

How Many High-Risk Homeowners Are There?

Just consider the number of sub prime loans out there.

Sub prime lenders give money to people who don't qualify for the "prime rate" loan. These customers are a greater risk, so they pay a little more.

In 1996, the total value of sub prime loans was \$41 billion - 5% of the total loan volume of \$785 billion. In 2003, that number had shot up to \$322.9 billion - a 687% increase. And they made up 11.5% of total loan value!

In other words, over 10% of mortgage holders are likely living paycheck-to-paycheck. It's not hard to imagine one of them missing a payment.

What's even worse, most of these loans are there are adjustable rate mortgages (ARM). In fact, according to the Mortgage Bankers Association of America, ARMs make up nearly 34% of new mortgage applications.

As the name implies, the ARMs' interest rates can change based going long-term interest rates. That means sub prime loan holders who bought at low rates in 2003 are now paying about 10% more in interest!

If someone bought a \$150,000 house in 2003, their payments have already gone up at least \$46 a month...or \$552 a year. And if long-term rates return to their 10-year historical average

of 7.5% a year - their payment jumps up at least \$224.82 a month!

Most people can't afford to pay an extra \$224.82. The people holding sub-prime mortgages certainly won't be able to. The dominoes begin to fall.

First the homeowner on his mortgage. Next, the GSEs to bondholders and to owners of the mortgage-backed securities. And finally, anyone who derives a significant percentage of their income from the GSE bonds and mortgages backed securities is in serious financial danger.

A crisis in the GSEs puts the entire financial community in jeopardy, including the firms and institutions charged with the retirement savings of millions of Americans.

Higher interest rates are already drying up the GSEs' primary source of new money - new mortgages.

But as you can see, a bigger concern is default in existing mortgages. And threat is greater than ever before...thanks to ever-rising energy costs.

Backbreaker #3: ***Skyrocketing Energy Prices***

In October 2004, oil prices hit a record high of over \$55. That was up from just \$33 in January - a 66% jump in 10 months!

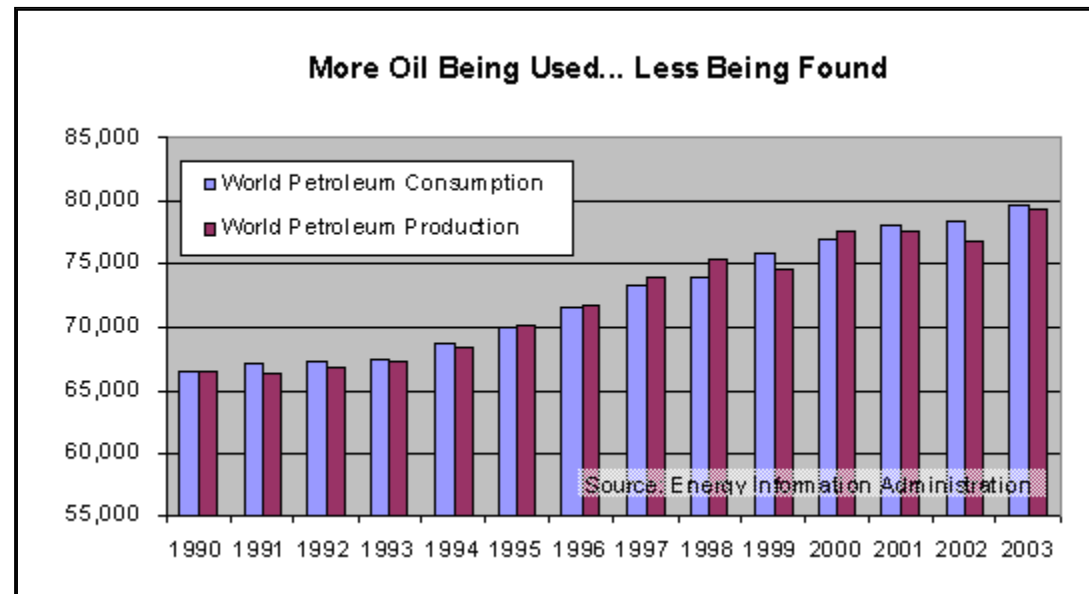
There are plenty reasons for the run-up. Iraq - the world's second-

largest oil producer - is still a mess. Insurgents hit the pipelines with alarming frequency...and even after the elections in the country, the attacks have not stopped.

Of course, the instability in Iraq is part of the problem. So have the recent oil disruptions in Venezuela, Nigeria, even Russia.

But under it all is a truth few people are willing to admit - the world's cheap oil is tapping out.

