBER 1929 the US stockmarket hit an all-time peak**. By 29 OCTOBER, the market had fallen 47 per cent and [\*\*the Great Depression had begun...\*\*](#)”  
**[BINGO!!]**
- October 1, 2006 (boston.com) Jim Abrams “[\*\*Congress adjourns, leaving much work undone\*\*](#)” “Incumbents are preoccupied with getting reelected”  
**[Congress no longer fiddles]**
- October 1, 2006 (washingtonpost.com) “[[\*\*Stock and Bond\*\*](#)] Market Bulls Ride In as Housing Sector Cools” “What energizes the [\*\*stock and bond market bulls\*\*](#) is the belief that the economy has settled into a period where the economy will grow at just the right pace -- [[\*\*Goldilocks – not too hot, not to cold, just right\*\*](#)] not so fast that inflation will take off, but fast enough to keep profit growing, consumers spending and unemployment at less than 5 percent.”
- October 3, 2006 (marketwatch.com) Laura Mandaro “Housing chill strikes home Cabinetmakers, pool suppliers and toolmakers warn as demand falters” “It’s not just homeowners and homebuilders that have a lot to lose if tremors roiling the real estate market turn into a [\*\*full-scale quake\*\*](#).”
- October 3, 2006 (centralvalleybusinesstimes.com) “WEBCAST: Rubino says [\*\*housing bubble collapse could trigger major depression \[Great Depression 2\]\*\*](#)”  
**[trigger]**
- October 3, 2006 (abcnews.com) “[\*\*Dow Soars to New Closing High of 11,727\*\*](#)”
- October 3, 2006 (wonkette.com) “New Dow Record! Prepare For Poverty” “Hooray, it’s a new record for the Dow!”
- Happy days** “[\*\*Happy days are here again!\*\*](#)”
- “Too bad the [\*\*New Great Depression \[Great Depression 2\]\*\*](#) is

about to strike!”

**[BINGO!]**

October 4, 2006

(safehaven.com) Richard Daughty “The Mogambo Guru”  
“I don’t know if it was because Total Fed Credit was down again by \$ 3.7 billion last week, or that foreign central banks pulled out \$12 billion from their account at the Fed, or that my wife is getting suspicious about something, or what, but something unnerving is in the air.”

**Get ready for Stock, Bond and Housing Market Crash M3**

“The sensitive economic nose of the Mogambo goes sniff, sniff, sniff, and I triumphantly announce that the stench is not my feet, as is commonly assumed, but the rotting, bloated, inflationary, gangrenous body of the economy, and it portends the dismal, bankrupted, angry, cataclysmic end of the stock/bond/real estate/debt/government bubble, but (sniff, sniff, sniff) apparently covered over with gravy and chocolate sauce.”

October 4, 2006

(therealestate.observer.com) Max Abelson “Wednesday: Great Depression #2? [Great Depression 2]”

October 4, 2006

(thetrumpet.com) “Falling Home Prices Could Devastate U.S. Economy” “A highflying housing market has been one of the primary drivers of the U.S. economy for the last several years. It has supplied one third of all the jobs created since 2001 – including jobs for builders, bankers, realtors, building suppliers, and many other dependant industries.”

Therefore, it is chilling to note that housing prices look like they are about to fall off a cliff.”

October 5, 2006

(workers.org) Milt Neidenberg “As housing market falls is \$10 trillion bubble ready to burst?”

October 6, 2006  
**Happy days**

(theage.com.au) Isabelle Oderberg “Happy days are here again”  
“Overnight in the US, the Dow Jones Industrial Average rose to a second record close...”

October 6, 2006

**BOND CRASH**

(gold-eagle.com) Pinank Mehta “An ‘interesting’ Picture Of The US Bond Markets” “Exhibit 8 Record Long ‘Open’ Interest in US [10 Year] Bonds” “THIS IS THE MOST ALARMING PICTURE I HAVE SEEN IN THE FINANCIAL MARKETS SINCE SOME TIME.”

- October 6, 2006  
**[trigger]** (newswithviews.com) Devvy Kidd “THE DOW’S PHONY NEW HIGH” “One day soon **one special event** will occur. It may be an unexpected bankruptcy of a major corporation, i.e., **Fannie Mae**, a major bank or a highly leveraged hedge fund **[Fannie Mae again.]**”
- October 7, 2006 (kingcountyjournal.com) Clayton Park “**Housing bubble not bursting yet...**”
- October 8, 2006  
**BOND CRASH** (suntimes.com) David Roeder “Bond market might have caught a case of **irrational exuberance**”
- October 9, 2006 (freemarketnews.com) “**WHEN WILL HOUSING CRASH COME?**”
- October 11, 2006 (safehaven.com) The Mogambo Guru “E-Economic Newsletter” “SafeHaven.com gave us an ‘Interesting Picture of the US Bond Markets’ by Pinank Mehta of Metier Capital Management. He says ‘The current Long ‘Open’ Interest in 10-year US treasury bonds is greater than SIX Standard Deviations (12 SIGMA) !!!!!!’ Please note the use of the extremely rare seven exclamation points, a literary device to denote particular emphasis, in this case to alert you to prepare for the next sentence, which was that ‘The odds of a 6-Sigma event are one in 500 million, or 1.37 million years, so it will be exponentially higher in a **12 Sigma event.**’ I don’t know about you, but when I read that, **sphincters tightened up.**”  
**BOND CRASH**
- October 12, 2006  
**Happy days** (money.cnn.com) Paul R. La Monica “Earnings rock ... so far” “Bust out the bubbly and party favors.  
**Happy days are here again** on Wall Street... at least for now.”
- October 12, 2006 (fairviewobserver.com) BONNA de la CRUZ “Impropriety charges fly in Senate race” “The campaigns of Bob Corker and Harold Ford Jr., seeking an advantage in a tight U.S. Senate race, accuse each other of using political connections improperly.”  
**[Harold Ford Jr. fiddles]**
- “Corker asked Ford Jr. why **his father became a lobbyist for Fannie Mae shortly after his son was appointed to serve on the House committee that oversees the activities of the nation’s top source for home mortgage funding.**”
- “The Corker campaign noted that Ford Sr. earned at least

\$ 280,000 in lobbying fees from Fannie Mae and that Ford Jr. took \$ 15,000 in contributions from the Fannie Mae PAC and employees.”

“ ‘This creates, at a minimum, an appearance of impropriety, [Todd] Womack said.’ ”

- October 12, 2006 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 435 “This type of rally [DJIA] can continue for quite some time, and drive prices quite high, as we have seen. But it is a death trap. It is artificial. It will end as soon as some trigger event sends fear into the markets, the kind that catches shorts on the sidelines, buyers exhausted, and interventionists helpless to play their game.”
- [trigger]  
**P.P.T.**
- October 13, 2006 (prweb.com) “**Is the ‘Bubble’ Ready to Burst?**”
- October 13, 2006 (howestreet.com) J. Taylor “Another **Stealth Depression [Great Depression 2] in the Making**”
- October 14, 2006 (blackenterprise.com) Jonathan Davis “**The Bubble Has Deflated, Not Burst ...**”
- October 14, 2006 (signonsandiego.com) Roger M Showley “Foreclosure rates, default notices soar”
- October 14, 2006 (sundayherald.com) “**Heading for the Big Bang?**”
- October 15, 2006 (thedesertsun.com) Lou Hirsh “Realtors struggle with snail-slow sales”
- October 15, 2006 (chicagotribune.com) Elizabeth Razzi “**The coming credit crunch**: What’s in your wallet?”
- October 16, 2006 (marketwatch.com) Alistair Barr “Housing slowdown creating ‘ghost towns’ ”
- October 16, 2006 (safehaven.com) Bruce Culver “What’s up with 10 yr. Treasuries? A possible Red Flag” “Mehta doesn’t speculate as to the reason for this highly suspect (12 sigma!): statistically virually impossible) level of open interest in 10 year treasuries...”
- BOND CRASH**
- October 16, 2006 (indiadaily.com) Joe Weinman “A recipe for stock market melt down that was eliminated in 1929 is getting ready to be in place – will history repeat?”
- [BINGO!!]**

- October 17, 2006 (prudentbear.com) Bill Bonner and Addison Wiggin  
**“The Coming Correction”**
- October 17, 2006 (nysun.com) Liz Peek “Housing Correction **Just Getting Started**”
- October 17, 2006 (detnews.com) Joe Menard “**Bids for \$375K home start at \$1**”
- October 18, 2006 (msnbc.msn.com) Michael Mackenzie “Market Insight: **Falling volatility spells rising complacency**” “Equity volatility [VIX] has fallen to near 10-years lows while credit spreads remain historically tight over Treasuries. **Volatility has fallen so far** that some commentators say it is unlikely to drop much further.”
- October 19, 2006 (thestreet.com) Liz Rappaport “Democratic House No Pox on Stocks” “The biggest play on a Democratic win in the midterm elections are mortgage financiers Fannie Mae and Freddie Mac, say analysts.”
- [Democrats fiddle]**  
“**With the Democrats in power, these government-sponsored enterprises that facilitate home ownership may be more insulated from criticism.** Their shares have rallied 25% and 19%, respectively, since mid-August, as prospects for Democratic gains took hold.”
- October 19, 2006 (dailybreeze.com) Muhammed El-Hasan “Nation’s housing market called ‘**a slow-moving train wreck**’ ”
- October 19, 2006 (emediawire.com) “Americas Watchdog Says Homebuilding Industry is a **House of Cards...**”
- October 19, 2006 (latimes.com) David Streitfeld “More Homeowners Going Into **Default**”
- October 20, 2006 (financialsense.com) Peter Schiff “Don’t get excited about CPI and Housing data” “As has been its recent tendency, the market is unconcerned with recent bad news, instead championing it as confirming the highly touted soft-landing.”
- STOCK CRASH**  
“In fact, this rosy, **Pollyanna view** is now so ingrained in Wall Street’s psyche that any evidence to the contrary is summarily dismissed. However, now that most remaining skeptics are finally on board, **the stage is finally set for the crash-landing scenario to catch everyone by surprise.**”
- October 20, 2006 (marketwatch.com) Mark Hulbert “The lessons of ‘87”

“One of the best ways of putting in context what happened on that fateful day 19 years ago is to translate the percentage drop that day in the Dow Jones Industrial Average into today’s terms. If the market at current levels were to drop 22%, as it indeed did on Oct. 19, 1987, **the Dow would shed more than 2,600 points in a single day**, bringing the benchmark down to the 9,400 level.”

- October 20, 2006 (news-press.com) Dick Hogan “Homes may sit **two years**”
- October 20, 2006 (money.cnn.com) Paul R. La Monica “The **bear** is in your house”
- October 20, 2006 (in2perspective.com) Laurie Osborne “**US house prices at tipping point**”
- October 22, 2006 (baltimoresun.com) Eileen Ambrose “**Dow should sound alarm beware euphoria**”
- October 23, 2006 (wsj.com) Deborah Solomon “Paulson Pulls for U.S. Markets”  
**P.P.T.** “Mr. Paulson is having the **Working Group** look at the systemic risk posed by hedge funds and derivatives, and the government’s ability to **respond to a financial crisis**, officials said.”
- “He has ordered his chief of staff, Jim Wilkinson, to oversee the creation of a Treasury command center to track markets world-wide and serve as an operations base **in a crisis**.”
- October 23, 2006 (seekingalpha.com) Chris Ciovacco “Who’s Got It Right – Stocks, Bonds, Neither, or Both?” “Which market is correct? **Is it possible that they are both wrong?**”  
**STOCK AND BOND CRASH** “**Only time will tell...**”
- October 23, 2006 (fool.com) Rex Moore “How to Beat **the Coming Bear Market**”  
**STOCK CRASH** “I don’t know when we’ll see the next bear market. But like you, **I know it’s coming...**”
- October 23, 2006 (ft.com) Jim Pickard “How US housing boom may be coming to tricky end” “A **sudden slowdown** in the US housing market has sent analysts scouring the globe in search of clues as to what might happen next. Will America’s spectacular residential property boom end in a ‘soft landing’ – for house prices and its economy as a whole – or are **shocks** of a more brutal severity in store, which could resonate far beyond its shores?”  
**[trigger]**

- October 23, 2006  
**STOCK CRASH** (moneycentral.msn.com) Bill Fleckenstein “Waiting game: **A plunge is inevitable**” “More signals – and more observers – emphasize **the disconnect between economic reality and the current euphoria.**”
- “The stage is set for some real fireworks, especially since this has been such a straight-up, **bulletproof rampage** for the last 2 ½ months.”
- “... (we’re) more **ripe for a reversal** than at any point in time since the fall of 2000.”
- October 24, 2006 (minyanville.com) Lance Lewis “Is ‘**GOLDILOCKS**’ FOR REAL OR **JUST ANOTHER FAIRY TALE?**” “... everything that typically benefits from ‘Goldilocks’ (stocks, dollar, bonds, economy) will soon head south...”
- October 24, 2006 (smartmoney.com) James B. Stewart “Common Sense **Nervous About Optimism**” “WITH THIS WEEK’S MARKET surge to new records, it’s obvious that we’re in the midst of a strong autumn rally.”
- STOCK CRASH** “This gives me pause, since **buoyant optimism about stock prices often signals a market peak**. If early rallies climb a wall of worry, as traders like to say, **they often end in a euphoric burst.**”
- October 25, 2006 (msnbc.msn.com) Dians Olick “Foreclosures on the rise nationwide” “**39 percent of mortgages this year still considered ‘high-risk’**”
- October 25, 2006 **Happy days** (thestreet.com) Steven Smith “**VIX Drops to Near All-Time Lows**”
- October 25, 2006 (marketwatch.com) Padraic Cassidy “Weyerhaeuser feels pinch of slowing housing market” Weyerhaeuser Co. said Wednesday that an **abrupt decline in the housing market** sent wood prices into a **deeper plunge than it expected**, leading to a 26% decline in third-quarter profit.”
- October 25, 2006 (forbes.com) Matthew Kirdahy “Housing Prices Sink To **Record Low**: Report”
- October 25, 2006 (usatoday.com) Noelle Knox “[Home] Sellers sing the blues as

- price drop sets record”
- October 25, 2005 (blackenterprise.com) Matt Krantz “[Another Day, Another Dow Record High](#)”
- October 26, 2006 (sprott.com) “Do We Believe the Bull?”  
**STOCK CRASH**  
 “In our opinion, the overly optimistic viewpoint being portrayed in the media belies the [underlying evidence of troubles up ahead](#) for the economy and the equity markets both. As such, we believe the proclamations of a new bull market are just that – bull.”  
 “... the very real risk of an outright recession and/or [financial calamity looms around the corner](#). This is why we don’t believe the bull!”
- October 26, 2006 (Bloomberg.com) Michael Tsang “[Fannie Mae to Reap Gains From Democratic Win](#); Wal-Mart May Lose” “Fannie Mae and Freddie Mac, the two largest sources of money for U.S. home loans, stand to gain because [Democrats have opposed stricter regulation for the companies.](#)”  
**[Democrats fiddle]**
- October 26, 2006 (nypost.com) John Crudele “TREASURY’S PAULSON PLAYS WITH THE PLUNGE PROTECTORS”  
**P.P.T.**  
 “[PAY attention!](#) Someone – and I don’t know who – wants us all to know that since July Henry Paulson, the new secretary of the U.S. Treasury, has spent a lot of time on a little known Washington operation called the [President’s Working Group](#) on Financial Markets.”  
 “That was the major message in a prominent piece this past Monday [Oct.. 23] in The Wall Street Journal.”  
[“The big mystery is why do these people want us to know this? And why now?”](#)  
**P.P.T.**  
 “[So it’s interesting that now – seemingly out of the blue and far removed from any obvious crisis – Paulson is activating the Plunge Protection Team](#) and someone wants us to know about it.”
- October 26, 2006 (wsj.com) Justin Lahart “November Surprises”  
 “Many Washington pundits see a Democratic takeover of the House of Representatives as a done deal. Wall Street is still waking up to it.”

[Democrats  
fiddle]

“Meantime, shares of **Fannie Mae and Freddie Mac**, both **unloved in some Republican circles**, have risen. **With Democrats in power, the two government-sponsored mortgage-finance companies would be safer from legislation aimed at reducing their portfolios.**”

October 26, 2006

(iht.com) Michael Tsang “Around the Markets: Who wins if Democrats take control?”

