He Won the Election... But 3 Signs Show He Can't Save the Economy!

Get Ready for - Bush Presidency, Act Two:

The Depression

Buy These 7 Investments Before August 31, 2005 - OR KISS YOUR MONEY GOODBYE...FOREVER!

Dear Reader,

Think 2004 was tough? Well, you haven't seen anything. By the end of 2005...Just about everything you buy could nearly double in price...overnight. $4 for a gallon of gas...$5 for a gallon of milk!

The stock market will offer no margin of safety. Imagine the Dow at 6,000, the Nasdaq under 1,000. Individual stocks could do much worse!

In some areas of the country, home values could drop 50% in a matter of weeks. Thousands of investors could default on their mortgages.

Will things really get this bad? Maybe...maybe not. But mark my words - a reckoning is on the way...and **things will get bad before they get better**. It's inevitable. **You simply can't live the way the average American has been living** - spending more than he earns and paying for the difference with credit cards - **and remain financially solvent for long**. Money just doesn't work that way.

If you'll give me a few minutes of your time, I'll show you why - step-by-step - the debt bubble is now on the verge of collapse...thanks to a series of powerful financial forces and unavoidable events. And there's nothing President Bush can do about it.

Sidestepping the Sledgehammer

America has averted this crisis for years. And taken separately, over-indebted consumers could probably survive the powerful forces I'm about to show you. But together, as they are now, these gathering forces will overwhelm unprepared consumers (and investors).

And Bush's re-election was the turning point .

I urge you to read these warnings and recommendations very carefully. Seriously consider the implications. Because the clock is ticking down...

And now that Bush has held onto the White House - it could hit 'zero' at any minute!

But this is very important. As you read, keep in mind **you still have time to prepare yourself** . In the next few pages, I'll introduce you to *7 specific investments that will help you survive this crisis*. You could see **fast double- and triple-digit profits** of 400%...500%...even 794% - enough to put you on safe ground while unprepared investors struggle.

Countdown to Disaster

President Bush is stepping between a whole generation of reckless spending Americans and their inevitable fate. It's like being a bus stuck on train tracks with the Cleveland Express bearing down on you.

Is it his fault? Not really. Will history show that a depression of epic proportions began on his watch? Definitely.

Aug. 31, 2005, is the day that investors realize they've been duped. That's the day the government releases GDP and profit data for the first half of 2005. The day the myth of the American economy falls apart.

Just take a look at this chart. You've probably noticed the stock market action lately - spike, then a new low...spike, then an even newer low...it's a classic BEAR MARKET technical pattern. Lower highs...lower lows....lower highs...lower lows.

This has been the story for months.

But Wall Street said investors have nothing to fear. In fact, analysts offered a comforting explanation for the ups and downs: The market was moving because of election fears. Investors were sitting on their cash, anxious to see who would run the country.

It sounds reasonable. After all, investors dislike uncertainty. But now that Bush is firmly in for a second term, **why hasn't the market returned to 'normal?'**

Don't Believe It!

The truth is, the ups and downs weren't about the election.

They were - and still are - flashing warning signs from a perilous market.

Now the election is over...and Wall Street analysts will run out of excuses. And by the end of the summer - Aug. 31, 2005, to be exact - investors will know how little control the White House has over the destiny of the American economy - **a destiny of depression**.

And by Aug. 31, 2005, the world will realize something we've been saying all along...

The Debt Is About to Hit the Fan

America's has a debt problem it cannot solve. You may have missed it. But there it was on the front page of the *USA Today* recently.

- **$84,454 - average household personal debt**
- **$473,456 - YOUR share of America's unpaid Social Security and Medicare promises**
- **$53 TRILLION - Total federal, state, local, corporate, and personal debt in the United States**

That's right. **America's total debt is nearly 400% larger than GDP.** It's a whole fictional economy of false prosperity. The more you look, the worse it gets...

- **The U.S. government is operating with a $521 billion deficit**
- **The trade deficit (the difference between what we buy from foreigners and what we sell to them) is clocking in at a record $600 billion too!**
- **And Americans themselves are in credit card debt**

to the tune of $2 trillion - $6,788.68 for every man, woman and child in the country

Of course, this may sound like old news. Economists have been warning about the mounting debt for years.