Just take a look at the chart below. World oil consumption has outpaced production nine out of the last 13 years.



The result is that even the smallest disruption can have a big impact. So what we're seeing today - and perhaps for the rest of our lives - is a market price for oil (dictated by supply and demand), not

an OPEC price for oil.

If small disruptions can have such a big impact, what will a large disruption do? We'll soon find out...during our inevitable war with Iran.

America's Next Gulf War

When President Bush called Iran part of an Axis of Evil in his 2002 State of the Union Address, politicians and media from both sides of the aisle ridiculed him.

After all, Iran now has a moderate government, one that is making inroads against the strict Islamic theocracy. Iranian President Mohammed Khatami even opened the door to cultural exchanges and pledged to help in the war on terror.

But it turns out Bush was more correct than even he realized.

Just consider this report from Global Security.org:

In all, there are perhaps two dozen suspected nuclear facilities in Iran. According to the Nonproliferation Policy Education Center, the spent fuel from [the 1000-megawatt Bushehr nuclear plant] would be capable of producing 50 to 75 bombs.

And Iran has done some troubling things.

- **Iran Holds War Games:** According to the Tehran Times, 12 divisions of volunteer forces participated in the Ashura 5 grand military exercises in western Iran

in mid-September.

- **Iran Test-Fires Strategic Missile:** In the same war games, Iran's Revolutionary Guards test-fired a strategic missile capable of hitting targets as far away as Israel (807 miles away).
- **Iran Defies U.N. Order on Uranium Enrichment:** In late September, Iran announced it was preparing to enrich uranium. The head of Iran's Atomic Energy Organization, Gholamreza Aghazadeh, said Iran had started converting 37 tons of raw 'yellowcake' uranium for use in nuclear centrifuges.

That's more nuclear provocation in a single month than Saddam Hussein offered in his entire time in power.

Still, you could argue that Iran is thinking defensively - that it would never strike first. But that's not what Iran says. Max Boot of the Los Angeles Times quotes Hassan Abasi, a senior member of Iran's Revolutionary Guards, that Iran has *"a strategy drawn up for the destruction of Anglo-Saxon civilization."*

In short, Iran presents a clear and present danger to the United States and its Allies. And President Bush may have no choice but to respond. But defeating Iran will be a much bigger challenge than Iraq.

For one thing, the country is four times larger than Iraq and has a population that is three times larger. Most of its people - a staggering 63% - are under the age of 31. In other words, prime fighting age.

America's well-known air superiority will give us an advantage...but

not enough to keep the war short. *Newsweek* reports, " the CIA and DIA have war-gamed the likely consequences of a U.S. pre-emptive strike on Iran's nuclear facilities. No one liked the outcome."

According to an anonymous U.S. Air Force source, "*The war games were unsuccessful at preventing the conflict from escalating.*"

In fact, Iran could deal a devastating blow to the United States without using any nukes it might have. It could hit us right where it counts - our economy.

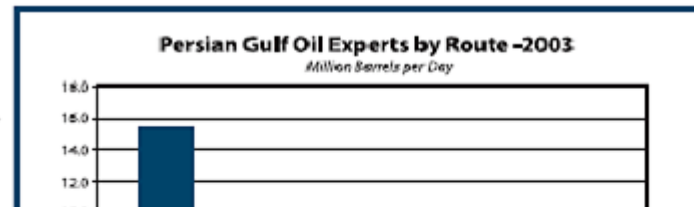
Remember the threat of civil war in Nigeria, the seventh largest exporter in the world, was enough to drive oil futures prices over \$50. Iran is the fifth largest producer in the world.

Just keep in mind:

- The Middle East is home to nearly 70% of the world's proved oil reserves.
- The United States imports 20% of its oil from the Middle East.
- Nearly all of the oil that comes from the Persian Gulf must pass through the Strait of Hormuz, which Iran possesses a commanding view of.

With supplies in the United States already so tight...what would a deliberate Iranian attack on oil tankers in the Strait of Hormuz do?

The only thing that's held U.S. forces back was the presidential election. George Bush



couldn't run a war from the campaign trail. And the last thing he needed was to give John Kerry more political ammunition.

Now, no one can claim a preemptive strike on Iran is a political move. And Iran becomes more belligerent by the day. The danger to American interests is crystal-clear - and only the most partisan politicians will argue against it.

Any one of these Debt Backbreakers could have devastating effects...not just for America, but the world. And it could all happen by Aug. 31, 2005. That's the day the government releases GDP and profits for the first half of 2005. It's the day the world will see there is no economic recovery. And it's the day investors will realize Bush's White House can't save the economy.