[Democrats  
fiddle]

“**... the Democrats love Freddie and Fannie.**”

October 27, 2006

(thestar.com) Martin Crutsinger “U.S. new-home prices **plunge 9.7%**”

October 27, 2006

(latimes.com) “**Dow sets 4<sup>th</sup> record close in a row**”

October 27, 2006

(frontlinethoughts.com) John Mauldin “Has the Housing Market Bottomed?” “The reported sales prices were pretty awful. Median sales prices dropped 9.7% in the past year to \$217,100...”

“**Here’s the amusing part: Despite the huge price drop, the reported price changes actually *understate the actual price changes*. This is due to Builder Incentives.**”

October 28, 2006

(apnews.myway.com) Matt Crenson “GAO Chief Warns Economic Disaster Looms”

**[BINGO!]**

“What they don’t talk about is **a dirty little secret everyone in Washington knows**, or at least should. The vast majority of economists and budget analysts agree: The ship of state is on a disastrous course, and will founder on the reefs of economic disaster if nothing is done to correct it.”

October 29, 2006

(pittsburghlive.com) Ron DaParma “**Housing bubble didn’t burst** in Pennsylvania, groups say”

October 29, 2006

(barrons.com) Alan Abelson “October Surprise” “... THE STOCK MARKET HAS BEEN OBLIVIOUS to **the gathering clouds over the economy...**”

October 30, 2006

(forbes.com) Chris Johnson “Market Sits Atop A **Gusher Of Optimism**”

October 30, 2006

(financialnews-us.com) Kit Bingham “FN analysis: Congressman will take a Frank look at hedge fund industry”

“You may not know the name Barney Frank. But if, as polls suggest, the Democrats win control of the House of Representatives next week, he is likely to become more familiar.”

“A veteran Democrat Representative from Massachusetts, Frank is set to become chairman of the powerful House Financial Services Committee...”

[Barney  
Frank  
fiddles]

“[\*\*Barney Frank has been sympathetic to Fannie\*\*](#) and Freddie. Some of the pressure would go away if Frank becomes chairman.”

October 31, 2006

(marketwatch.com) Mark Hulbert “Newsletter stock sentiment rising to dangerously high levels” “Wall of worry has become slope of hope” “The editor of the average short-term market timing newsletter is currently giving every indication that he thinks [\*\*happy days are here again\*\*](#) to stay.”

Happy  
days

October 31, 2006

(charlotte.com) Tony Bartelme and Dave Munday “New housing swamps Charleston” “Developers in the Charleston metropolitan area have more than 135,000 homes on the drawing board or under construction, a hugh increase since last year, a new analysis by The Post and Courier shows.”

October 31, 2006

(theheraldbulletin.com) Patrick Barkey “Housing and the economy: What me worry?” “America’s history is dominated by its relative isolation from the rest of the world, and perhaps nowhere is that isolation more keenly felt than here in the industrial Midwest. Trends seem to arrive here last, if they ever get here at all, and many of us like it that way. Headlines about new phenomena or contentious issues in places like California or New York are often discounted as having little relevance to the normalcy we see out our windows.”

“When it comes to the economy, such thinking is foolish or even dangerous. Markets everywhere are connected, as the farmers and main street merchants who initially scoffed at the Wall Street crash of 1929 later discovered to their chagrin. The sobering lesson of our economic history is that what traders are doing in markets thousands of miles away can matter a great deal, and [\*\*we’d be wise to pay attention.\*\*](#)”

“The correction in housing markets, now under way in force in markets like Arizona and southern California, is a case in point.

Indiana's more sedate real estate markets have endured nothing like the boom many other parts of the country have seen, and for that reason there is little reason to expect the sizable fall in housing prices that some communities are already seeing and others are bracing for. But there is every reason to be concerned about it nonetheless."

"Economists can become annoyingly doctrinaire when asked about speculative bubble, in housing, stocks, or any other market. Our beliefs about the efficiencies of markets as processors of information and expectations makes us defensive when others suggest that markets are behaving irrationally, but one fact emerges above the din of these intellectual arguments quite clearly. That is that all markets, especially housing markets, have occasionally produced large price corrections, and that the impact of those corrections **can be quite painful [Great Depression 2].**"

"And there is no doubt that we are in the midst of such a correction **[You and I are now "in the midst" of a "new and different type" of great depression]** as these words are written."

October 31, 2006 (prudentbear.com) Bob Hoye "**Curious Change** in Margin Requirements" Through the SEC, the Fed controls margin requirements and a recent announcement was described by the deputy director of the SEC as '**a very significant change**'.

"Now they are talking about lowering margin requirements for institutions on stocks, options, and futures. Now ranging from 25% to 50%, the proposal is to drop them to 15%."

"**Why** then the '**significant change**' in margin requirements **now?**'

October 31, 2006 (insidefutures.com) Robin Lofton "MARKET MOVES: Walking on the Red Carpet – Economic Reports Are Still the Stars!"  
**It was the jolt felt 'round the financial world. It came just as the markets were beginning to sing yet another chorus of Happy Days Are Here Again.**"

"After the Fed released its much-awaited report on Wednesday, October 25<sup>th</sup> that said exactly what everyone thought it would say – interest rates will remain unchanged – everyone breathed a collective sigh of relief."

Happy days

- October 31, 2006 (reuters.com) Ellen Freilich “Wall Street sees more gridlock after election” “... **a Democratic majority in either house of Congress would likely derail legislation aimed at reining in Fannie Mae...**”
- November 1, 2006 (safehaven.com) The Mogambo Guru “E-Economic Newsletter” “Things are so bizarre here lately that I spend all my time in the Bunker de la Mogambo (BDLM), nervously whining and watching various meters, dials and readouts registering **unusual, and scary, seismic economic activity.**”
- [**BINGO!!!!!**] “The article ‘America and the Dollar Illusion’ by Gabor Steingart in **Der Spiegel magazine** has caused some stir, and rightly so. It is a very good summary of the ugly economic situation, but beyond that, he also says ‘Arguably, **the imminent economic crisis is the most thoroughly predicted one in recent history.**’ Rather than refuting the crisis, the current US economic boom merely heralds it.’ ”
- November 1, 2006 (bostonherald.com) Scott Van Voorhis “Housing market ‘upside down’: **More homes selling below purchase price**”
- November 1, 2006 (wkrc.com) “Builder Goes Under, Homeowners Worry about **Eviction**”
- November 2, 2006 (businessandmedia.org) Ken Shepherd “CBS Likens Softening Housing Market to **Great Depression [Great Depression 2]**”
- November 2, 2006 (dailystar.com) David Ignatius “**Happy days** for America’s Democratic Party”
- November 3, 2006 (wsj.com) June Fletcher “The New Word in Home Sales: **‘Canceled’**”
- November 3, 2006 (wjla.com) “**Suspected Mortgage Fraud Up 35 Percent**”
- November 3, 2006 (usnews.com) James Pethokoukis “How the Elections Will Affect Defense, Healthcare, and More” “**Democrats have been longtime supporters of Fannie Mae** and Freddie Mac, Republicans not so much, particularly after the companies’ recent accounting woes.”
- November 3, 2006 (indiadaily.com) Sam Adelton “Bond market reaction within one minute of jobs report shows stocks are in deepest trouble in the last seventy years” “Within exactly four seconds, the **STOCK CRASH**

long bonds lost 19/32<sup>nd</sup> and then drifted lower throughout the day very slowly. [This is what we saw in 1987.](#)”

## **BOND CRASH**

“[The bond market's instantaneous collapse also shows how nervous the major dealers are.](#) Swaps and derivatives on the debt instruments have made the bond market weaker and really nervous.”

November 4, 2006 (post-gazette.com) June Fletcher “Buyers [back out of](#) home deals in record numbers”

November 4, 2006 (dailyreckoning.co.uk) Louisa Davis “[Storm clouds gather over US economy](#)”

November 5, 2006 (chicagotribune.com) Bill Barnhart “A new Congress' potential impact” “Shares of government-sponsored mortgage agencies Fannie Mae and Freddie Mac could rally with a [Democratic takeover](#) of the house, [David] Darst said. [Pressure to reform these companies](#) or strip them of any link to a government subsidy probably [would fade.](#)”

November 5, 2006 (ft.com) Paul J Davies “[Panic selling' hits derivatives market](#)”

November 6, 2006 (reuters.com) Patrick Rucker “[Democrat takeover of House would curb GSE critics](#)”

November 6, 2006 (moneycentral.msn.com) Bill Fleckenstein “[Big, ugly bear lurks just around the corner](#)”

## **ELECTION DAY 2006**

November 8, 2006 (mlive.com) Calvin Woodward “[Democrats sweep into power in House](#)”

November 8, 2006 (monsterandcritics.com) “[Democrats win most governors' mansions, statehouses](#)”

November 8, 2006 (reuters.com) “[Democrats win majority of state legislatures](#)”

November 8, 2006 (latimes.com) Liz Sidoti “[Democrats Take Control of the Senate](#)”

November 8, 2006 (reuters.com) UPDATE 2 “[Democrats gain more power over](#)”

**economic policy”**

- November 8, 2006 (marketwatch.com) Damian Paletta “Democratic gains cloud picture for **lame duck GSE bill**”
- November 8, 2006 (marketwatch.com) Robert Schroeder “**Fannie, Freddie rise in post-election rally**” “Shares of mortgage-finance giants Fannie Mae and Freddie Mac posted strong gains in early trading Wednesday, moving up following the Democrats’ takeover of the House of Representatives.”
- November 8, 2006 (thestreet.com) Jim Cramer “The Road Clears for Fannie Mae”  
[Congress  
no longer  
has to fiddle]
- “**This war against Fannie Mae is over.**”
- November 8, 2006 (chron.com) Tim Paradis “**Dow Reaches New High on Election Results**”
- November 8, 2006 (chicagotribune.com) Chris Jones “Hello, gorgeous! Streisand worth the wait” “By the second act (**having checked the election returns** in her dressing room) **Streisand was even daring to gurgle ‘Happy Days are Here Again…’**”  
**Happy days**
- November 8, 2006 (safehaven.com) Richard Daughty “The Mogambo Guru the angriest guy in economics”
- Get ready** “Mogambo sez: **The day is almost at hand.** What day? You ask. The day when you realize that the Mogambo was right, and now you hate my guts...”
- November 9, 2006 (independent.co.uk) “AP: **Democrats seize total control of US congress**”
- November 9, 2006 (cbs5.com) Sharon Chin “**Campaign 2008 Gets Underway**”
- November 9, 2006 (news.yahoo.com) Tony Tassell “**Focus moves from US politics to economics**”
- November 9, 2006 (comstockfunds.com) “The Death Spiral”  
“We cannot emphasize enough that the declining housing industry is the key to both the economy and the stock market, and that, in this regard, the news is all bleak.”
- “At a brokerage industry conference today, DR Horton CEO Donald Tomnitz stated that the housing market is in what he

called a ‘[death spiral](#).’ ”

November 9, 2006 (moneyandmarkets.com) Larry Edelson “Four Important Warnings”

### **BOND CRASH**

“Warning #3 [Expect a disaster in the Treasury bond market](#)”

“In just the past week, the price of the 30-year benchmark Treasury bond swooned by two full points. What’s driving the uncertainty?”

November 9, 2006 (tahlequahdailypress.com) Teddye Snell “[Housing bubble hasn’t burst here, yet](#)”

November 12, 2006 (americanthinker.com) Christopher Alleva “Fannie Mae turns on the PR machine after the election” “Unlike the Enron and Worldcom executives whose crimes were no more egregious it looks like [these perpetrators as going to get away scott free.](#)”

[Congress fiddled]

“Co-opting congress has worked for Fannie Mae before. Their allies on the authoritative committees clearly aided and abetted this misconduct. Several members of the House and Senate actively impeded investigations.”

“Based on past history, [this election was probably a victory for the wrongdoers.](#)”

November 13, 2006 (reuters.com) “[GSE reform unlikely](#) this year, [leading Democrat says](#)”  
[Democrats no longer have to fiddle]

November 14, 2006 (atimes.com) Scott B MacDonald “A testing time for Democrats” “It should be noted that the consumer faces a difficult time ahead – the personal-savings rate is now in negative territory for the first time since [1933](#) and debt burdens at all-time highs.”

“[If](#) Washington is busy with corporate witch-hunts and partisan infighting while [the economy sputters in a more pronounced fashion, there will be a political price to pay – most likely by the Democrats](#), who currently have the momentum.”

November 14, 2006 (fnarena.com) “When Credit Is Due” “At the time of this writing the [VIX Index](#), a market estimate of future

volatility culled from Chicago-traded S&P 500 contracts, was hovering just above new all-time lows."

November 14, 2006 (Bloomberg.com) Nick Baker "U.S. Stocks Rally on Retailer Profits; S&P 500 Hits 6-Year High"

November 14, 2006 (money.cnn.com) Alexandra Twin "Dow hits new record"

November 14, 2006 (insidefutures.com) Michael Nystrom "New Dow High and STOCK CRASH Memories of 1929, Part 1"

November 14, 2006 (chron.com) Marcy Gordon "Fannie Mae pays ousted CEO \$2.6 million"

November 15, 2006 (baltimoresun.com) "Ex-CEO, Fannie partly settle" "It left unresolved other pay disputes, including whether Raines is entitled to an unpaid base salary of about \$139,000."

November 15, 2006 (washingtonpost.com) David S. Hilzenrath "Raines Wins Pay Dispute With Fannie Mae"

November 15, 2006 (minyanville.com) Kevin Depew "Fannie Mae: When It's Raines We're Poorer" "So, to sum up, Raines makes \$90 million from Fannie Mae between 1998-2003, gets forced out in 2004 with a \$19 million severance package, then claims he was owed another couple of million under his employment contract which the company agreed to pay."

November 15, 2006 (marketwatch.com) Mark Hulbert "How low can it get?"

"A widely-used gauge of investor fear [VIX] has just dropped to very low levels."

"Some contrarians think this is a very ominous sign."

STOCK CRASH "The contrarian concern with a very low VIX is that it must mean that investors aren't worried or scared. Since the market rarely accommodates the majority, this widely-held complacency must mean that stocks are about to plunge."

November 15, 2006 (socialistalternative.org) Lynn Walsh "Workers mired in Debt, Collapse of the Housing Bubble... - Where is the U.S. economy heading?" "The housing market is different from the stock market. While stocks are liable to crash suddenly, housing tends to decline more slowly."

November 15, 2006 (originatortimes.com) “Housing Bubble to Deflate For at Least Two More Years”

November 16, 2006 (stls.frb.org) William Poole President, Federal Reserve Bank of St. Louis PANEL DISCUSSION “Responding to Financial Crises: What Role for the Fed?”

November 16, 2006 (charlotte.com) Christopher D. Kirkpatrick “Expert: No local bubble burst [SO FAR]”

November 16, 2006 (marketwatch.com) Peter Brimelow “Another record close”  
“Dow Theory Letter’s veteran Richard Russell is still worried.”  
**STOCK AND BOND CRASH**  
“He wrote Wednesday night: ‘Volatility in bonds, stocks, precious metals, most items extremely low. The market weather is calm beyond calm nobody is thinking about, or prepared for big action.’ ”

November 16, 2006 (thewest.com.au) Tracey Cook “Grim Citigroup warns greed may lead to crash” “One of the world’s biggest investment banks, US giant Citigroup, has warned that the stockmarket could be heading for a crash to rival the 1987 collapse.”  
**STOCK CRASH**

November 16, 2006 (reuters.com) UPDATE 1 – Fed’s Poole says GSEs a risk to financial system” “St. Louis Federal Reserve President William Poole said on Thursday the Fed should play as limited a role as possible in a financial market crisis and took aim at Fannie Mae and Freddie Mac as a looming source of risk.”  
\*  
**MAJOR FED WARNING**  
\*

November 16, 2006 (reuters.com) “Leading Democrat [Barney Frank] defends GSEs after Fed official’s remarks”

November 16, 2006 (money.cnn.com) “Wall Street’s ‘fear gauge’ near multi-year lows” “Late Thursday, the VIX, also known as Wall Street’s fear gauge, fell more than 2 percent to a session low at 10.04 points – just a whisker away from the July 20, 2005, intraday low of 9.88 and the Jan. 28, 1994, closing low of 9.94.”

November 17, 2006 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 461  
“We remain on track to see an explosion to the upside in the VIX. A *Declining Bullish Wedge* is nearing completion. Since the VIX moves inversely with stock prices, a Bullish VIX pattern is Bearish for stocks.”