In December 1997, the Consumer Federation of America (CFA) urged lenders to limit credit lines to 20% of a household's income. Michael Sivy wrote about the U.S. debt problem in the January 2000 issue of *Time Europe* magazine. In October 2003, Justin Lahart of CNN/Money said, *'The consumer debt bubble in the United States could make the stock bubble seem like nothing.'*

The worrying continued into 2004. In January the International Monetary Fund warned that U.S. fiscal deficits *'pose significant risks for the rest of the world.'*

And in June, Bill Gross, chief investment officer at Pimco told the *Financial Times*, *'Too much debt, geopolitical risk and several bubbles have created a very unstable environment which can turn any minute.'*

Clearly the debt is a well-known problem.

Unfortunately, when something gets repeated too many times, investors tune it out. Since debt hasn't caused a disaster so far...most people can't see why it will be a problem now.

But today is different. The powerful economic forces I'm going to show you make it next to impossible that debt-burdened consumers will survive the coming storm.

America's debt is finally at the breaking point. The three factors that will trigger the collapse are already in play.

I'll explain in a second. But first, I think I should introduce myself.

Prepare for the Financial Disaster of the Century

Hello, my name is Daniel Denning. I'm the editor in chief of ***Strategic Investment***, the remarkably accurate financial advisory that has been helping investors profit during both up and down markets since 1984.

Calling the "Big Trends" Again and Again!

*Each and everyday, Dan has unlimited access to leading politicians, business figures, financiers, investment bankers, journalists - almost anyone in a position of authority. And Dan uses this access to identify the Big Trends most important to **Stategic Investment** readers...along with specific advice on how to profit.*

During the past 4 years, Dan's recommendations have produced gains like:

- *89% and 88% respectively in a pair of stocks - one a defense stock and the other a gold play - closed out on the same day!*
- *An average of 17.9% returns on the 11 closed positions in the **SI** portfolio in 2003...*
- *171% gains - in just 3 1/2 months - from an option trade closed last summer...*
- *Incredible short-term gain of 52% **in just two days** from a recommendation in the winter of 2003...and 70% also in just two days from another...*

I've spent my professional life analyzing world historical trends in everything from politics to econmics. And the one thing I've learned is that history has patterns - patterns that you can follow to accurately make money on Wall Street.

My latest research convinces me that we're about to enter as dire a period as any in our nation's financial history. For years our economy has been carried along on the back of a massive 'debt camel.'

But the straws are adding up, and I've identified the three that will break the debt camel's back...

On August 31, 2005, they'll be too big to ignore.

Backbreaker #1: Globalization Is KILLING American Wages!

In 1997, the Bureau of Labor Statistics reported 18.3 million people of America's out of 118 million non-farm employees were in manufacturing. In other words, manufacturing jobs accounted for 15.5% of all jobs.

> *"America's nonfarm payrolls have risen by only 0.5% since the trough of the recession in November 2001, the weakest recovery on record."*
> -The Economist

In January 2005, even after gains in total manufacturing employment, non-farm payrolls had grown to 132.6 million. An increase, yes, but the same reports said were only 14.3 million people employed in manufacturing - 4 million less than in

1997!

That means that 22% of manufacturing jobs have disappeared - while the number of jobs itself has grown nearly 10%. (Though, as *The Economist* points out, nothing like the employment a true recovery needs.) As a percentage of total jobs, manufacturing now stands at just 10/8%, down 15.5% from 1997.

But if you think the jobs picture has gotten worse...wait until you see what's happened to wages.