When the Back Breaks

The picture I'm painting is not at all a pretty one. But the wheels are already in motion as this nightmare scenario - one that was literally years in the making - reaches its disastrous conclusion.

The truth is there is really **NO WAY OUT** of this horrific situation. The U.S. government will never admit it publicly...but the enormous deficit has actually taken the legs out from under the country, thus eliminating any chance that an economic surge would solve the problem.

What will happen to the American economy when this happens? The answers, as I said before, are not pretty.

1. A Bond Market Collapse - A wave of defaults and

devaluations is hurtling towards the bonds market. The institutions and individuals holding Fannie Mae and other GSE bonds aren't going to get their money back. The cascading defaults will spread through the industry. And bonds, the bedrock of a 'conservative' portfolio, will plummet in value.

2. A Dollar Sell-off - Most people don't realize how much the value of the U.S. dollar affects them. So they don't worry if it falls in value.

But consider this: Right now, foreign investors hold \$1.5 trillion in U.S. stocks...or over 10% of all stocks traded. That's up from \$1.2 trillion the year before - or a gain of 25%. But in the same time, the dollar has fallen 4.6% - meaning overseas investors are getting less return on their investments.

How long will they hold onto falling stocks?

3. Rapid Inflation in Commodities - Some commodities, like oil and gold, are priced in U.S. dollars. Their prices will naturally go up as the dollar falls.

"Rising steel prices threaten to erode relationships between automakers and their suppliers..." -USA Today, 10/13/04

But prices for other commodities are on the rise, too. Milk - up 15% since January 2000...Cotton - up 17%...Steel - up 12%. Even if you haven't felt the pinch, manufacturers have. A recent Financial Times article says only three big U.S. companies have reported success in passing high raw materials prices on to the consumer.

After Aug. 31, 2005, other companies will have to follow suit...or risk

going out of business.

4. Stock Market Collapse - With everything going up in price, Americans are going to need cash - quick. And you can't trade your stock shares for food. The massive sell-off will bring the stock market down. Foreign investors - already losing their shirts to the currency conversion - won't hesitate to pull out, either. That will only strengthen the decline.

5. Housing Bust - The economic disaster will force banks to foreclose on houses. Even those who are keeping up with their payments may realize they can't keep it up.

Either way, the result will be a flood of houses going on the market at the same time. But few people will be willing to buy. The disjointed supply versus demand will cause a total collapse in housing prices. The most valuable asset most people own will lose half its value or more.

***Here's What YOU Need
to Do to Protect Yourself by
Aug. 31, 2005***

On Aug. 31, 2005, Americans will finally realize the danger. The U.S. economy is in trouble. A dollar sell-off is coming. Standards of living are going to fall. The American government will be just another government that couldn't pay its bills. And millions of Americans will pay dearly.

But you don't have to be one of them. Although the entire world will

feel the United States' pain, some investments will do very well in the chaos. My research has shown they will have three traits in common:

- **Profitability** - They're not only making money now, but they should also be sure bets to make money in a downturn
- **Lots of Overseas Customers** - They can't count on strong American business for much longer
- **A Service or Product That's Always in Demand** - Even in the worst economic crisis, there are some things people can't do without

Of course, anything bought on a U.S. exchange will be a risk. That's why you should also look for investments that aren't tied to the U.S. dollar. I'm talking about funds designed to move in the opposite direction of the greenback. This includes mutual funds that short U.S. markets, or ones based outside of the United States all together.

You can find some of the best, easy-to-use strategies in your **FREE** copy of my newest special e-report, **The Bush Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster.**

The recommendations I reveal in this new report could not be simpler. For instance, in just two easy steps you will not only protect yourself from the enormous danger ahead...but you'll also position yourself to make...

Triple-Digit Profits While Protecting Your Wealth

It used to be that the only way you could hedge against a currency was to take a huge chunk of cash down to the bank and throw it all into the foreign currency market.

But it's not like that anymore. You don't need a huge pile of cash to make a fortune - as George Soros did in 1992, when he made a billion dollars in a single day on a crash of the British pound. And you don't need to buy the actual currency. You can make a similar kind of hedge...get a much bigger percentage gain...and do it all with the limited risk benefits of a unique strategy I've developed.

In your **FREE** copy of **The Bush Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster**, I show you how. It's as easy as buying a share of a stock. You can get in for only about \$8 a share. And all it takes is a phone call to set it up. With this one simple pick, you could make at least eight times your money...

...Plus You Could Double Your Money on the Coming Bond Collapse!