“Judging by the narrow point of convergence, this pattern

looks close to completion, and lines up well with the body of technical analysis... suggesting [the timing for a dramatic move up in the VIX could be soon.](#)

November 17, 2006 (detnews.com) Louis Aguilar "Michigan's recent job loss compares to the [Great Depression \[Great Depression 2\]](#)"

November 17, 2006 (foxnews.com) "[Housing Starts Plunge 14.6 Percent](#) to Six Year Low"

November 17, 2006 (money.cnn.com) Chris Isidore "Home builders slam on the brakes" "Housing starts hit six-year low while permits, a key sign of builder confidence, slide to the [lowest since 1997.](#)"

November 17, 2006 (moneycentral.msn.com) "[Hard landing](#) for the housing market"  
Hard landing

November 17, 2006 (safehaven.com) John Mauldin and Gary Shilling "The Coming Collapse in Housing" "I am convinced that the housing bubble is gigantic and [will burst before long](#) with massive implications here and abroad. In fact, it's the key to the global economic outlook."

November 17, 2006 (safehaven.com) Peter Schiff "[Historical Norms Don't Apply](#)" "... fallout from [the bursting of this bubble may be more damaging than](#) virtually any financial correction that we have experienced since [the Great Depression \[Great Depression 2\].](#)"

November 18, 2006 (canada.com) Jay Bryan "[Dark skies looming on economic horizon](#)"

November 19, 2006 (stltoday.com) Mark Kasen "Beware the bear"  
"So, what does Joe [P. Granville] think now. Well, he's so bearish that he can hardly get the words out fast enough, and no one can out-talk Joe Granville. He says unhesitatingly that [stock prices are going to crash.](#)"

"The Dow Jones industrial average is the last index to top out, according to Granville, and he's not excited by the recent new highs."

[STOCK CRASH](#)  
"According to his analysis of 'net field theories,' the volume numbers in the current market are extremely bearish and soon will give way to a [1929 sort of panic.](#)"

“Meanwhile, Granville contends that he’s not the only brilliant mind who sees what’s coming.”

“Perhaps this is one of the times that Granville is most concerned, though his philosophical view of life and stocks suggests that bad news can be overcome, because **the worst crisis always are followed by better times.**”

November 20, 2006 (abcnews.go.com) Lauren Villagran “**Home Sales Fall in 38 States**, Data Shows” “The feeble U.S. housing market showed more frailty in October when home sales plummeted in 38 states, hitting Nevada, Arizona, Florida and California particularly hard ...”

November 20, 2006 (dissidentvoice.org) Mike Whitney “Housing Bubble Smack-down” “Give me five minutes and I’ll convince you that you should sell your house immediately and invest your life savings in gold or a Swiss bank account.”

“... a plummeting housing market could pave the way for **another** (dare I say it) **Great Depression [Great Depression 2].**”

November 20, 2006 (abclocal.go.com) Lyanne Melendez “Top Economists Weigh In On Slumping Housing Market” “Home sales have fallen around the nation and the Bay Area is no exception. So what does this mean for the future? ABC7 gets predictions from top economists.”

“... **they say we’re seeing a correction, not a bubble bursting.** The difference is that when the bubble burst you see a much harder crash and it takes much longer to recover.”

November 20, 2006 (timesonline.co.uk) Anatole Kaletsky “The deflation threat facing Europe” “When I ask businessmen or investors about **their biggest economic worry** at present, they almost invariably put **the housing-related slowdown in the American economy** at the top of their lists.”

November 21, 2006 (indiadaily.com) Bernie Snyder “Wall Street’s fear index **VIX STOCK CRASH** fell below 10 – another sign of **coming stock market collapse**”

November 21, 2006 (reuters.com) Jennifer Coogan “Volatility **[VIX]** slump may mean top is near for S&P 500” “While others are enjoying the holiday and keeping sanguine about the state of the stock market, it might

make **a good time to batten down the hatches in the event of an unforeseen turmoil**, [Peter] Dunay [Leeb Capital Management in New York] explained.”

November 21, 2006 (Bloomberg.com) Michael Tsang “Volatility in Europe, U.S. Falls ...” “Some investors say the drop in the volatility may be a sign that **stocks are poised to fall**.”

## **STOCK CRASH**

**“In the past, declines in the VIX have preceded stock-market losses.”**

November 21, 2006 (optionetics.com) Scott Kramer “TRADING FLOOR SECRETS: What’s With the VIX?” “Currently the **VIX** is trading at 9.94, very near all-time lows. This would indicate that the fear of a possible market decline are not at the forefront of people’s minds. What does that mean?”

## **STOCK CRASH**

“When will the decline begin, and what will prompt it? Who knows ? It most likely will come **when no one expects it** and **from an unforeseen event**. The seeds are already planted, though.”

**“A sell-off in the markets is coming, make no mistake about it.”**

November 21, 2006 (marketwatch.com) Mark Hulbert “**It was nice while it lasted**” “For contrarians, **the handwriting is on the wall**”

November 21, 2006 (opednews.com) Allen L Roland “HOUSING STARTS TUMBLE, FORECLOSURES SOAR / RECESSION DRAWS NEAR” “**Fasten your seat belts, It’s happening folks**, third quarter home sales tumbled in 38 states ~ down 12.7% from the same period a year ago. Nationwide foreclosures have increased 42% from October of last year.”

November 21, 2006 (progressiveU.org) Thomas Andrew Duval “Baseball’s Insane Salaries Reflective Of Something Larger” “Baseball’s recent trend of ever escalating, insanely high salaries, for even mediocre talent, is reflective of the same set of casual factors that have produced the greatest bull market in the history of the stock market, and the completely irrational boom in real estate. The latter phenomenon is on a scale of the greatest speculative manias ever witnessed.”

**[BINGO!!!!]**

“This is not the place to explain the reasons why, but it can be irrefutably demonstrated that all such **irrational market frenzies end in catastrophic collapses [Great Depression 2]. There are no exceptions, and there cannot be, based upon the laws of economics, and human nature.**”

“This cycle has witnessed some of the most irresponsible, and imprudent practices of finance, and borrowing imaginable. The refinancing that has been aggressively solicited, and sold to the public in the real estate market, will surely be viewed by historians in the same light as the ‘Tulip Bulb Mania’, in the 17<sup>th</sup> Century Holland.”

**“Future generations will be reading accounts of this madness with similar incredulity, as they ask;**

**what were they thinking?”**

## **L. Get ready.**

November 21, 2006 [The VIX closing low was 9.90 today.  
**Get ready**  
**THIS IS IN THE HISTORIC CLOSING LOW RANGE.**  
The VIX intraday low was 9.84 today.  
**THIS IS IN THE HISTORIC INTRADAY LOW RANGE.]**

November 22, 2006 (safehaven.com) Marty Chenard “Charts and Commentary”  
“The **VIX** matched its all-time-low [**intraday**] yesterday of 9.88 and went slightly below it.”

**“This level is **hugely important** for the markets.”**

November 22, 2006 (usatoday.com) William Keck “Streisand’s swan song”  
“Streisand ended the evening with a version of  
**Happy days**  
**Happy Days Are Here Again**, explaining that the original was written after the stock market crash of 1929, which launched the Great Depression.”

November 22, 2006 (safehaven.com) Richard Daughty “The Mogambo Guru the angriest guy in economics” “These days I am paralyzed, consumed with dread at the unfolding economic drama...”

“... if you want to see something really, really eye-popping, then Savings/Other Deposits in the banks is the place to go,

**M?**

as they were **up an astonishing \$228 billion last week! In one week! This is huuuUUUuuuuge! A quarter of a trillion bucks** appeared like magic in accounts at the banks! **In one week!"**

"Truly, I am aghast and terrified at this astonishing, astonishing, and (did I say 'astonishing'?) astonishing amount of money flooding the banks."

"**When it gets like this, bad, bad things (BBT) are happening,** and **these acts of official desperation are merely symptoms...**"

November 22, 2006 [The VIX intraday low was 9.81 today.  
**Get ready**  
**THIS IS IN THE HISTORIC INTRADAY LOW RANGE.**]

November 24, 2006 (larouchepub.com) Nancy Spannaus "U.S. Bankers Herald Financial Breakdown" "... over recent days, **warnings of a systemic crisis, and impending financial blowout, have been issued by leading representatives of major U.S. financial institutions.**"

November 24, 2006 (thestreet.com) Dick Arms "**Thankful the Decline's Not Here Yet**" "... the Arms Index numbers plus **the VIX's extreme low suggest it's imminent.**"

November 24, 2006 (fxstreet.com) Rikke Ledager "Waiting For **GODOT Volatility [VIX] ...**" "Many investors have been sitting on the sidelines for the past three years and have seen volatility dwindle. When will this state of affairs end? **It does not seem tenable that volatility just goes on falling**, but so far there has been no discernible change."

November 26, 2006 (indiadaily.com) Joe Weinman "Copper and lumber predicting **severe downturn** in economy, real estate and eventual stock market collapse."

November 26, 2006 (1776solution.blogspot.com) Republicae "The Difference Between Now and the 1930s" "There are a great many similarities between the economic indicators today and those of the late 1920s, but there are differences that are even more important than the similarities."

"The parallels are more or less obvious, but it is the differences that should actually concern us regarding any comparisons

between what we face today as opposed to what we faced in the crash of 29 and the Great Depression of the 30s.”

November 27, 2006 (atlanticfreepress.com) James Kunstler “The American Fiasco – a Moment of Clarity.” “Last week, I had one of those clarifying moments when the enormity of the American fiasco stirred my livers and lights again.”

“I’ve been saying for a long time that as our illusions dropped away, the US economy would fall on its face. I think the process is underway, especially with last week’s movement of the dollar against the Euro. All the elements are now set for a full-throttle depression [Great Depression 2] in which currency loses value while credit dries up and incomes are lost.”

November 28, 2006 (cnn.com) Chris Isidore “Home prices: Record drop in October” “The price of existing homes sold in October fell for the third straight month and posted the biggest drop on record, an industry group said Tuesday, adding it expects weakness in pricing to drag on into next year.”

November 28, 2006 (nzherald.co.nz) Brian Fallow “Housing bubble that just won’t burst”

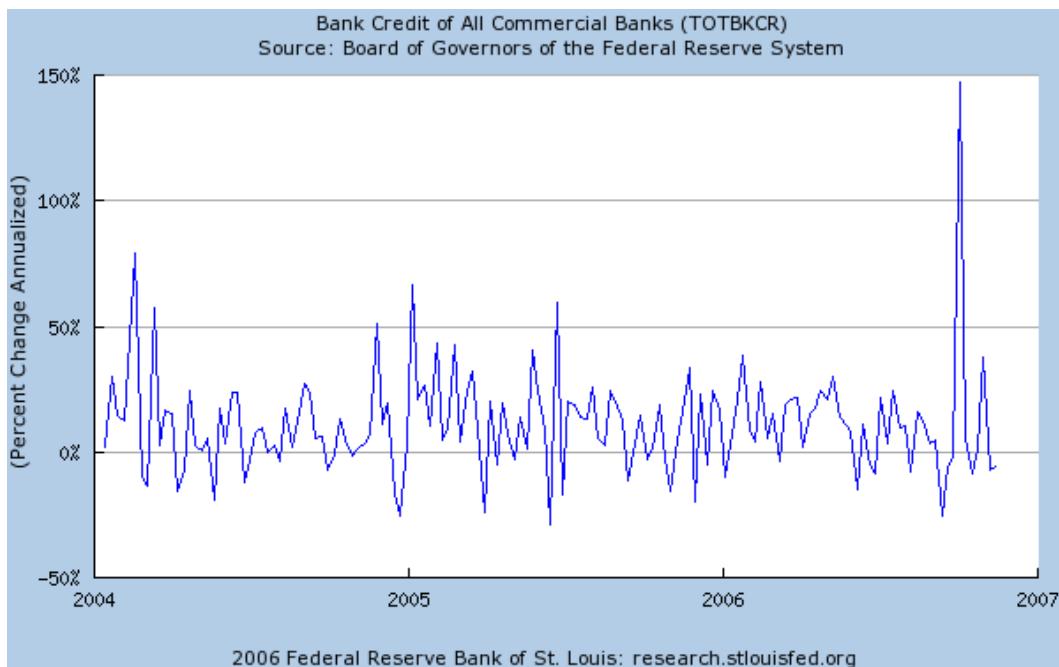
November 28, 2006 (idahostatesman.com) “Low lumber prices have Idaho mills worried”

November 28, 2006 (safehaven.com) Martin Hennecke “Germany Goes Bankrupt Too!” “Regular readers of websites like this one will already be well informed of the onrushing financial collapse and national bankruptcy of the United States, as this topic is receiving ample coverage nowadays from an abundance of writers and economists, including unmistakable warnings from many former senior government officials and central bankers as well as from the very institutions that are presently in charge, such as the International Monetary Fund, the Bank of International Settlements or the US Federal Reserve. So I will save myself repeating the obvious here...”

“It is not known by most, that in fact the majority of the Western ‘developed’ world and not just the United States is facing national bankruptcy shortly ahead, and that this has been officially predicted by the world’s leading rating agency, Standard & Poor’s.”

\*-\* November 29, 2006 (safehaven.com) Clif Droke “The most Important Economic

**Signal Since 2001** “... one area they don’t seem to be watching is the area of bank credit growth. This would give them an even bigger ‘heads-up’ on future economic performance than almost any other chart or statistic they care to monitor. And what does the bank credit trend show us? **The chart below is worth a thousand words.**”



**M?**

“The percentage change **spike** in the bank credit chart shown above was the **largest one since late 2001** when the previous economic recession formally ended. **This latest leap in bank credit from a percentage change annualized standpoint is one of the most important charts for providing clues as to what’s ahead for the U.S. economic and financial outlook.**”

November 29, 2006 (marketwatch.com) Mark Hulbert “[Too many bond bulls](#)”  
**BOND CRASH**

November 29, 2006 (Bloomberg.com) Brian McGee “Wolseley [World’s biggest supplier of plumbing and heating equipment] Cuts 2,000 U.S. Jobs [to Tackle Housing Slump](#)”

November 30, 2006 (marketwatch.com) Greg Robb “Chicago economy weakens further in November” “Business activity in the key Chicago area [decelerated](#) to its slowest pace in more than three years in

November, [raising fears of a broader slowdown in the U.S. economy](#) ...”

- December 1, 2006 (goldseek.com) Deepcaster LLC “**Derivatives** Deluge **Multiplies Real Risks** and Potential Profits” “There are many other ways a universe of OTC derivatives can implode.”
- [trigger] “One of these is the failure of one or more significant counterparties to derivatives transactions, thus creating a **domino effect**. Counterparty credit worthiness is essential in a derivatives based financial universe because it is the counterparties which make good (or default) on the derivatives contractual promises. So it would take just **one significant counterparty failure [FNM]** to create a domino effect and to cause a Long-Term Capital Management type crisis, **or worse [Great Depression 2]**.”
- December 2, 2006 (washtimes.com) Patrice Hill “**Cracks widen in U.S. economy**” “Economic weakness spread beyond the stricken housing and auto sectors last month, with reports showing U.S. manufacturing shrank for the first time in 3 ½ years and construction dropped the most since the September 11, 2001, terrorist attacks.”
- December 4, 2006 (Canada.com) Jacqueline Thorpe “So much for **myth of a soft landing**” “**Bad news all around hammers home reality**”
- December 4, 2006 (moneycentral.msn.com) Bill Fleckenstein “Speculation gets even loonier!” “The evidence grows that **the unwinding of the asset bubble is liable to be rapid – and brutal.**”
- December 4, 2006 (reuters.com) “UPDATE 1 – **Fannie Mae to file restated results** on Wednesday” “In a statement, the company said it will file its report after the markets close on Dec. 6.”
- December 6, 2006 (washingtonpost.com) Steven Pearlstein “**An Economic Pillar [Housing] on the Verge of Collapse**”
- December 6, 2006 (theaustralian.news.com.au) Kevin Andrusiak “Economist warns U.S. slowing to ‘**stall speed**’ ”
- December 6, 2006 (fanniemae.com) “Fannie Mae Completes **Earnings part of the Restatement** and files 2004 10-K”
- December 6, 2006 (goldseek.com) Richard Daughty “The Mogambo Guru - the angriest guy in economics”

### **“Something Bad Is Coming Soon”**

December 7, 2006 (canadianbusiness.com) Larry MacDonald “Is a financial crisis overdue?” “The Volatility Index (VIX) and other measures of investor sentiment are indicating that financial markets are about as risk-free as they have ever been, yet an increasing number of normally level-headed market experts appear to be joining ranks with the ‘permabears’ and ‘goldbugs’ to warn of impending financial crises.”