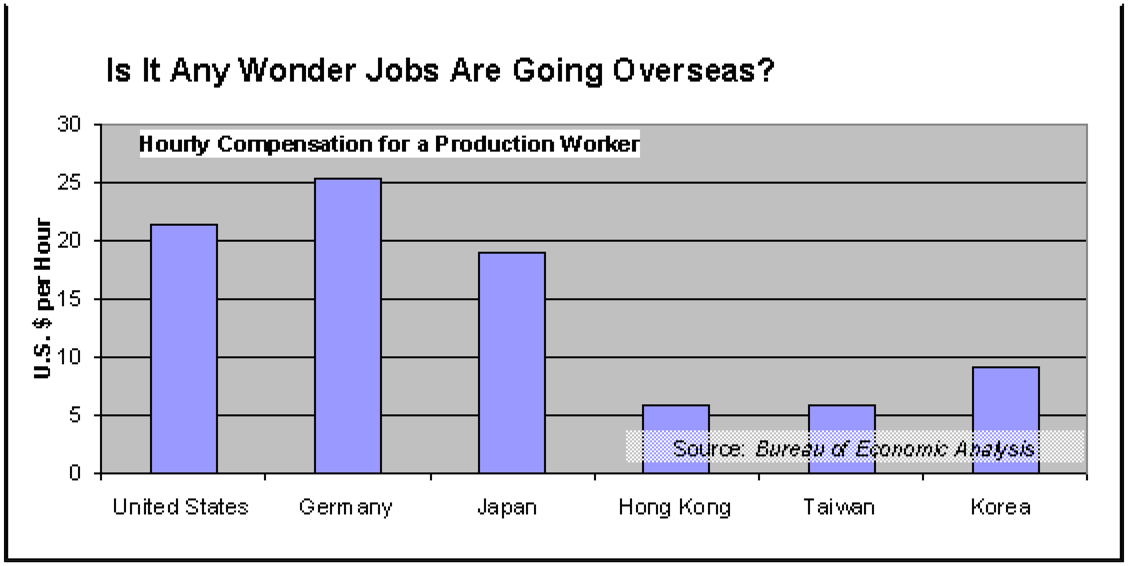
China Lowers Average Wages

In January 1997, average hourly manufacturing earnings were $13.07 and average weekly earnings were $542. According to the latest BLS report, average hourly earnings in manufacturing are now $16.38 and weekly earnings are $665.03.

In the last eight years, hourly manufacturing earnings have grown by exactly three dollars and thirty-one cents. Not much of a raise. Weekly earnings have only grown by one hundred and twenty-three bucks. Again, not much of an improvement.

Despite all the fancy campaign promises, President Bush is pretty powerless to do anything about them. He can't stop the declining jobs, let alone reverse it. No one can.

That's because the world is a far more competitive place now than it was 10 years ago. Those jobs vanished from America because they can be done cheaper elsewhere. Much cheaper!



For example, according to the Bureau of Economic Analysis, the average hourly compensation for a production worker in America is $21.35. It's US$18.83 in Japan, and US$25.08 in Germany. That compares to US$5.83 in Hong Kong, US$9.16 in Korea, US$5.81 in Taiwan. God knows what it is in China...or Vietnam.

But it's pretty clear what is happening. The rest of the world is industrializing. And for the lesser-developed countries of the world, their chief economic asset is cheap labor. As long as borders are open and capital can move, jobs will move to where they can be done cheapest, without a measurable decline in quality.

Sure, the U.S. is adding jobs. But they're in service industries like retail trade (Wal-Mart) in which the average wage, according to the BLS, is $12.10/per hour and $379.94/week.

Now with average credit card debt of $6,788.68 per person...and an

average weekly wage of $379...how is the average American going to survive?
Answer: not well. Especially since debt is only increasing...

Americans' Debt Is Outpacing Their Paychecks

According to a report by The Century Foundation in New York, *'The average dual-income family's discretionary income after paying for fixed expenses - such as child care, health insurance, mortgages, and taxes - is slightly less now than it was for one-income families in the early 1970s.'*

Meanwhile, the average American's salary has only gone up 23% since 1998. But their spending has increased 45% in the same time.

Think about that. **Americans are buying more than ever before** - bigger cars, fancier houses and longer vacations. **At the same time, virtually everything is going up in price**, from raw materials to finished goods.
But wages aren't keeping pace!

Survival Debt...or Suicide Debt?

Normally when people get smaller paychecks, they start spending less. That, of course, means that factories sell less. So factories produce less...and see lower profits. Lower profits lead to layoffs. Fired workers either increase unemployment rates or take other jobs for less money.

With lower wages, people buy less...so factories sell less...and I'm sure you get the idea.