To keep Treasurys attractive, interest rates have to go up. When interest rates go up, issued bonds with lower yields look less valuable. And the bond market goes up in flames.

That's bad news for bondholders. But it's good news for you, if you own the bond-market hedge I lay out for you in. **The Bush Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster.** A special group of my readers and I have done this twice in the past few months...

In just 13 days, we were able to lock in 46%...in another month, we socked away an extra 51%... But this is a bigger opportunity, with a slightly longer term. I expect you to make up to 400% or more just on this one pick.

My **Strategic Investment** readers made the same kinds of exponential profits when I showed them how to buy puts on the Dow. One reader wrote in to say thanks for a 586% return on one of my recommendations:

"Hello Dan, Thank you for the great advice. I bought my Dow Sept \$90 puts at \$1.40 and sold them for \$9.60. - a very substantial profit, thanks..." -L. McFarlane

Another, who quickly made back his investment and is now piling up profits, writes:

"Dan, I ended up making four times my original investment...who's complaining when the profit margin is 300%!" -M. Mansfield

When should you jump on this? As soon as possible. The clock is already ticking! When the government releases first-half GDP and profit data, investors will realize they've been duped.

You **MUST** be ready by Aug, 31, 2005. I'll show you exactly how to

set up all this low-risk, high-reward trade in your **FREE** e-report, **The Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster** .

Accessing your **FREE** e-copy of **The Bush Depression** is actually quite simple. In fact, you can do so - today - with just one click of your mouse.

But there's actually much more to this special, no-risk offer than just this powerful new report. You see, in addition to our **The Bush Depression** e- report, my research team and I have also prepared several other reports - each detailing specific financial situations and how you should profit.

As **Strategic Investment** subscribers know, in each of our reports we examine situations that present a unique investment opportunity...and we give you everything you need to know to take full advantage.

And to make absolutely certain that you do everything you can to build and protect your wealth over the coming months, I am prepared to give you two additional e-reports, also absolutely **FREE** of charge.

Make 10 Times Your Money in the Inevitable the Resource Explosion of 2005-2006

Chinese demand for commodities will continue to soar in the coming years, as their consumption levels go off the charts. Their

continuous hunger for all natural resources will fuel the commodities bull market - possibly for decades to come.

Although China is already buying up record levels of all types of natural resources, two stand out as having the biggest profit potential: oil and gold. China's oil demand is already double what it was just seven years ago - and that demand is expected to double again within the next 10 years. And the recent deregulation of the Chinese gold market has significantly impacted the global gold market, with more changes to come.

In yet another brand-new special e-report - **Make 10 Times Your Money in the Inevitable Resource Explosion of 2005-2006** you'll learn the specifics of seven up-to-the-minute recommendations designed to position you perfectly to take advantage of the coming leaps in commodity prices.

***Walk Away With up to
500% Gains From Three
"Precision Guided Investments"***

In every bull market, there's at least one "fashionable" class of investment everyone talks about.

And this time is no exception...but in this case, we've actually figured out a way to take advantage of this current 'fad' in a way no one else has. In fact, you could bring in profits to the tune of 500%.

I like to refer to the investments that result from this particularly

strategy as "**Precision Guided Investments.**" Why? It's easier than ever before for you to make one decision and instantly be long or short a whole sector, an index, a country or an asset class. You can have a simple investment idea, a big idea even, and invest in it with precision - getting the most bang for your buck if you're right.

By employing our highly successful strategy for incorporating these unique investments into your portfolio, you can take advantage of opportunities without the added risk of high PE ratios and enormous debt. Simply put, I'd rather be right about where to invest at the moment than worry about some of the more dangerous details. And this strategy is paying off handsomely...

Here's the best news: You can learn about each of these "**Precision Guided Investments**" - **FREE** of charge - in my new special e-report, **How to Make 500% or More Using "Precision-Guided Investments."** I'll send you this e-report **FREE** - along with your other free reports - when you sign up for a no-risk subscription to ***Strategic Investment***.

Strategic Investment: ***A History of Predicting History***

Right from the beginning - over 20 years ago - ***Strategic Investment*** has had a history of getting the world's most profitable trends right...and helping investors protect their money...and get richer!

Profitable Trends Strategic Investment Got Right...

- *We called the fall of the Berlin Wall in 1989.*
- *We called the crash of the Japanese economy in 1990.*
- *We told investors the 1990 Gulf War would be short. It lasted 43 days.*
- *We said to get into Argentina when others ran - the market tripled.*
- *We called the same British pound devaluation Soros did in 1992.*
- *We kept investors out of the 1987 crash.*

In 2003 alone, we hit with...