“You can’t get any further from the fringe than Henry Paulson, the former head of Goldman Sachs who was appointed in July to be President George Bush’s Treasury Secretary. Paulson believes ‘a financial crisis is long overdue,’ writes Weekly Standard executive editor Fred Barnes, a veteran journalist covering Capital Hill.”

**P.P.T.**

“Paulson’s actions since assuming office are suggestive. He has reactivated a Working Committee that coordinates policy on financial markets during times of heightened systemic risk (popularly known as the Plunge Protection Team). Notably, he has recently increased the frequency with which this committee meets (members include the heads of the Federal Reserve, SEC, and Commodity Futures Trading Commission).

December 7, 2006 (chron.com) Marcy Gordon “Wall St. Applauds Fannie Mae [half completed] Restatement”

December 12, 2006 (moneycentral.com) “NYSE Gives Fannie Mae Deadline”  
“Fannie Mae has until March 15 [2007] to file its 2005 annual report, the New York Stock Exchange said Tuesday.” “If the annual report has not been filed by Dec. 31, 2007, Fannie Mae’s shares face delisting, the exchange said.”

December 12, 2006 (car.org) Matt Carter “Experts continue to predict [housing] correction, not collapse”

December 12, 2006 (reuters.com) “Eaton Vance manager: Market poised for upset”  
[trigger] “Financial markets are vulnerable to a significant correction in the next 12 months that might be triggered by an event in the derivatives markets, a well-known [Thomas Metzold] municipal bond manager said on Tuesday.”

“I will be very surprised if we don’t get an accident in the next months...”

## **BOND CRASH**

“Although the fixed-income market may look ‘perfect on the surface,’ Metzold worried that ‘underneath it is boiling.’ ”

December 14, 2006 (washingtonpost.com) David S. Hilzenrath “Fannie Correction: What if?”

“Three years ago, Fannie Mae assured lawmakers that it had the required **capital** to cope with a broad variety of business setbacks.” [famous last words - February 25 - 26, 2004.]

“As it turns out, the assurance was false. Last week, when the giant mortgage funding company corrected years of flawed financial reports, the new numbers showed that it fell short of a key **capital** requirement by billions of dollars in **2002** and **2003**. ”

December 14, 2006 (marketwatch.com) Damian Paletta “Sen. Hagel says **Fannie data raise ‘troubling questions’** ” “In a statement from his office, Hagel also criticized the top regulator for Fannie Mae and Freddie Mac, the Office of Federal Housing Enterprise Oversight. He said ‘OFHEO should not congratulate Fannie for providing **incomplete financial reporting information.** ’ ”

“**Fannie Mae did not have to immediately restate their capital levels for the periods under scrutiny** even though they were aiming to restate their overall 2004 earnings by the end of this year.”

“**Recalculating capital levels could have pushed the process back** and might have caused senior executives to lose bonuses tied to completion of the restatement.”

December 14, 2006 [The VIX intraday low was 9.64 today.  
**Get ready** **THIS IS IN THE HISTORIC INTRADAY LOW RANGE.**]

December 15, 2006 [The VIX intraday low was 9.39 today.  
**Get ready** **THIS IS IN THE HISTORIC INTRADAY LOW RANGE.**]

December 18, 2006 (findlaw.com) “OFHEO Notice Number 2006-1 NOTICE OF CHARGES”

[Page 6]

“The restated accounts do show that the Enterprise did exceed the targeted \$6.46 per share in 2003. However, the restatement

3Q 2003

also shows that the Enterprise was violating the minimum capital rule throughout 2002 and 2003 [Fannie Mae was in a very dangerous position going into that historic one-day derivatives blowout on July 29, 2003]."

December 18, 2006 (insidefutures.com) Scott Kramer "Trading Floor Secrets"  
"With the markets at all-time highs and the VIX at all-time lows, it is time to consider if you are making money because you are smart or because the market is at record highs."

## **M. Last Warning!**

December 18, 2006 (marketoracle.co.uk) Larry Edelson "Last Warning!"

Last  
STOCK  
BOND AND  
HOUSING  
MARKET  
CRASH  
Warning!

"Three- Pronged Collapse... Stocks, Bonds and Real Estate"

"Today I want to give you one final warning on the crisis I see coming. I've told you some of this before, but I feel it's so important that it needs to be repeated one last time."

December 18, 2006 (moneycentral.msn.com) Bill Fleckenstein "No more bubbles to bail out the housing bubble"

"Wall Street has a soft spot for the 'soft landing' thesis, but to me it's crystal clear that a serious economic slowdown is under way. What has been surprising: not that the economy is weakening but that so many people seem to expect a soft landing, and therefore remain in denial about the seriousness of the slowdown."

December 19, 2006 (financialnews-us.com) Jennifer McCandless "Mortgage watchdog sues former Fannie Mae exec"

December 19, 2006 (CORRUPTIONCHRONICLES.COM) "Clinton Budget Guru In More Trouble"

"Franklin Raines submitted misleading and inaccurate accounting statements and inaccurate capital reports that enabled him to grow Fannie Mae in an unsafe and unsound manner, according to the 153 page notice of charges filed by the office of Federal Housing Enterprise Oversight."

December 22, 2006 (TechnicalIndicatorIndex.com) Robert McHugh Issue No. 485

## STOCK CRASH

“Two weeks ago saw a breakout north in the above **VIX Bullish Descending Wedge pattern**, which turned out to be false. But the pattern is still in play, which suggests more volatility and more risk of decline for stocks dead ahead.”

“Further, we remain on track to see an explosion to the upside in the VIX.”

“This pattern lines up well with the body of technical analysis – suggesting the timing for a dramatic move up in the VIX could be soon, probably the most significant move coming after the holidays.”

December 24, 2006 (kansascity.com) Steven Pearlstein “A bubble waiting to burst”

December 27, 2006 (democratandchronicle.com) Mary Chao “Local housing cools off”

December 28, 2006 (jsmineset.com) Jim Sinclair “The Entire Story”  
**M3**  
“When M3 was dropped you had to know something significant was afoot.”

December 28, 2006 (ofheo.gov) “OFHEO ANNOUNCES THIRD QUARTER 2006 MINIMUM AND RISK-BASED CAPITAL CLASSIFICATION FOR FANNIE MAE; **RECLASSIFIES FOURTH QUARTER 2002 AND 2003 AS**

### SIGNIFICANTLY UNDERCAPITALIZED”

**Last  
OFHEO  
Warning  
Cluster!**

3Q 2003

“OFHEO is also issuing updated capital results for the fourth quarters for 2002, 2003, and 2004 as a result of Fannie Mae’s recent 2004 10-K release. With the new information, OFHEO has reclassified Fannie Mae as significantly undercapitalized for the fourth quarters of 2002 and 2003 [both of these 4<sup>th</sup> quarter capital revisions bracket the historic one-day derivatives blowout on July 29, 2003].”

“OFHEO also granted a waiver regarding the refiling of **Q 1-3** 2002 and **2003 [JULY 29, 2003]** quarterly results, although OFHEO has informed Fannie Mae that it will disclose Fannie Mae’s estimated quarterly results for these years.”

“Once OFHEO receives and analyzes this information, additional disclosures will be forthcoming.”

“From a historical perspective, had Fannie Mae been

following appropriate accounting rules and had the financial position been appropriately disclosed by Fannie Mae at the time, statutory **regulatory intervention would have occurred during 2002** [before 3Q 2003] requiring Fannie Mae to develop a capital plan and restore capital to an adequate level. That action instead took place following [after 3Q 2003] the September 2004 classification.”

December 29, 2006 (wsj.com) “The Risk Business”

“... by some measures financial market volatility is at lows not seen in a decade – the dow, for example, is still adding to its longest stretch (910 days) without a one-day decline of 2% or more since 1900.”

**“All of this stability naturally fills people with dread.”**

December 30, 2006 (lewrockwell.com) Bill Bonner “**Crash Warning**”

“... the stock market is hot. The Dow hit a new record yesterday. With only two days left to go in the year, traders and investors are getting in position...adding the shares they want to own for 2007...snorting with confidence... chaffing at the bit to begin another run around the track.”

## **STOCK CRASH**

“That’s why we have issued our **Crash Warning**. Not that we know something is going to go wrong soon...it’s just that if something were to go wrong, a lot of people would be greatly inconvenienced. There are so many optimists...betting so heavily that things will continue as they have been...that the odds favor the naysayer, the contrarian, the pessimist, the crank doom-and-gloomer.”

2006

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2007

January 1, 2007 (centredaily.com) Mark Weisbrod “**Beware of shock waves from burst of housing bubble”**

January 2, 2007 (Bloomberg.com) Bradley Keoun “Mortgage Lenders Network **Halts Loans** as Housing Slows”

January 2, 2007 (moneyweb.co.za) “Financial risk: where has it gone?”  
“With **stocks and bonds reaching new highs** and market volatility at near-record lows, investors are wondering when fear will

- return to the marketplace.”
- January 3, 2007 (consumeraffairs.com) Martin H Bosworth “**Subprime Lender Implosion: Bad Omen For Housing Market**” “Lenders Collapsing Faster than Cheaply Built Houses”
- January 3, 2007 (guardian.co.uk) “**A bubble refusing to burst**”
- January 3, 2007 (gothamist.com) “Real Estate Bubble Slowly Deflating, **Not Bursting**”
- January 3, 2007 (nationalreview.com) Jerry Boyer “**Pop-Free** Housing Slowdown”
- January 3, 2007 (usatoday.com) Adam Shell “Up, up, up: **Beware**, because **no one sees a bear in 2007**”
- January 3, 2007 (indiadaily.com) Alan Hershey “A new [and different type of] chapter is being written in economics – how can bonds collapse, yields skyrocket when deflation is in full force?”
- “A new chapter is being formed in classical economics. How can bond yield skyrocket when economy is in deflation and the world is **facing depression** [a new and different type of **Great Depression 2**]?”
- January 4, 2007 (businessday.co.za) Wolfgang Munchau “US likely to suffer a **hard landing**” “THE past 10 years have proved the economic optimists right. I would expect the pessimists to fare better in the next 10 years.”
- Last Hard landing Warning!**
- January 4, 2007 (marketwatch.com) Nick Godt “Cooper, commodities sell-off may signal slowdown” “A sell-off in commodities – from copper to crude oil – over the past few sessions is telling some veteran market watchers that **a slowdown in economic growth, likely one of considerable magnitude, is already underway.**”
- Last Economic Slowdown Warning!**
- January 5, 2007 (marketeoracle.co.uk) Larry Edelson “Dow Jones Stock Market Shocks during 2007” “We’ve had almost four years of relative calm [**VIX**] in the financial markets.” “But now, even as foreign economies are gaining in strength, the U.S. economy’s second-breath – as I call it – is ending. **Coming next – a series of shocks** in the Dow Jones Industrials that could catch investors with their pants down.”

“Right now, the VIX Index is at 12-year lows. It’s lower than it was before the 1997-1998 financial crisis... lower than it was before the Long Term Capital Management collapse in 1998 ... lower than it was at the peak of the greatest stock bull market in history. **This is extreme complacency – the kind that crisis love to feed on.**”

January 5, 2007

(businessweek.com) Alec Young “**Volatility: Too Low for Too Long?**” “Currently, the VIX is trading at multi-year lows, suggesting that **fear is in deep hibernation**. But when combined with the strength in global markets over the past three years – the S&P Global 1200 is up roughly 100% since March 2003 – many market participants are concerned that **the complacency implied by the VIX is spreading, leaving global stock markets vulnerable to attack by the dreaded bear.**”

January 5, 2007

**Chicago  
Speech**

(federalreserve.gov) Remarks by Chairman Ben S. Bernanke At the allied Social Science Association Annual Meeting, **Chicago, Illinois [The FED is ready for the collapse of Fannie Mae without ever mentioning Fannie Mae by name.]**

January 5, 2007

(smartmoney.com) Donald Luskin “The Only Thing Investors Have to Fear Is Fearlessness Itself” “Markets can never maintain extremes for long, and **for some time now we’ve been at an extreme of fearlessness**. It’s time to get back to normal, and for markets to scare investors like they usually do.”

January 6, 2007

(opednews.com) Alex Gabor “THE REAL ESTATE DEPRESSION OF 2007” “It can safely be said that at the beginning of 2006 America entered into a real estate recession and despite all rhetorical pumping and dumping of real estate inventory by mortgage bankers, brokers, Realtors, agents, builders and developers, the statistics show that we are now at the beginning of a long and protacted **real estate depression [Great Depression 2].**”

January 6, 2007

**Chicago  
Speech**

**Last  
Fed  
Warning  
Cluster!**

(chicagotribune.com) Bill Barnhart “Bernanke: Fed is prepared for crisis” “Chief does not specify any looming disasters”

“Federal Reserve Board Chairman Ben Bernanke, speaking in Chicago on Friday, said **the Fed is prepared to handle the next financial crisis.**”

January 8, 2007

(telegraph.co.uk) Ambrose Evans-Pritchard “**Commodity crash** flashes warning for world growth” “Somebody, somewhere, is

- using far less oil and copper than they were six months ago. Less wiring, less piping, and less plastic. Trucks are moving fewer goods.”
- January 8, 2007 (moneycentral.com) Bill Fleckenstein “Goldilocks vs. a few bears” “Those who point out that housing is down, retail sales are rocky and the market is shaky are only stating facts. The real question is **why so many experts are so optimistic.**”
- January 8, 2007 (iht.com) Michael R. Sesit “Risk of disaster for stocks may be rising after four-year rally” “‘Disasters may be rare, but I see the kind of conditions that could make one happen,’ [Bennet] Sedacca [President Atlantic Advisors] said.”
- STOCK CRASH**
- “ ‘It’s like a big keg of dynamite with a fuse. I don’t know when, but I think **the conditions exist for the explosion** to eventually occur.’ ”
- January 9, 2007 (ft.com) Deborah Brewster and John Authers “Goldilocks still defies the bears” “Investment managers do not generally believe in fairy tales, but there is one that dominated all discussion as 2007 began. Unless **a lot of investors are wrong**, Goldilocks is alive and well and impervious to the bears who believe the US and world economies are on the way down.”
- STOCK CRASH**
- January 9, 2007 (theglobeandmail.com) Ian C. Sayson “After right call on crash of ’87, Marc Faber says it’s time again” “Money manager warns **‘severe correction’** imminent in world stock markets”
- January 9, 2007 (moneyweb.co.za) Michael Corkery “Speculators helped fuel housing boom” “‘This market downturn came out of nowhere, like a snowstorm,’ he [Jerry Krecicki Jr] says.”
- “ ‘**It surprised everybody**, [well, not everybody] especially the people making mortgage payments.’ ”
- January 10, 2007 (msnbc.msn.com) Selena Maranjian “Housing in 2007: **Will a Bubble Burst?**”
- January 10, 2007 (prleap.com) “America stands on the verge of experiencing its **worse foreclosure crisis in history**”
- STOCK CRASH**
- (ninemsn.com) Philip Rennie “The year of living dangerously” “The **ghost of the 1987 stockmarket crash** is beginning to loom...”