But this time it's been different...And debt has made all the difference.

'People are living paycheck to paycheck, and after they've paid the bills, everything else - like groceries or back-to-school clothes - goes on the credit card,' says Tamara Draut, director of economic opportunity programs at Demos, a public policy organization in New York that's conducting a nationwide study of Americans and debt.

'Credit cards are picking up the slack in the household budget.'

This new kind of credit card debt is called '**survival debt**.' Little by little, people have gotten in the habit of putting everyday expenses on a credit card - groceries, rent, etc. - and then waiting for a paycheck to keep up with the payments.

Survival debt is unlike other credit card debt in that it is less easily curbed, say the debt counselors. You don't have to take a trip to the Bahamas, they point out, but you still have to pay the rent. You can't even put it off. Last year, consumers charged $50.6 billion worth of household expenses on Visa alone - a 27% increase over 2002.

The government effectively made it possible for people to behave as recklessly as they'd like. Now that recklessness is coming to a screeching halt because the Fed has been forced to take away the 'punchbowl.'

On Aug. 31, 2005, it will be clear that the Fed made the wrong move **again**!

Backbreaker #2: Skyrocketing Interest Rates

After 13 interest rate cuts between January 2001 and June 2003, the Federal Reserve was finally forced to start raising rates again in June 2004.

The Fed said it raised rates because it was concerned that the economy was overheating. (Raising rates is supposed to slow things down.)

But the truth is a little more dire. They didn't want to reveal a secret that only a few investors know: **the Fed doesn't control interest**

rates.

That's right...those quarterly meetings investors pay close attention to aren't really about setting rates. All the Fed does is set a target and then operates in the market to reach that target.

Now don't get me wrong. The Fed isn't completely powerless. As a large player, it can usually set the price it wants. But not all the time... and certainly not when it comes to longer term rates.

Those are set by the market. And lately the market has set them awfully high. Rates for 30-year mortgages are up 10% from their 2003 lows.

As I mentioned earlier, higher rates cut consumer spending - causing the economic death spiral I talked about earlier.

But rising interest rates have a more immediate effect on the economy. In fact, one sector is already feeling the pinch.

Here Comes the Housing Collapse!

You've probably seen the headlines:

- **'Pulte Homes Cutting New Home Price' (*Forbes*, Oct. 5, 2004) -** Pulte reduced its selling price in the white-hot Las Vegas market by 5%-25% citing poor demand. *The stock fell nearly 15% in two days*
- **'SEC Digs Deeper Into Fannie Mae' (CNNfn, Oct. 19, 2004) -** Eliot Spitzer and the SEC announced they are investigating ' irregularities' with its accounting...and

Fannie's stock plunged almost 17% in little more than a week.

- **'Countrywide Financial Profit Dives' (Associated Press, Oct. 20, 2004) -** Countrywide Credit Stock *dropped 18% in three days* after it revealed sub prime lending has gutted its balance sheet.

These are just the first warning signs that the housing market is in danger. Wall Street has brushed them off...but don't make the same mistake.
Because you can get badly burned - even if you don't own a home...

Because over $5 trillion in corporate assets now depends on the ability of American homeowners to pay the monthly mortgage.

One Missed Payment From Disaster

As a 'Government Sponsored Enterprise,' Fannie Mae has helped banks lend money to just about anyone - regardless of risk.

They've done that by buying and selling bonds. In fact, so far this year Fannie has racked up an incredible $10 trillion of debt with their bonds.

Bonds that depend on people's ability to pay their mortgage each month.

Bond buyers don't realize the danger they're in. They think they're getting a regular bond, since it pays a principal and interest at regular intervals. Plus, since they're from a GSE, investors think the U.S. government stands behind them.

That's why pension funds, life insurance companies, money market mutual funds, and others have bought GSE bonds and GSE mortgage-backed securities in droves.

But the truth is, while the GSEs guarantee the bonds, the bonds are NOT backed by the U.S. government.

Fannie's problems have already become front-page news - and it's going to get much worse. If Fannie customers start missing payments, the income Fannie was counting on to pay their bondholders is now gone.

What the odds that homeowners will start missing payments? Much higher than you think.

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