- *A 113% gain on September \$0.86 Euro FX calls*
- *A 65% gain on Dow Diamonds June '03 \$76 puts*
- *65% gain on Dow Diamonds June '03 \$88 puts*
- *Our readers have socked away 28% on Allied Defense*
- *We realized 89% in ASA Ltd, a South African gold fund*
- *Plus, 35% on our iShares Japan Index Fund*
- *41% on Curtiss-Wright, a mid-cap defense stock*
- *Readers locked in 87.6% on Ducommun Inc.*
- *45% gains on iShares Emerging Markets Index Fund*
- *Another 25% so far in the Hong Kong Index Fund*
- *We made 74 % on Glamis Gold, and we're up over 67% on Newmont Mining*
- *There is a comfortable 18% so far accumulated in Walgreen Co.*
- *Up 12% on the Prudent Bear Safe Harbor Fund*

Of course, we don't guarantee future profits. As with all investments, there are risks, and losses can and do occur.

No question, the "Big Picture" is the way to invest if you want to build real wealth...by spotting Big Trends before the rest...and raking in very substantial profits ahead of the crowd! Join us in our next long round of profits.

Try Strategic Investment for 90 Days...Risk-Free

As you can see, **Strategic Investment** has a long - and profitable - history of identifying those trends that are most important to individual investors. For nearly two decades, we've helped investors not only avoid dangerous situations...we've helped them realize enormous profits along the way.

This particular scenario, however - Americans discovering how badly they've been misled after Aug. 31, 2005 - is unlike any other I've seen...and it has the potential to impact a far greater number of people than any of the trends we've seen in the past 20 years.

Millions of Americans don't even understand the danger - they don't even know that disaster lies ahead. Imagine their surprise when - virtually overnight - their standard of living has been reduced drastically. That same trip to the grocery store that was routine just a few weeks ago now delivers a stunning blow to the family bank account.

That's why I feel it's so important you read my new e-report, **The Bush Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster**, before Aug. 31, 2005. In fact, I'm convinced this matter is so urgent that I've arranged to rush you a copy by e-mail right away - **FREE** of charge and with no obligation whatsoever.

Each of these reports is valued at \$80...and has the potential to help you realize double- or triple-digit profits in the coming months:

- **FREE BONUS #1**: The Bush Depression: Protect Yourself - and Profit - From the Post-Election Economic Disaster
- **FREE BONUS #2**: How to Make 500% or More Using 'Precision Guided Investments
- **FREE BONUS #3**: Make 10 Times Your Money in the Inevitable Resource Explosion of 2005-2006

This offer is 100% RISK-FREE. What that means is that if during the first two months of your subscription - **FOR ANY REASON** - you feel like my service is not for you, you may cancel anytime, no questions asked, and you'll receive an immediate refund of every penny you paid.

Three special reports - including **The Bush Depression**, which provides SEVEN immediate recommendations for you to act on right away - are yours **FREE** for just a \$99 commitment...and there is absolutely no risk to you whatsoever. Just click below now!

Why am I giving away over \$415 worth of value - all with no obligation - *for a modest \$99?*

This situation is so critical to the short-term well-being of U.S. investors - and is so time-sensitive - that a **FREE** report is the most effective way to get the message out to as many investors as possible.

What's more, I believe so strongly in the value of my service - and the likelihood that you will profit handsomely from my recommendations - that I do not wish to keep your money if you are less than satisfied in any way.

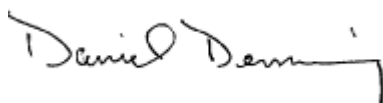
As great as this offer is, however, you must act **TODAY** if you want

to make absolutely certain that your wealth is protected. The threat to the U.S. investors as a result of our government's mistakes is very real. And as I've said throughout this letter, that presents a clear danger to those who are not prepared.

This impending scenario however, also, presents a tremendous opportunity for you to not only protect your financial well-being...but also realize enormous profits along the way.

I urge you to join me today for what should prove to be a most successful journey.

Sincerely,



Daniel Denning
Senior Editor, ***Strategic Investment***

P.S. Sign up today and receive immediate access to your three **FREE** special reports - you can literally call your broker today and take the steps necessary to protect yourself - and profit handsomely - when investors wake up to the economic danger on Aug. 31, 2005.

P.P.S. If you sign up within 24 hours I am going to give you another **FREE** e-report... just for giving ***Strategic Investment*** a try. Subscribe now and you'll also receive a copy of my special e-report **"9 Ways to Survive the Crumbling Housing Market."**
Just click below now!

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