- January 10, 2007 (goldseek.com) Richard Daughty “The Mogambo Guru - the angriest guy in economics” “Load Up”
- “If I get caught at this blatant theft, then I hope I get the same punishment as Franklin Raines and those other guys at Fannie Mae, who are **merely being asked to give back part of the bonus money they arranged to ‘earn’** by being so corrupt that Fannie Mae’s books are in such undecipherable disarray that they should, by the rules of the NYSE, be delisted, but are allowed an exception to the rules because Fannie Mae is so freaking huge that it is, literally, ‘to big to fail.’”
- January 11, 2007 (rismedia.com) Ralph Roberts “The Elephant in the Room: **Looming Foreclosure Epidemic**”
- January 11, 2007 (safehaven.com) Ty Andros “**No Fear!!**”
- Last M3 Warning!**
- “I have been an observer of the markets since 1982, and never have I seen what is now unfolding. It is enormous in its scale, and breathtaking in its breadth. It is a symptom of a global malady, that problem is fiat money and credit creation. Never in history have so many Central Banks been on the **money printing train**, the bust will be equally enormous.”
- “It has now been all time record 901 days since the Dow has had a 2 percent down day.”
- January 11, 2007 (money.cnn.com) Les Christie “Housing market pain not revealed by stats” “We hear lots of stories about the pain.”
- “Why is there such disconnect between the numbers and reports from the front lines?”
- “... the main factor, she [Janet Branton] says, is that many consumers – and a high percentage of real estate agents, the majority of whom have been in the industry less than five years – **got used to operating in a bubble**. ‘Most agents and many sellers **haven’t seen a normal market**,’ Branton says.”
- January 12, 2007 (wsj.com) Michael Kahn “Volatility’s Move Into the Market” “Right now, **volatility is sounding its subtle alarm**.”
- January 14, 2007 (barrons.com) Randall W. Forsyth “Capping the Gusher” **HAPPY DAYS ARE INDEED HERE AGAIN**. There can be no better proof than that the Dow Jones Industrial Average ended the week at a record 12,556.08, marking the 24<sup>th</sup> time

- Warning!** the blue chips set a closing high since last October.”
- January 14, 2007 (baltimoresun.com) Andrew Leckey “Don’t expect big changes from new Congress” “Democrats control Congress, but they want to avoid doing anything that appears overly brash and might scare voters away in the 2008 presidential election, experts say.”
- Last  
Democrats  
fiddle  
Warning!**
- January 15, 2007 (wtvr.com) Elaine Zimmermann “Why Are Foreclosures at a **52-Year High?**”
- January 15, 2007 (onlinelournal.com) Mike Whitney “**Housing bubble bloodbath**”
- January 15, 2007 (moneyweel.com) Jeremy Batstone “Why low market volatility isn’t such good news” “The only thing we have to fear is fear itself”. So said Franklin D Roosevelt. How else can one explain the early 2007 pick up in volatility in an environment in which potential **volatility catalysts** appear so hard to find?”
- Last  
3Q 2003  
Warning!**
- January 15, 2007 (moneycentral.msn.com) Bill Fleckenstein “Home-loan house of cards **ready to fall**”
- January 16, 2007 (sfgate.com) Joe Bel Bruno “Dow Hits Third Consecutive **Record Close**”
- January 16, 2007 (dailyreckoning.co.uk) Bill Bonner “**No hint of a coming crisis**” “... here at The Daily Reckoning headquarters, we continued our lonely vigil on your behalf, dear reader. When the end of this credit cycle finally comes, we’re going to be able to watch it with our eyes wide open.”
- “Alas... we may have to bide our time a bit longer. **The market news shows no hint of a coming crisis. You can only see it coming if you read between the lines...**”
- January 16, 2007 (schaeffersresearch.com) Bernie Schaeffer “Monday Morning Outlook: Puts Grow Ahead of Expiration” “... **put open interest**

	for the S&P 100 Index (OEX) <a href="#"><u>continues to swell</u></a> . On Friday, the Schaeffer's put/call open interest ratio (SOIR) for the index jumped from 1.48 to 1.59, as roughly 1,300 call options were liquidated and nearly 12,000 puts were added. This reading is now just seven percent shy of hitting a new annual high.”
January 16, 2007	(telegraph.co.uk) Ambrose Evans-Pritchard “US housing slump <a href="#"><u>getting worse</u></a> , says Goldmans”
January 16, 2007	(freemarketnews.com) “ <a href="#"><u>PRELUDE TO A CRASH?</u></a> ” “FMNN Poster A. Magnus, who watches the market, has sent a feedback item documenting an <a href="#"><u>upsurge in options</u></a> that would seem to indicate investors are <a href="#"><u>betting on ‘at least a serious correction.’ ”</u></a>
January 16, 2007 <a href="#"><u>Last Great Depression 2 Warning!</u></a>	(newropeans-magazine.org) Written by LEAP/E2020 “Impact phase of the Global Systemic Crisis: Six aspects of America’s ‘ <a href="#"><u>Very Great Depression</u></a> ’ [ <a href="#"><u>Great Depression 2</u></a> ]” “It is a typical situation in wrecks that the ship gets flooded while the engines are still running. Feelings get muddled, information becomes contradictory. For instance, the Titanic is already doomed to sink but first-class passengers are still dancing, convinced by the officers that a disaster is impossible.”
<a href="#"><u>Last “new and different type” Warning!</u></a>	“Regarding our planet in 2007, the on-going wreck is that of the US, that LEAP/E2020 has decided to call the <a href="#"><u>Very Great Depression</u></a> , firstly because the Great Depression already refers to the 1929 crisis and the years after; and secondly because, according to our researchers, <a href="#"><u>the nature and scope of the upcoming events are very different.</u></a> ”
January 17, 2007 <a href="#"><u>St. Louis Speech</u></a>	(stls.frb.org) William Poole President, Federal Reserve Bank of St. Louis Speech before Chartered Financial Analysts of St. Louis “ <a href="#"><u>The GSEs: Where do we stand?</u></a> ” “One of the Federal Reserve’s most important responsibilities is maintenance of financial stability. The job obviously, and sometimes dramatically, encompasses crisis response.” “... for those who believe that a GSE crisis is unthinkable in the future, <a href="#"><u>I suggest a course in economic history.</u></a> ”
January 17, 2007 <a href="#"><u>Last</u></a>	(reuters.com) “Fed’s Poole says lag in GSE reform leaves crisis risk” “Lack of progress in reining in mortgage lenders

**Fed  
Warning  
Cluster!**

**Fannie Mae** and Freddie Mac leaves the economy at risk of **possible financial crisis**, St. Louis Federal Reserve Bank President William Poole said on Wednesday”

“In a **toughly worded address** to a financial analysts’ group, Poole said the so-called government-sponsored enterprises or GSEs still need reform, including making clear to investors **there is no government guarantee if they get into trouble.**”

**Last  
Fed  
Warning  
Cluster!**

(reuters.com) Tamawa Kadoya “Mishkin says Fed can’t focus on price bubble” “**Central banks should** avoid trying to burst house price bubbles but should prepare to **step in quickly to help the economy if an asset price bubble bursts**, Federal Reserve Governor Frederic Mishkin said on Wednesday.”

January 17, 2007

(heraldtribune.com) Devona Walker “Furniture maker files for bankruptcy” “Facing mounting debts, vicious overseas competition and **a downturn in the residential housing market**, one of Southwest Florida’s largest manufacturers appears to have melted down.”

January 18, 2007

(dissidentvoice.org) Mike Whitney “**Housing Bubble Catastrophe**”

January 18, 2007

**Last  
Derivatives  
Warning!  
[BINGO!]**

(institutionalriskanalytics.com) Gillian Tett “Credit Derivatives, Moral Hazard and Systemic Risk” “Financial regulators have begun to **speak publicly** and at a **rising volume** about the risks of **complex structured transactions**. Such demonstrations from Washington are usually a sign that **there is trouble brewing in the bowels of the financial system...**”

January 18, 2007

**Last  
Fed  
Warning  
Cluster!**

(timesonline.co.uk) Liz Chong “Bernanke warns of impending fiscal crisis” “We are experiencing what seems likely to be **the calm before the storm.**”

January 19, 2007

**Last  
OFHEO  
Warning  
Cluster!**

(southcoasttoday.com) Marcy Gordon “Fannie Mae, Freddie Mac **still have huge financial problems**, regulator says”

“ ‘They unfortunately have **very, very large** problems,’ [James B.] Lockhart said in a meeting with reporters, referring to the government-sponsored companies that are the two biggest financiers in the \$8 trillion home-mortgage market in the United States. ‘They have a long way to go; there are still **significant** worries.’ ”

“The problems ‘are **massive** and they’re ongoing,’ he said.”

January 19, 2007 (ft.com) Gillian Tett “The **unease bubbling** in today’s brave new financial world” “I am not sure what is worse, talking to market players who generally believe that ‘**this time it’s different**’, or to more seasoned players who... privately acknowledge that there is a bubble waiting to burst but... hope problems will not arise until after the next bonus round.”

“ ‘The degree of **leverage** at work... is quite frankly frightening.’ He concludes. ‘Very few hedge funds I talk to have got a prayer in the next downturn. Even more worryingly, most of them don’t even expect one.’”

“Another Wall Street banker fears that leverage is proliferating so fast, via new instruments, that it **leaves policy officials powerless**.”

January 19, 2007 (timesonline.co.uk) Gerald Baker “Welcome to ‘the Great Moderation’ ” “**Historians will marvel at the stability of our era**”

“Great political and cultural events tend to announce themselves with suitable fanfare.”

“Great economic events are usually different. They take time to become recognized, unfolding over a decade or even a generation. The Industrial Revolution was never reported in a newspaper headline.”

“...it should not, but it probably will, come as a surprise to know that **we are living through one of the great transformations of modern history**. Almost unnoticed, most of the industrialized world, especially the Anglo-Saxon part of it, has enjoyed a period of **unprecedented economic stability**.”

**Last  
Irving  
Fisher  
Warning  
Cluster!**

“Economists have coined a term for this **remarkable period of stability**. Taking their cue from the Great Depression of the 1930s and the great inflation of the 1970s and 1980s, they . have called the current era **the Great Moderation**.”

January 19, 2007 (iht.com) Steven R. Weisman “Fed chairman **warns** of potential **fiscal disaster** for United States” “The longer we wait, the more severe, the more draconian, the more difficult the adjustment is

## **Warning Cluster!**

- going to be,’ Bernanke said...”
- “ **I think the right time to start is about 10 years ago.** ”
- January 19, 2007 (tbo.com) Shannon Behnken “Slumping Homes Sales Key To Lockbox Maker’s Rise” “In the [Tampa] Bay area this year, **more homes are on the market than ever**, real estate agencies say.”
- “There are 17,154 homes for sale in Hillsborough County, up from 5,279 this time last year. In Pinellas County, the number has doubled to 16,320.” [No, these numbers are not typos.]
- January 21, 2007 (boston.com) Emily Sweeney “Many more are **losing** their homes”
- January 22, 2007 (dailyreckoning.co.uk) Bill Bonner “Liquidity bubble: **ready to burst?**” “Financial history demonstrates that the biggest liquidity problems always follow the moments of greatest confidence,’ [former U.S. Treasury Secretary Lawrence] Summers continued. ‘**Complacency** can be a **self-denying prophecy...**’ ”
- January 22, 2007 (newstarget.com) Ben Kage “**When** the U.S. housing bubble bursts, it will not burst gently”
- January 22, 2007 (seekingalpha.com) Michael Panzner “The **Ugly Truth** About Modern Day Finance” “Many commentators dismiss the notion that excesses in private equity, proprietary trading, the derivatives market, and other pulsating nerve centers of modern day finance have created a **cornucopia of accidents** that are **waiting to happen.**”
- January 22, 2007 (enquirer.com) James McNair “Thousands face loss of homes” “**Rash of foreclosures** stirs debate on blame”
- January 22, 2007 (marketwatch.com) Paul B. Farrell “Déjà vu! ‘90s day-trading **mania** is back!” “This feels like a **top**. A flashing red neon signal **warning** us that the insanity of the stock market bubble is back to haunt us. And yet we’re blind to the fact that this is the second longest running bull since 1929. Translation? **Statistically it’s time for a correction, folks!** Yet we continue living in denial, ignoring history’s lessons!”
- STOCK CRASH**
- January 23, 2007 (dailyreckoning.com) The Mogambo Guru “E-Economic Newsletter”

“Next Sop: Doomsville!”

“I’m locked down, safe and secure, in the Mogambo Fortress Of Paranoia Central (MFOPC), away from the economic mayhem, and I’m idly surfing the net to monitor the unfolding slow-motion implosion of the world economy.”

January 24, 2007 (Bloomberg.com) John Fraher “Davos Economists Say Derivatives Demand Creates Risk”

“ ‘The amount of leverage in the system is growing at rates that are scary,’ Nouriel Roubini, chairman of Roubini Global Economics. ‘We don’t know derivatives are diffusing risk or concentrating it at a few major financial companies. The risk of something systemic happening is rising.’ ”

January 24, 2007 [The VIX closing low was 9.89 today.  
**THIS IS IN THE HISTORIC CLOSING LOW RANGE.**]  
**Get Ready**

January 26, 2007 (safehaven.com) Brady Willet “Bears Wait for the Dam To Break”

“... there is nonetheless the uncomfortable reality that bubbly asset price movements have attacked and undermined the bear case. Moreover, there is the *possibility* that the bear case is flat out wrong, and that the financial markets have evolved and entered a new epoch of potency. Economists have coined this ‘evolutionary’ trajectory ‘The Great Moderation’; which basically contends that there has been a permanent reduction in macroeconomic volatility (Bernanke). Most recently the Times picked up on this theme, claiming that ‘Historians will marvel at the stability of our era’. Forgive us for equating these types of phrases with **‘stocks have reached a permanently high plateau’**, but the temptation is simply too great.”

**Last Irving Fisher Warning Cluster!**

“... while on the surface it would appear that bears have simply been hopping from one sinking platform to the next, whether theorizing of an inflationary shock, an emerging market blow-up, a collapse in housing prices, or a systemic **hedge fund default**, the macro conclusion from bears is much the same: **a yet unknown catalyst is destined to arrive** and expose many of the unsustainable imbalances in the world.”

**Last Trigger Warning Cluster!**

- January 29, 2007 (contracostatimes.com) Steve Butler “Seeking a haven from ‘debt spiral’ ” “I was struck by the ‘debt spiral’ article in the Jan. 19 Wall Street Journal that covered a speech by Federal Reserve Chairman Ben Bernanke.”
- “If our own Federal Reserve chairman is losing sleep over the prospect of a debt spiral, what does that mean for the rest of us?”
- “What Bernanke would probably call ‘the inevitable’ will just be postponed thanks to more debt – giving **the impending crisis** time to spool up and generate a greater destructive blow to the economy when it does eventually hit.”
- January 30, 2007 (marketwatch.com) Mark Hulbert “The calm before the calm?” “A lot of investors are worried that it’s been too quiet in the stock market of late.” “Though these investors don’t always specify why, exactly, calm is not a good thing, the general notion is that **things are quietest just before the storm.**”
- January 30, 2007 (law.com) David J. Reiss “Avert a Bailout of Freddie Mac and Fannie Mae” “Many financial crises have their Cassandras, vainly attempting to warn a heedless public of impending ruin. The Savings & Loan fiasco of the 1980s as well as the more recent internet bust come to mind. The magnitude of the crisis posed by the more than \$1.5 trillion of outstanding Fannie and Freddie debt could easily dwarf those earlier ones. Unlike Cassandra herself, the chairman of the Federal Reserve has the power to prevent **the crisis that he himself has predicted.** It remains to be seen whether he in fact will do so.”
- [BINGO!!!]**
- January 30, 2007 (counterpunch.org) Mike Whitney “**The Mother of All Bubbles**”
- February 1, 2007 (cbs2.com) “Fears Mount Over Possible **Housing Price Collapse**”
- February 3, 2007 (nytimes.com) Conrad De Aenlle “It’s Calm. Look Out for a Storm.” “ ‘If complacency breeds danger, then we might be sitting on a powder keg heading into 2007,’ Mr. [James] Stack [InvesTech Market Analyst] told subscribers last month. ‘It seems the party is in full swing and the punch bowl is overflowing. But imagine the mayhem if something should trigger a panic run for the exits.’ ”
- Last  
Trigger  
Warning  
Cluster!**
- February 6, 2007 (dailyreckoning.com.au) Bill Bonner “**There Was Never A**

## Bubble That Didn't Pop"

- February 9, 2007 (contracostatimes.com) George Avalos "Housing market may soon affect jobs" "Analysts worry decline in real estate could tumble into other sectors"
- February 12, 2007 (marketwatch.com) Rex Nutting "Foreclosures jump 25% in January"
- February 13, 2007 (fxtraders.eu) John Ross Crooks "Currency Currents" "... we can't help thinking there is a Black Swan event lingering out there. Something by definition way beyond the scope of portfolio stress testing."
- February 14, 2007 [The VIX intraday low was 9.70 today.  
Get Ready  
THIS IS IN THE HISTORIC INTRADAY LOW RANGE.]
- February 14, 2007 (safehaven.com) Richard Daughty "The Mogambo Guru – the angriest guy in economics"
- "Things economic are, thankfully, relatively quiet, which, of course, brings to mind that classic movie scene where someone remarks that it is quiet, and someone else says, ominously, 'too quiet', which is always quite prophetic, as usually there are soon bullets and/or arrows flying everywhere, things exploding, people screaming and actors in non-speaking roles suddenly getting killed left and right. I am understandably tense."
- February 15, 2007 (Kiplinger.com) "Housing Sales Fall in 40 States in 4Q"
- February 15, 2007 (newsday.com) Richard J. Dalton Jr. "Housing market watchers see encouraging signs that the so-called bubble never burst"
- February 18, 2007 (chicagotribune.com) Ameet Sachdev "Lawyers ready for a boom in bankruptcy" "My experience over the last 20 years is that what goes up, must come down," said Jeff Marwell, a Chicago attorney..."
- February 20, 2007 (seekingalpha.com) Michael Panzner "Why This Market's Fairy Tale Can't Last Forever" "Meanwhile, Americans will scratch their heads and wonder how it all went so wrong so fast, or why they had not been aware of the dangers before. In reality, we should have seen it coming. Signs of impending doom were everywhere, plain for all to see, in the years leading  
[BINGO!]

[\*\*up to the wide-ranging meltdown\*\*](#). Still, even if people had been aware of the gravity of the situation, it seemed that few cared all that much.”

February 21, 2007 (counterpunch.org) Mike Whitney “Crashing to Earth  
[\*\*The Second Great Depression \[Great Depression 2\]\*\*](#)”

February 27, 2007 (spokesmanreview.com) Madlen Read “Dow Drops 416 on  
[\*\*Global Market Plunge\*\*](#)”

## **N. Bubble, bubble, toil and trouble; vix burn and derivatives ...**

February 27, 2007 [The VIX [\*\*intraday spike high\*\*](#) was 19.01 today.  
[\*\*GET READY\*\*](#) [\*\*THIS IS A HISTORIC ONE DAY PERCENTAGE INCREASE.\*\*](#)]

February 27, 2007 (reuters.com) Jennifer Coogan “Fear gauge [\*\*\[VIX\]\*\*](#) post [\*\*biggest one-day gain ever\*\*](#)  
[\*\*GET READY\*\*](#)

February 27, 2007 (signonsandiego.com) Doris Frankel “U.S. VIX volatility indicator [\*\*spikes by most ever\*\*](#)” “The Chicago Board Options Exchange Volatility Index or VIX, shot up more than 70 percent to a high of 19.01 before subsiding somewhat to 17.97, still a gain of 61.2 percent.”

February 27, 2007 (allheadlinesnews.com) Matthew Borghese “Wall Street Sees Red, But [\*\*Experts Say There's No Fear of Another ‘Great Depression \[Great Depression 2\]’\*\*](#)”

February 27, 2007 (financialsense.com) Frank Barbera “Tracking the Perfect Storm” “There is a blip on the long-range radar, something out there – out there at extreme range – yet now steadily closing the distance. Unable to be seen over the expanse of a long horizon, the object draws relentlessly closer bearing down on our position. As it approaches, we begin to feel the lashing winds and violent seas of a still developing ‘perfect storm.’ In advance of its approach, the palpable change is impossible not to notice with the complexion of a sunny day evaporating into a miasma of increasing winds and darkening skies. Like the approaching storm – a weather system of immense size and power – [\*\*today's violent decline in global financial markets is the signature of steadily darkening storm clouds and a BEAR MARKET in its early stages.\*\*](#)”

- “The pain threshold and turbulence is only now just starting to increase, so for those with weak stomachs, now would be a good time to reach for the Dramamine and buckle in.”
- February 27, 2007 (freemarketnews.com) Staff Selections “[\*\*IS SECOND GREAT DEPRESSION \[Great Depression 2\] COMING?\*\*](#)”
- [BINGO!!]** “[\*\*The Second Depression \[Great Depression 2\] is already here.\*\*](#)  
Some people are just starting to awaken and realize it.”
- March 2, 2007 (exchange-handbook.co.uk) “CBOE Experiences Busiest Trading Week In Its History – Volume Was More Than 23.3 Million Contracts – [\*\*Tuesday \[February 27\] Was Busiest Single Day Ever With 6.7 Million Contracts\*\*](#) – VIX Options Also Set Weekly Record”
- GET READY**
- March 4, 2007 (theconservativevoice.com) Thomas Brewton “[\*\*Echoes of 1929?\*\*](#)” “A great many economic conditions, as well as the structure of the financial markets, are different [\*\*\[new and different type\]\*\*](#) from those of the 1920s. Not all of the differences, however, are reassuring.”
- March 5, 2007 (rgemonitor.com) Nouriel Roubini “US and Global Financial Turmoil: Ten Observations on the Coming Financial and Economic [\*\*Hard Landing\*\*](#)”
- March 6, 2007 (wsj.com) Damian Paletta “Bernanke [\*\*Warns\*\*](#) on Fannie, Freddie”
- March 6, 2007 (money.cnn.com) “Bernanke: Fannie, Freddie [\*\*threaten\*\*](#) economy”
- March 11, 2007 (floridatoday.com) Donna Balancia “Foreclosure!”  
[\*\*5,600\*\*](#) Brevard residents are on the brink of losing their homes”
- March 12, 2007 (greatdepression2006.com) Jim in San Marcos “What’s in a Year?” “This blog’s title ‘the Great Depression of 2006,’ has come under some criticism from a few people who suggested that I change the year in the title, since it ‘Didn’t happen in 2006.’ ”
- [BINGO!]** “[\*\*Most of what I have been addressing\*\*](#), is what is not apparent at the present, but [\*\*will be visible at a later time in history\*\*](#).”
- March 13, 2007 (financialsense.com) Thomas P. Au “IS THIS THE

## **MODERN 1931 [Great Depression 2]?"**

- March 14, 2007 (businessweek.com) Steve Rosenbush “Goldman’s Verdict: No Contagion **Yet**”
- March 14, 2007 (usmarket.seekingalpha.com) Bill Cara “Is America Headed for a Depression?” “Yes. I believe there will be a U.S. economic recession, but **the elements are now in place for the first time in 80 years for America to sink into a depression [Great Depression 2].**”
- March 14, 2007 (reuters.com) Elif Kaban “Top investor **sees** U.S. property crash”
- March 16, 2007 (newEuropeans-magazine.org) LEAP/E2020 “Global systemic crisis: The contagion is spreading!” “As anticipated by LEAP/E2020 in the past months, the United States are really sinking into the 2007 **very great depression [Great Depression 2]** ...”
- March 18, 2007 (msnbc.com) John W. Schoen “Is the U.S. economy headed for **depression [Great Depression 2]?**”  
“At this point in time, there’s nothing but a **big-fat-gigantic depression [Great Depression 2]** coming through the front door – and everyone but the most naïve and ‘true believers’ knows it. It’s gonna be very, very bad. I think the *jig* is up. The facade is rotting away – quickly.”
- March 21, 2007 (marketwatch.com) Scott Reamer “What goes boom **must** go bust”
- March 21, 2007 (safehaven.com) Richard Daughty “The Mogambo Guru” **“Watching the economic idiocy all around me**, and the impending collapse of the housing bubble which has been dubbed by some as The Biggest Speculative Bubble In Freaking History, my days are now spent almost exclusively in fear and frenzied activity, mostly in angrily stockpiling gold, silver, oil, ammo, and these terrific little frozen pizzas that score a bulls-eye with those of us whose tastes run to yummy pork products.”
- March 22, 2007 (oftwominds.com) Charles Hugh Smith “Sub-Prime Meltdown and the **Derivatives Fiasco To Come**”
- March 27, 2007 (examiner.com) David Francis “Fannie Mae expects to **lay off hundreds**”
- March 27, 2007 (safehaven.com) Steve Moyer “Asset Deflation 6: The Death of Real Estate” “The fact is, **we have officially entered the**

**frightening**, post-NASDAQ-bubble, post-subsequent-real-estate-double-bubble, credit-contracting, asset-deflationary **portion of the [Great Depression 2]** 75 year cycle. So buckle-up for Mr. Toads Wild Ride, people, because there is no looking back at this point. Mark my words, it's going to be nauseating.”

March 28, 2007

(safehaven.com) Richard Daughty “The Mogambo Guru”  
“Like the rest of us, the Fed chairman has known all along that the good kind of inflation – the kind that pumps up everybody’s assets so that those assets can be hocked to the moon – is all that stands between our spectacularly over-leveraged economy and a **Second Great Depression [Great Depression 2]**. Yikes and crimin!”

“As you are now properly prepared, it is at the juncture that I proudly introduce my fabulous, all-new Mogambo Balsa-Wood Airplane Theory Of Economics (MBWTOE), which I heroically developed by drinking dangerous levels of alcoholic beverages, thus sacrificing myself upon the Alter of Inspiration in exchange for a way to explain the idiocy of economics as taught in the nation’s universities, and as practiced by all the world’s central banks.”

## **March 30, 2007**

(ofheo.gov) “OFHEO ANNOUNCES FORTH QUARTER 2006 MINIMUM AND RISK-BASED CAPITAL CLASSIFICATION FOR FANNIE MAE and FREDDIE MAC

**WHAT?????  
???????**

Reclassifies Fannie Mae **Q1-3** 2002, **2003** and 2004 as Significantly Undercapitalized and Reaffirms Freddie Mac Q1-3 2006 as Adequately Capitalized”

**“Fannie Mae’s classification is based on estimated numbers** submitted by Fannie Mae and not financial statements released to shareholders. Freddie Mac’s classification is based upon numbers consistent with the information statement and annual report it released on March 23, 2007.”

**3Q 2003**

“Because **Fannie Mae was not required to restate quarterly results for Q1-3** 2002 and **2003** per an SEC waiver, OFHEO agreed to accept estimates of the minimum and critical capital positions for those periods.”

*“If something can’t go on forever,  
it will stop.”*

*Herbert Stein  
Stein’s law of economics*

## **O. EVERYTHING GRINDS TO A HALT!**

(RealMoney.com) **Peter Eavis Senior Columnist**  
“Fannie Mae, Freddie Mac won’t cheat

### **Judgment Day”**

## **P. Now we wait for Judgment Day...**

September 4, 2007 (McHugh’s Market Comments) “**There is an absolutely gigantic Fibonacci Cluster pointing toward a major turn around October 5<sup>th</sup>, 2007, +/- a few days.** It may be the largest Fibonacci Cluster we have witnessed to date.”

“We do not know for certain whether it will be a top or a bottom. But we are confident it will be a major turn. Should prices continue to rise into that date, we would expect a **crushing decline** to follow.”

October 5, 2007 \* [The day before Friday **a wave of selling** produces a **major trend turn** for **FNM** at 68.60. The FINAL wave down that started on August 22, 2007 is now confirmed.]

November 2, 2007 [Friday FNM hits a new 52-week low.]

November 5, 2007 [Monday FNM hits another new 52-week low.]

- November 7, 2007 [Wednesday FNM hits a BIG new 52-week low.]
- November 8, 2007 [Thursday FNM hits yet another new 52-week low.]
- November 9, 2007 [Friday FNM hits yet another new 52-week low.]
- November 9, 2007 (safehaven.com) Doug Noland “Fannie in Her Own Words”  
“If there were a more ominous scenario than the one developing, I’ve never thought of it.”
- November 10, 2007 (opednews.com) Michael Fox  
“Surviving the New Depression II [Great Depression 2]”
- November 15, 2007 (markitoracle.co.uk) Christopher Laird “Credit Crisis Meltdown Is a Prelude to Global Economic Depression [Great Depression 2]”
- November 15, 2007 [Thursday FNM hits yet another new 52-week low.]
- November 16, 2007 [Friday FNM hits yet another new 52-week low 36.86 and blasts thru a critical support level of 41.34.]
- November 16, 2007 (forbes.com) “Fannie Mae tumbles to lowest price seen in a decade”
- November 16, 2007 (streetinsider.com) “Fannie Mae shares headed for biggest two-day drop since 1987”
- November 16, 2007 (thestreet.com TV) James Cramer: “The Nightmare Scenario”  
“... We shouldn’t take the decline of Fannie Mae with a grain of salt...”
- November 16, 2007 (consumeraffairs.com) Mark Huffman “Wells Fargo CEO Invokes Specter Of Great Depression [Great Depression 2]”
- November 19, 2007 (businessweek.com) “The Economy on the Edge”
- November 20, 2007 [Tuesday the bottom falls out (- 24.83% to 26.38) for FNM.]



November 20, 2007 (marketwatch.com) Irwin Keller "U.S. economy melting down"  
 "Whether the Federal Reserve realizes it or not, the United States economy is reeling from a **one-two punch** of plunging **real estate** values and a full-blown **credit crunch** that might not be alleviated with additional rate cuts."

November 20, 2007 (functionpix.com) Pascal Molliere "The great depression of 2008 **the mother of all depressions [Great Depression 2]**"  
 "The potential for an economic implosion and subsequent world recession is huge and **could surpass** the biggest financial crash in history of that of the Great Depression."

November 20, 2007 (ponderthis.net) Kemp "Fannie Mae and Freddie Mac Crash"  
 "The two massive government sponsored entities partially responsible for the boom in mortgage lending, mortgage packaging, and collateralized debt – and therefore indirectly responsible for the housing bubble – are currently crashing to new lows..."

"Here at *Ponder This...* we have been warning about many potential issues associated with these two behemoth government sponsored entities for upwards of three years.  
**Now the day of reckoning for these questionable companies appears to be nigh.**"

November 20, 2007 (energybulletin.net) Shepherd Bliss "U.S. economy – recession, **depression [Great Depression 2]**, or collapse"

November 25, 2007 (guardian.co.uk) Heather Connon “America flirts with **dreaded D-word**” “Repeat it softly, but some experts on the US economy have begun to use the word ‘**depression**’ [Great Depression 2].”

November 29, 2007 (opednews.com) Carolyn Baker “A DIARY OF THE ONSET OF **THE GREATER DEPRESSION** [Great Depression 2]”

December 3, 2007 (mercurynews.com) Kenneth Rosen “**Congress must act** in [Congress fiddles] housing crisis” “Americans face a financial crisis the likes of which we have not seen since **the stock market crash of 1929**.”

December 3, 2007 (ap.com) Alan Zibel “Housing Execs Warn the Worst Is Coming” [Everybody fiddles] “...**Democrats and Republicans** continue to debate the issue even as Fannie and Freddie’s profits plunge and their **stock prices crash.**”

December 9, 2007 (latimes.com) Steve Fraser “Symptoms of an economic depression” “No one wants to utter the word ‘**depression**.’ [Great Depression 2] But the truth of the matter is that the American economy may be entering a state of free fall.”

December 10, 2007 (safehaven.com) Alex Wallenwein “Nuclear Bond Implosion **BOND CRASH** Ahead” “What is coming is a wholesale exit from US treasury bonds, **the likes of which the world has not seen**. Might as well call it ‘nuclear.’ ”

December 13, 2007 (seekingalpha.com) Stacey Laliberte “Fannie Mae: Beyond Economical Repair?” “... if Fannie, or Freddie were to fail, it would surely signal the beginning of an even **greater depression** [Great Depression 2] than was seen in the 1930s.”

December 21, 2007 (boston.com) Robert Kottner “America’s **economic perfect storm**”

2007

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2008

January 4, 2008 (baltimorest.com) Rolfe Winkler “What will we do if **big two** [Fannie Freddie] go bust?” “Between them, Fannie Mae and Freddie Mac back more than \$4 trillion in mortgages. If

they fail, it could force an unprecedented taxpayer-funded bailout. **And they are much closer to failure than most people realize.**”

**RON PAUL**

“Some saw this coming, including presidential candidate [\*\*Ron Paul\*\*](#). As far back as 2002, Mr. Paul – whose candidacy I’m not actively supporting – predicted the Federal Reserve would blow up the housing bubble.”

**RON PAUL**

“[\*\*Mr. Paul\*\*](#) was dead-on with his prediction that the Fed was blowing a new bubble and that it would burst violently.”

**RON PAUL**

“[\*\*Another Paul Prediction\*\*](#), that Fannie and Freddie will go bust, forcing a taxpayer bailout, remains controversial because few think the housing crash could be that bad.”

**EVERYONE IN  
CONGRESS  
FIDDLIES  
EXCEPT  
RON PAUL**

January 9, 2008

(nolanchart.com) Dean Santoro “Peace, Prosperity and the Body Politic” “[\*\*Fannie Mae and Freddie Mac\*\*](#), the quasi-governmental mortgage giants, [\*\*are teetering on total failure\*\*](#) with paltry amounts of cash in their reserves that dwarf their outstanding financial commitments.”

January 9, 2008

(opednews.com) Alf Field “Into the Abyss” Government Sponsored Enterprises (GSEs) such as Fannie Mae and Freddie Mac face potential bankruptcy as they carry over \$4 Trillion of Credit Default derivatives on their books with a capital base of only 1.5% of the liability.”

“Governments and central bankers will not stand by idly while the financial markets burn. Interest rates will be rapidly reduced and any major institution that threatens to collapse the financial system will be bailed out. It is unthinkable that Fannie Mae and Freddie Mac will be allowed to go under.”

**[Congress  
Fiddles]**

“**The disease can be diagnosed as unsound money, plus an unsound international monetary system, combined with undisciplined politicians and central bankers who have spawned a system that is awash with vast quantities of newly created liquidity and lax morals.**”

January 14, 2008

(business-standard.com) R Ravimohan “Watch out for

**black swan”**

- January 17, 2008 (newsocialist.org) Bob Brenner “**Devastating Crisis Unfolds**” “THE CURRENT CRISIS could well turn out to be the most devastating since **the Great Depression**”
- January 21, 2008 (Charleston.net) Steven Pearlstein “**Nation’s economy caught in downdraft**; panic begins”
- January 22, 2008 (theage.com.au) John Fraher “Top economists warn of ‘**irrational depression**’ [**Great Depression 2**]”
- January 22, 2008 (guardian.co.uk) Larry Elliott “**Black Monday**: recession fears spark global share crash”
- January 22, 2008 (speroforum.com) Mike Whitney “World stock markets plunge: **Is this the big one?**”
- January 23, 2008 (theage.com.au) Ruth Williams “**Black Tuesday** wipes off \$100 billion”
- January 23, 2008 (dispatch.co.za) “**US slashes interest rates to stop panic**”
- January 25, 2008 (thestreet.com) Nat Worden “Fed Up With Bernanke” “Throwing caution to the wind, he [**Federal Reserve Chairman Bernanke**] jumped into the the fray Tuesday morning, slashing the fed funds rate target at the opening bell by 75 basis points – the first emergency reduction of that size since 1982 – signaling that **the economy was facing a crisis of historic proportions** [**Great Depression 2**.]”
- January 26, 2008 (newsweek.com) Daniel Gross “The U.S. Economy Faces the Guillotine” “The Great Market Freak-Out of 2008 has everyone asking whether **the United States** – already on the road to recession – **is entering into a protracted period of economic trouble** ...”
- January 26, 2008 (online.wsj.com) Michael M Phillips “**Stimulus Deal** Spurred by Fears Of **Voter Backlash**”
- January 28, 2008 (indiadaily.com) Sam Adelton “The whisper in Davos – **the global depression** [**Great Depression 2**] **is here** – who goes belly up first?”
- January 29, 2008 (marketwatch.com) Paul B Farrell “A mind-blowing machine In America, land of the bubbles, **the next pop will be the**

**bigest**

- January 29, 2008 (telegraph.co.uk) “Central bankers are fiddling as **Rome burns**”
- January 30, 2008 (thehill.com) Bob Cusack “**Paul votes against economic stimulus package**”  
**RON PAUL**
- January 30, 2008 (nytimes.com) Edmund L Andrews “Fed Reduces Rate by Half-Point; **2<sup>nd</sup> Cut in 8 Days**”
- January 30, 2008 (reuters.com) Richard Satran “Fed **relief rally withers** on credit crunch fears”
- January 30, 2008 (247wallstreet.com) Douglas A. McIntyre “How **NY State Helped Start Bond Insurance Crisis**”
- January 31, 2008 (newswithviews.com) Devvy Kidd “ECONOMIC STIMULUS PACKAGE: **MACABRE WALTZ INTO THE ABYSS**”
- February 1, 2008 (marketoracle.co.uk) Christopher Laird “US and European Economies Heading for **Depression 2.0 [Great Depression 2]**”
- February 1, 2008 (hernandotoday.com) Mike Grab “Despite What Columnist Says, U.S. In A **Depression [Great Depression 2]**”  
“Financial experts predict this recession may last another five years. **This is not a recession; it is a depression**, which will make the 1929 Great Depression seem like a cake walk by comparison.”
- February 6, 2008 (marketoracle.co.uk) “Ron Paul Talks about the **U.S. Economic Collapse**”  
**RON PAUL**
- February 6, 2008 (reuters.com) Patrick Rucker “GSE regulator to **warn lawmakers** on stimulus deal”
- February 7, 2008 (dsnews.com) Kerri Panchuk “**OFHEO Director Sees Dangers** in Economic Stimulus Package”
- February 8, 2008 (opednews.com) Michael Fox “Depression Enters Phase Two”  
“There’s been much talk about fear of Recession, but I wrote in November that **we were in** the beginning of **a new [and different type of Great] Depression [2]** And this Depression will be so chaotic that it won’t conform to any previous definitions **[new and different type].**”  
**[BINGO!]**
- February 9, 2008 (wsws.org) Barry Grey “Democrats overwhelmingly vote

to pass Bush's economic stimulus bill"

February 9, 2008 (prospect.org) Dean Baker "Stimulus Package Will Hasten [BINGO!]"

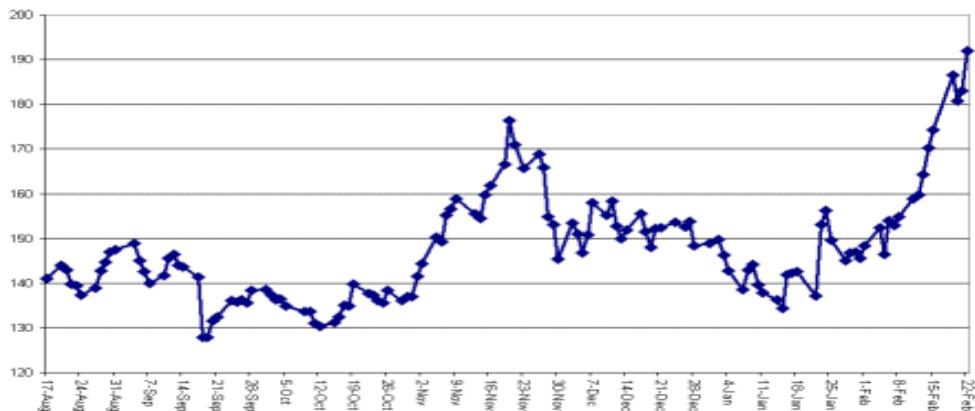
February 10, 2008 (washingtonpost.com) Hank Stuever "Wasn't It Great?"  
" In the Great Depression, Roosevelt saw a third of a nation *ill-housed*. Here you are, in an alternate reality, in the Second Great Depression, [**Great Depression 2**] ill-housed yourself."

February 10, 2008 (theday.com Connecticut) Mark W. Hendrickson  
"The Next Great Depression [Great Depression 2]"

February 14, 2008 (opednews.com) Michael Fox "When the Swiss Say Money's Tight, The Depression's [Great Depression 2] Gone Global"

February 15, 2008 (prudentbear.com) Doug Noland "The breakdown of Wall Street Alchemy" "In a disconcerting development, recent market developments seem to confirm that the leveraged speculating community and the GSEs are poised as the next shoes to drop – the next Dominoes in an Escalating Contagion."

**Yield Spread: Fannie Mae MBS vs. 10-Year Treasury**



"... GSE MBS spreads were this week's eye-opener. Fannie Mae benchmark MBS spreads surged another 17 bps to 192, the widest spreads in eight years. For perspective, this spread has averaged 76 bps since the end of 2002."

February 19, 2008 (reuters.com) US CREDIT – Fannie Mae credit spread blowout may be opportunity"

- February 20, 2008 (ft.com) Martin Wolf “America’s economy risks **mother of all meltdowns** [the final destructive stage of the **Great Depression 2 (C2)**]”
- February 25, 2008 (prweb.com) “Survey Shows Economic Depression Likely” “A majority of Americans surveyed believe the U.S. economy will fall into an **economic depression** [**Great Depression 2**], according to a new opinion poll conducted by Housing Predictor.”
- February 25, 2008 (guardian.co.uk) Larry Elliott “Queue for the soup kitchen may start here” “It is a sign of how serious the current situation is that **those who argue that there is a risk of a 1930's-style slump** [**Great Depression 2**] **are no longer treated as stark, staring mad.**”  
**[THANK YOU]**
- February 25, 2008 (mediachannel.org) Danny Schechter “The Crash That’s Coming: More Bubbles Will Burst” “While economists worry about ‘staving off’ a recession, some parts of the country are already – wash my mouth out with soap for saying this – in **a depression** [**Great Depression 2**.]”
- February 26, 2008 (financialsense.com) Frank Barbera “The Expanding Menu of Horrors” “... we just can’t resist taking further note of the miserable chart performance being notched by Fannie Mae and Freddie Mac; both of these seem headed for the Critical Care ward with prices also breaking down within the context of a rising market. This just can’t be a sign of better things to come as **smart money seems to be heading for the door**.”
- February 27, 2008 (intelligencer.ca) Bert Hielema “International experts foresee collapse of U.S. economy” “We are not experiencing a remake of the 1929 crisis nor a repetition of the 1970s oil crisis or 1987 stock market crisis.” “What we will have, instead, is truly a **global momentous threat** [**Great Depression 2**] – **a true turning point affecting the entire planet** and questioning the very foundations of the international system upon which the world was organized in the last decades.”
- February 27, 2008 [Wednesday FNM hits a new 52-week low. Over 100 million shares are traded.]
- February 27, 2008 (business.theage.com) Michael West “Who’s next for **financial judgment day?**”

- February 28, 2008 (newsbusters.org) Paul Detrick “Episode 107: There’s a **Depression [Great Depression 2]** a-Comin’!”
- February 28, 2008 (cnn.com) Glenn Beck “Don’t follow herd on the economy”  
“Less than a year ago, a recession was the last thing on anyone’s mind.”
- “I’m not an economist or a stock broker; I’m just a guy trying to make the best decisions I can, and picking the brains of real experts helps me do that.”
- “But I do know one thing for sure: **Depressions aren’t advertised in advance.** [June 23, 2003 – July 24, 2003 – **JULY 29, 2003** - August 1, 2003 – **ELECTION DAY 2004** - September 12, 23, 27, 2005 and October 4, 14, 19, 2005 in the Rochester NY Democrat and Chronicle newspaper]
- “Anyone who says that can’t happen again either doesn’t know history, doesn’t understand how interconnected the world’s economies have become, or is lying to you.”
- February 28, 2008 (financialweek.com) Nouriel Roubini “NYU professor predicting a **whale of a bear market** [the final destructive stage of the **Great Depression 2 (C2)**] ”
- February 29, 2008 (foreignpolicy.com) **THE COMING FINANCIAL PANDEMIC**
- February 29, 2008 (wsj.com) Peter Eavis “**Fannie, Freddie May Have Further to Fall**”
- March 4, 2008 [Tuesday FNM hits another new 52-week low.]
- March 5, 2008 [Wednesday FNM hits another new 52-week low.]
- March 6, 2008 (thestreet.com/video) James Cramer “Cramer: Take Fannie and Freddie Common Stock Off the Table” “The equity of FNM and FRE seem to be **on the verge of being wiped out**, says Jim Cramer”
- March 6, 2008 [Thursday FNM hits a BIG new (21.21) 52-week low.]
- March 6, 2008 (yaledailynews.com) Hugh Baran “Progressive Futures” “**Depression, [Great Depression 2]** not recession, looming in America”
- March 6, 2008 (howestreet.com) Dr. Russell McDougal “The ‘D’ Word: Part 2 Not Your Father’s Recession” “**Could we be in** or close to **a**

**[BINGO!!]**

- classically defined depression** when our pols and pundits are just getting around to admitting the possibilites of recession? Stranger things have happened.”
- March 7, 2008 [Friday FNM hits another new 52-week low.]
- March 10, 2008 [Monday FNM hits another big new 52-week low.]
- March 14, 2008 (businessandmedia.org) Jeff Poor “Not Just Recessions, Clinton Appointee Talking ‘**Depression**’ [**Great Depression 2**]” “Many economists warn of tough economic times, but former Clinton Labor Secretary Robert Reich doesn’t just warn of a ‘recession,’ he warns of a ‘**depression**.’ ”
- March 17, 2008 (belfasttelegraph.co.uk) “Wall Street fears for **next Great Depression** [**Great Depression 2**]”
- March 17, 2008 [Monday **FNM** hits a **BIG** new (18.25) 52-week low.]
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*"The derivatives genie is now well out of the bottle, and these instruments will almost certainly multiply until some event makes their toxicity clear. Central banks and governments have so far found no effective way to control, or even monitor, the risks posed by these contracts.*

**Derivatives are financial weapons of mass destruction,**  
*carrying dangers that, while now latent, are potentially lethal."*

*Warren Buffett*

*March 2003*

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*Pat Chapman  
Spencerport NY resident  
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- October 29, 2008 (findingdulcinea.com) John Noonan “On this Day: Black Tuesday Stock Market Crash [\*\*Ushers\*\*](#) in Great Depression”  
“On Oct. 29, 1929, the New York Stock Exchange closed down 12.8 percent, marking the end of the Bull Market of the 1920s and the beginning of the Great Depression.””



- October 29, 2008 (allheadlinenews.com) AHN Staff “After Two Months Of Government Bailout, Fannie Mae, Freddie Mac Have Little Success Turning Around Mortgage Market”
- “Their purchase of more mortgages is expected to bring down mortgage rates and stabilize the market, but [the opposite has happened.](#)”
- October 29, 2008 (washingtonpost.com) Zachary A. Goldfarb “Loan Giants [Takeover Hasn't Paid Off](#)”
- October 29, 2008 (kp.ru) Yevgeniy Chernyx ‘Mikhail Khazin: U.S. will soon face [second 'Great Depression'](#) [**Great Depression 2**]’
- October 29, 2008 (usnews.com) Luke Mullins “Rep. John Mica on Fannie/Freddie Special Prosecutor” “Last week a handful of Republican lawmakers sent a letter to the U.S. attorney general asking him to appoint a special counsel to investigate Fannie Mae and Freddie Mac’s role in [triggering](#) the current financial crisis.”  
**‘trigger’**
- October 30, 2008 (clusterstock.com) Henry Blodget “18% Treasury Bond Rates? “Is Iceland Canary In Coalmine?” “In case you’re fortunate enough not to have noticed, the spreads on Fannie and Freddie

<b>Meltdown P2</b>	debt over Treasuries have <u>widen to record levels in recent weeks</u> . <u>This isn't supposed to happen.</u> ”
<b>Housing Bond Crash</b>	“Why do spreads matter? Because they will drive mortgage rates up, further clobbering the housing market, <u>prolonging the crash</u> , etc.”
October 31, 2008	(democrat and chronicle) Jeannine Aversa “ <b>ECONOMY IN CRISIS</b> ” “Train went off the track’s as spending falls, income declines, business slows.”
October 31, 2008 <b>Meltdown P2</b>	(clusterstock.com) John Carney “Spooky Ben Bernanke Says <b>GSE'S Will Haunt Us Forever</b> ”
October 31, 2008 <b>Meltdown P2</b>	(boston.com) Steven Syre “Very fixed rates” “But there’s a twist in the typical story this time.”  “ <b>Interest rates</b> Fannie Mae and Freddie Mac pay to borrow the money they need to buy mortgages <u>have actually gone up</u> since the government got behind the big lenders. <b>That doesn't seem to make any sense.</b> ”
October 31, 2008 <b>Worst Month Bonds</b>	(bloomberg.com) Shelley Smith “Debt [Bond] Markets in U.S., Europe Suffer <b>Worst Month on Record</b> ”
October 31, 2008 <b>Worst October Since 1987</b>	(usatoday.com) “Stocks end day higher but turn in <b>worst October since 1987</b> ”
October 31, 2008	(money.cnn.com) Aaron Smith “Wall Street’s red October” “This month was one of the worst-ever for stocks. Dow on a wild ride. S&P down 198 points – most ever.”
October 31, 2008	(marketwatch.com) Laura Mandaro “So how bad was October? <b>One for the history books</b> ”
November 2, 2008	(koreatimes.co.kr) Jane Han “Financial Crisis <b>Chills</b> US Holiday Season”
November 2, 2008	(financialsense.com) Krassimir Petrov “WORSE THAN THE GREAT DEPRESSION” “I actually believe that the macroeconomic fundamentals today are much worse, so that we are in for a protracted period of economic depression – a depression much worse than the Great Depression, a depression that would likely be remembered in history as ‘ <b>The Second</b>

**Great Depression**' [Great Depression 2] or The Greater Depression, as Doug Casey has called it so aptly."

November 2, 2008 (guardian.co.uk) James Doran :US retail investors flee from bond markets" "Retail investors in America are abandoning the markets in record numbers, with the bond market particularly hard hit, according to the latest troubling data from Wall Street. More than \$39bn has been withdrawn from the US Bond markets by ordinary investors in the **past seven weeks**, the largest outflow of funds since records began."

"The stampede out of bonds is a further sign that government measures to fix the credit markets are not working and that the crippling financial downturn still has many months to run. In normal times, retail investors invest about \$32bn annually in the bond market, which means more than a year's worth of investments has been taken out of the market **in less than two months.**"

November 3, 2008 (financial-planning.com) Steven Sloan "Challenges for GSEs **Didn't End at Takeover**"

November 3, 2008 (100mortgages.org) "**What should the government do** with Freddie Mac and Fannie Mae?"

November 3, 2008 (moneyandmarkets.com) Martin D. Weiss "The Great American Housing Nightmare: Next Phase"

**[BINGO!!!]** "**Debt is the fuel of speculation.** Without it, speculative bubbles cannot emerge."

"Some of the largest speculative bubbles of all time were born out of **government-sponsored monopolies**, nurtured by government-bred bureaucrats and kept alive beyond their time by government-inspired corruption, fraud and cover-ups."

November 3, 2008 (ft.com) "**US manufacturing crashes to 26-year low**"

## **ELECTION DAY 2008**

November 4, 2008 (democrat and chronicle) Bob Willis "**ECONOMY IN CRISIS**" "October car sales plunge to dire level" "Auto sales in October were the worst since 1945, General

- Motors Corp. said Monday, while a separate report showed U.S. manufacturing contracting at the fastest pace in 26 years.”
- November 4, 2008 (bloomberg.com) Michael Patterson “Election Day Boosts Markets After Steepest Declines Since 1970s” “Election Day is proving a haven for investors contending with the **worst stock and bond markets in three decades.**”
- November 5, 2008 (wsj.com) Jonathan Weisman “Obama Sweeps to Historic Victory” “Sen. Barack Obama was elected the nation’s first African-American president, defeating Sen. John McCain decisively Tuesday as citizens surged to the polls in a presidential race that climaxed amid **the worst financial crisis since the Great Depression.**”
- November 5, 2008 (bloomberg.com) Bob Willis “ADP Says U.S. Companies Reduced Payrolls by 157,000” “**Firings have spread** from automakers, financial and housing related companies to retailers and other services **as the economic slump deepened.**”
- November 5, 2008 (bloomberg.com) Sarah Mulholland “Credit Card **Bond Sales Plunge to Zero**, First Time in 15 Years”
- November 6, 2008 (marketwatch.com) Rex Nutting “Continuing jobless claims hit **25-year high**”
- November 6, 2008 (reuters.com) Nicole Maestri “Retail sales worst in decades; holiday view cut” “Retail chains posted the worst monthly sales data in more than **three decades** as consumers cut spending sharply in October, stunned by a financial crisis that has derailed the U.S. economy.”
- November 6, 2008 (nytimes.com) Stephanie Rosenbloom “Retailers Report a **Sales Collapse**” “Sales at the nation’s largest retailers fell off a cliff in October...”
- November 7, 2008 (yahoo.com) Jeannine Aversa “Jobless rate **bolts to** 14-year high of 6.5 percent”
- November 10, 2008 (reuters.com) Al Yoon “Fannie Mae facing **short-term debt refinancing risk**”
- November 13, 2008 (wsj.com) Prabha Natarajan “Fannie, Freddie Debt Weakens Again” “Risk premiums on debt securities issued by mortgage

## Meltdown P2

giants FannieMae and Freddie Mac [took a turn for the worse](#) Thursday morning amid [continued uncertainty about the fate of the twin mortage giants.](#)

November 19, 2008

(washingtonpost.com) Zachary A. Goldfarb “Fannie in Danger of Stock Delisting” [\*\*Sub-\\$1 Price\*\*](#) Violates NYSE Rules”

November 19, 2008

(wsj.com) Holman W. Jenkins, JR. “Obama Hears a Giant Sucking Sound” “Fannie and its twin, Freddie Mac, have already come back for a second helping of taxpayer money as their once-profitable business model devolves into a politically directed subsidy machine for propping up home prices and delaying foreclosures. [\*\*Their next meltdown\*\*](#), in government hands, is all but written in the cards.”

## Meltdown P2

November 26, 2008

(ftalphaville.ft.com) Izabella Kaminska “Implicitly Explicit or not?” “...could it be that [\*\*GSE paper was never explicitly guaranteed by the government\*\*](#) despite elaborate efforts to suggest it was? And if so why?

[\*\*It was, after all, the issue that really kicked off the destabilization in the markets in September.\*\*](#)

December 1, 2008

(forbes.com) Carl Guiterrez “[\*\*It's Official:\*\*](#) U.S. In Recession” [GreatDepression2.com does not endorse that viewpoint.]

December 1, 2008

## Meltdown P2

(housingwire.com) Paul Jackson “Fannie [\*\*Warns\*\*](#) of [\*\*Reverse Stock Split\*\*](#)”

December 4, 2008

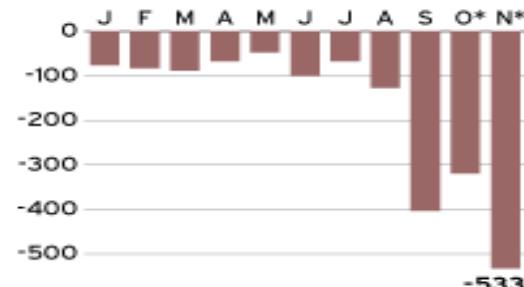
(latimes.com) Martin Zimmerman “Is U.S. facing a depression? National Bureau of Economic Research [\*\*won't go there\*\*](#)”

Decemeber 5, 2008

(msnbc.msn.com) John W Schoen “[\*\*Job Market is awful\*\*](#), but may get worse” “Sharp jump in unemployment shows the economy is [\*\*rapidly\*\*](#) weakening.”

## Lost jobs in the U.S.

2008 numbers, in thousands.



Source: U.S. Dept. of Labor

MSNBC

- December 6, 2008  
**(C2)**  
(latimes.com) Maura Reynolds “1.25 million jobs lost in **three months**” “With the loss of over a half-million jobs just last month, the U.S. job market is now shedding jobs at a **truly alarming rate, a rate that is measurably worse than past recessions**,’ ” said Jared Bernstein, a labor economist at the Economic Policy Institute who has been named an advisor to incoming Vice President Joe Biden.”
- December 8, 2008  
(bloomberg.com) Michael J. Moore “Treasury Sells Three-Month Bills at the Lowest Rate **Since 1929**”
- December 9, 2008  
(DemocratandChronicle) Stephen Ohlemacher (Business 6D)  
“Incomes sink, poverty climbs” “Economy has been weakening **since [March 10,] 2000**, says census survey”
- December 10, 2008  
(DemocratandChronicle) Alan Zibel (Business 6D)  
“Ex-executives at mortgage titans decried” “Three months after the government seized control of **Fannie Mae** and Freddie Mac, lawmakers on Tuesday **blamed** former top executives **for fueling the financial market turmoil that has dragged the country into a recession.**”
- December 14, 2008  
**Meltdown P2**  
(nytimes.com) Janet Maslin BOOKS OF THE TIMES “Crashes, Goofs and Schadenfreude” “Freddie Mac and Fannie Mae are doing fine, because if they weren’t, we’d be facing ‘some economic scenario that is probably as severe as, if not worse than, **the Great Depression,**’ **[Great Depression 2]**”
- December 16, 2008  
**(C2)**  
(washingtonpost.com) Howard Schneider “Consumer Prices Fall at **Record Rate for Second Month in a row**”
- December 16, 2008  
(marketwatch.com) Robert Schroeder “Drop in consumer prices is **most since 1932**”
- December 16, 2008  
**(C2)**  
(marketwatch.com) Angela Moore “Best Buy’s blistering view” “The historic slowdown in the economy and its effect on our business over the **past 90 days** [“...will usher in the **final destructive stage** (C2) of the Great Depression 2.”]  
have been the most challenging consumer environment our company has ever faced.’ Said Brad Anderson, Best Buy’s vice chairman and chief executive. ‘We believe that there has been a **dramatic** and potentially **long-lasting change** in consumer behavior as people adjust to the new realities of the marketplace.’ ”

- December 16, 2008 (marketwatch.com) Rex Nutting “The Fed goes to Defcon 1” “A promise to do everything it must to avert a **depression**”
- December 22, 2008 (seekingalpha.com) Michael Steinberg “Why Are Mortgage Rates So High?” “... **without an explicit government guarantee**, GSE debt will never substitute for treasuries.”
- December 24, 2008 (barrons.com) Randall W. Forsyth “Credulity Suffers Bigger Losses Than Markets in 2008” “... even the Treasury’s ‘effective’ backing isn’t good enough. Although Uncle Sam bailed out mortgage giants Fannie Mae and Freddie Mac, **the market still doesn’t treat the government sponsored enterprises the same**. Only an explicit promise to pay is good enough in these days.”
- Meltdown P2**
- December 31, 2008 (nytimes.com) Terry Pristin “A Renter’s Market for Manhattan Offices” “‘We have fallen further faster than any time in the last 20 years,’ said Mitchell S. Steir, chief executive of Studley, a national brokerage firm that represents tenants, ‘There has been more damage to real estate values in the **last four months** [“...will usher in the **final destructive stage (C2)** of the Great Depression 2.”] than in any other four month period. The pace with which it has occurred has been astonishing.’ ”
- (C2)

2008

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2009

- January 1, 2009 (nytimes.com) Louis Uchitelle “Steel Industry, in Slump, Looks to Federal Stimulus” “The industry itself is turning to government for orders, until the **September collapse**, had come from manufacturers and builders.”
- (C2)
- January 2, 2008 (afp.google.com) “US steel industry in collapse, eyes government aid: report” “Output of steel has **plunged 50 percent since September** after posting record profits...”
- (C2)

- January 4, 2009 (nytimes.com) Paul Krugman “Fighting Off Depression” “**Let’s not mince words:**

This looks an awful lot like the beginning of a **second Great Depression.**” **[Great Depression 2]**

- January 6, 2009 (stltoday.com) John Stoeffler “As I See It: When watchdogs don’t watch” “With every passing day we hear the media cataloging a list of horror stories about people losing their homes, jobs and a goodly portion of their investment portfolio. And all this, according to the media, is due to the government’s failure to regulate Freddie Mac and Fannie Mae.”
- January 6, 2009 (wsj.com) David Gaffen “You Say Recession, **I Say Depression” [Great Depression 2]**
- January 7, 2009 (nytimes.com) “Paulson **Sees Changes** for Freddie and Fannie” “Mr. Paulson also raised the possibility of creating a public utility type of company that would guarantee mortgage credit.”
- Meltdown P2**  
“Such a proposal would address the inherent conflicts between private ownership and public purpose that must be resolved to avoid the potential for another crisis in mortgage financing, Mr. Paulson said.”
- January 7, 2009 (latimes.com) James Rainey “Straight talk on the economic crisis” “Business journalists have been straining for months to describe the economy. Some have it ‘struggling’ or ‘staggering.’ They’ve labeled the downturn a ‘**crisis**’ **[ECONOMY IN CRISIS]** and a ‘meltdown.’ Others have reached for metaphors – ‘off the rails’ or ‘in a ditch.’
- January 8, 2009 (iht.com) Miguel Helft “Intel trims forecast again as sales picture worsens” “The magnitude and pace of the decline across the tech sector is without precedent.” Said Ashok Kumar, an analyst with Collins Stewart.”
- Meltdown P2**  
January 8, 2009 (bloomberg.com) Dawn Kopecki “Obama Must Tackle Fannie, Freddie’s Federal Ties” “President-elect Barack Obama has little time to decide the fate of Fannie Mae and Freddie Mac as bank regulators warn of the drag the government seized mortgage finance companies are having on the U.S. economy.”
- “The Bush administration decided not to count Fannie and Freddie’s liabilities as obligations in its budget estimates.”
- Meltdown P2**  
“The federal government has to make up its mind by the middle of this year as to what the final outcome will be for Fannie and Freddie,’ said Ira Jersey. A U.S. interest

- rate strategist at Credit Suisse.”
- January 8, 2009 (guardian.co.uk) Pedro Nicolaci “Great Depression jobs parallel may not be far flung” “‘We are in a very, very different place [new and different type of] than the U.S. economy was in the 1930s, James Poterba, president of the National Bureau of Economic Research told a recent Reuters Summit.’”
- “... if unemployment were still tallied the way it was in the 1930s, **today's jobless rate would be closer to 16.5 percent** – more than double the stated rate.”
- January 14, 2009 (wsj.com) Kelly Evans “Global Trade Posts Sharp Decline” “Trade among nations is declining sharply around the world, **an unusual development even in a recession** [maybe this is not a recession] – and one that makes it more difficult for countries to pull out of their economic dive.”
- January 26, 2009 (dallasnews.com) “Layoff numbers **explode** in one day”
- January 26, 2009 (mercurynews.com) Michael Muskal “**Bloody Monday**: U.S. firms slash 50,000 jobs”
- January 27, 2009 (democratandchronicle.com) Jeannine Aversa (Business 5B) “40,000 jobs lost as firms cut costs” “**The recession is killing jobs at an alarming pace**, with tens of thousands of new layoffs announced Monday by some of the biggest names in American business – Pfizer, Caterpillar and Home Depot.”
- January 29, 2009 (biz.yahoo.com) Christopher S. Rugaber “Americans receiving jobless benefits hits record” “The number of people receiving unemployment benefits has reached an **all-time record**, the government said Thursday, as **layoffs spread throughout the economy.**”
- January 29, 2009 (thebulletin.us) Michael P. Tremoglie “Former Fannie Exec: Housing Crisis **Worse Than The Depression**” “According to Mr. [Edward J.] Pinto, Fannie and Freddie ‘introduced mortgages which encouraged and extended the housing bubble, trapped millions of people in loans that they knew were unsustainable, and destroyed the equity savings of tens of millions of Americans.’ ”
- January 30, 2009 (oregonlive.com) Richard Read “Nobel economist: ‘Not your

**[GRANDPARENTS GREAT DEPRESSION]** father's recession' "Nobel Prize winner Paul Krugman gave a far more dire economic forecast in Portland last week than Oregon experts continue to present."

"He calls the recession's resemblance to the Great Depression 'extremely frightening' and finds new signs of collapsing global trade shocking."

February 5, 2009 (latimes.com) Tom Petruno "Mortgage rates rise, defying Fed's efforts to slash them" "The Federal Reserve is trying to push mortgage rates down. But the marketplace has other ideas."

February 5, 2009 (marketwatch.com) Deborah Levine "Moody's says U.S. financial position deteriorating"

February 5, 2009 (moneycentral.msn.com) Jon Markman "Too late to avoid a depression?" "Policymakers are quickly running out of time and room for error."

**Speed of decline is breathtaking.**

February 15, 2009 (seekingalpha.com) James Wood "Bad Bank, Bad Idea; Good Bank, Good Idea" "Every bank is now deleveraging to get its risk profile back in order. Even if they wanted to fund themselves through the traditional source of securitized transactions, banks are drying up with the new recognition of the danger they can be."

"About the only one still provided this type of securitized financing is Ginnie Mae and Fannie Mae. Both have lost all their capital and are bombs which will explode (again) very shortly."

## **Meltdown P2**

March 1, 2009 (globest.com) Erika Morphy "Fannie Mae Draws \$15B After Whopping Loss" "The new figures alarm the multifamily sector, which is already jittery that its main source of capital --the GSE--may shut down or become even more expensive."

March 6, 2009

(business24-7.ae) Sean Davidson "The Black Swan has taken flight" "... The [US] government-sponsored institution Fannie Mae , when I look at its risks, seems to be sitting on a barrel of dynamite, vulnerable to the slightest hiccup. But not to worry – their large staff of scientists deem these events unlikely'."

“Taleb’s Black Swan theory refers to large-impact, hard-to-predict, rare events beyond the realm of normal expectations. It refers only to events of large consequence and their dominant role in history.”

March 14, 2009

(newswithviews.com) Jon Christian Ryter “DE-GLOBALIZATION?” “The fear in the international banking community, and in the international political arena, is that globalization is collapsing, and this financial crisis – not the Fannie Mae subprime mortgage crisis – will be the catalyst that collapses the economies of the world.



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## 2.0 Panic Cycle

David L. Kendig  
GreatDepression2.com

