

## Trying to Predict a Crash

-----Original Message-----

**From:** Jim Goulding [mailto:JGoulding@GHCO.COM]

**Sent:** Friday, April 08, 2005 6:26 AM

**To:** George@ure.net

**Subject:** A couple of observations concerning your bearish view (jim goulding)

Hi George,

A couple of observations concerning your bearish view. First, when an economic researcher (me) wants to know when the crash begins, he needs to understand two things. The market always advances before the crash. Then, we crash. This takes place over a 3 - 4 year time span. Second, a researcher looks for two signs that there are problems. These two signs precipitate the crash by three years, then again one year before the actual crash. Those two signs are a crash in a specific real estate sector somewhere in the US and movement of gold.

The real estate sign hasn't manifested yet. It will though, sometime in 2006, in my opinion. It will be on the high-end real estate market that's supported by the consumer. (See my housing study on my web site for reasoning.)  
(<http://www.jamesgoulding.com/excelworkbooks.htm#Housing>).

That study looks at the pool of buyers. The pool for upper end real estate peaked in early 2003. It usually takes about 3 years for that to hit the market in a negative way.

Where the crash will occur is hard to say? I have no idea.

Movement of Gold:

The first signs of gold movement began a few years ago with the House of Rothschild getting out of the gold trading business. One can only speculate why they would do this. All I know is that it was a sign of trouble in years to come. Now, this week, we have gold movement. That's another sign. Great Britain is selling gold. What caught my eye about this sale was not how much they sold but WHO was doing the selling. Great Britain was the seller and that is an extremely bad sign.

Why? Because America is financially connected to London and Germany. American financial crashes do not start here. They never have; not since the country began in 1776. They always start in London and Germany. Then they gradually move here, over the course of 2-3 years. Great Britain is selling gold. Yes they have a lot of gold left. However, it always begins this way. They sell gold and everyone rationalizes it by stating "who cares, they have a lot of gold left." Then three years down the road, people realize that they do not have as much as they did three years earlier. That's because they kept selling. Here we are again at the same juncture, seeing the same signs.

Germany has a big affect on our economy. Germany usually starts the downside rolling by showing greater and greater unemployment numbers. This week, Germany broke a

resistance ceiling on a very long term trend line, of unemployed to the upside. Meaning, their unemployment is skyrocketing.

Remember that crashes are never taken seriously when they are being experienced in real-time. To the people alive, during the beginning and at the time of a crash, denial is the theme. They just can't believe they were that stupid to not of noticed. They usually think that the same people who put them into the mess, politicians, will ultimately save them. Wrong. They never have, they never will. How do I know? History states this fact, again and again.

So, the first signs are beginning. They take 3-4 years to manifest. The ultimate signs of confirmation will be:

1. Continued movement of gold
2. Real estate crash in some high end real estate markets, somewhere within the US. (Maybe 2006).
3. The stock market rallies to all time highs as the people of the US stand by dumbfounded why the market is rallying. (Say, the DOW goes to 35,000 by 2009, then a crash that brings it to 17,000 by late 2010.)
4. London and Germany's economies continue to erode while the US market rallies. This will lead to a faster crash in European countries as money is invested in the US, seeking better returns. Ultimately, London and Germany will stop lending to the US. When that happens, the crash will be about a week away. (Late 2009?)

Thanks George. I continue to love reading your site.

Take care,

Jim Goulding

[www.jamesgoulding.com](http://www.jamesgoulding.com)

Friday, April 08, 2005

### **And, then in June of 2005 I wrote the following:**

Where have I been? What have I been doing? Why haven't I posted since January? (Does anyone really care?) ☺

The Market:

I've been steeped in the trading world. I spend some of my day reading the markets and trying to coach traders at a broker/dealer in Chicago. I'm also constantly trying to interpret the market and where the market is going, in the next 10 minutes.

There never seems to be enough time to do all the things I want to do during a trading day. The ideas keep flowing and I can't get them onto paper quick enough. I also love to build trading tools for the other traders to enhance their profitability.

So, what's up with the stock market? The fixed income market?

Stocks:

I'm still massively bullish. I began telling folks to get long the funds that mimic the big indexes, like a Dow index fund, or an S&P index fund, last May. Best case scenario they were in at 9900 and the worst-case scenario 10,200. I'm bullish until late 2008, perhaps even into Feb of 2009, but that's it. That's when it'll begin to hit the fan. Meaning, more and more people will catch on that the economic system is teetering. It'll take a massive break in the market for the sheeple to realize it. Then it'll be too late.

I'm still looking for Dow 35k by early '09. Then a crash in late '09 and that'll leave the Dow around 17k by early 2010. By 2014 we'll have broken 10k again. But, that'll be it. Then we will gradually rise and recover until 2023.

Look for a new currency to be introduced somewhere in the teens. Why?

Never in the history of mankind has a currency reached 1% of its original value and NOT been abandoned. Currently, the dollar is worth about 4.3% of its original value and is scheduled to reach 1% in 2009. (That's not the only reason I think we'll crash. It's too lengthy to go into here. You'll have to read my free book, 'Winter is Coming' which can be downloaded for free from my site. Heck, it's only 69 pages. And, all my books are free. [www.jamesgoulding.com](http://www.jamesgoulding.com))

The funny thing about this cycle is that it's a cycle! We've been through it before. However no one wants to call it like it is. They want to think everything is comin up roses. That ain't roses yer' smellin'.

Every time a currency hits 10% of its original value the government that runs that currency goes on a debt spree. They barrow as much as they can against it. In 1984, the dollar hit 10% of its original value. If you go back and look at the borrowing habits of our beloved jerk-offs in Washington, you'll see that in 1984 we began barrowing massive amounts of money against the USD. That borrowing has only accelerated since then. And the big question is...How did you think this country was going to pay off its 50 trillion debt? Yes, it's 50 trillion, not 7 trillion. The press has everyone hypnotized watching everything that isn't important. You need to add ALL the debt. State, Government, Municipal, etc. Mathematicians have proven that it can't be paid off. So what makes anyone think it will? There's only one way to do it and that's to abandon the currency. Big big big DUH!

"All I want for Christmas is a bucket full of Euros and a bag of Swiss Francs!"

Does anyone out there not realize that this debt grab has happened many times before in this country? And in other countries? Not just on a governmental level but at the Joe Citizen level also. Go back and see what happened in the 1920s and you'll see the exact same cycle. Joe Citizen was hocking and borrowing everything. Remember, the banks failed because people couldn't pay their mortgages, not because of the stock market crash in 1929. The crash was just a catalyst. The first bank went down in Dec of 1930 and by the end of '31 there were 1600 more. That's what caused the depression. We've been a

debt society before and we are a debt society once again. What a bunch of shemucks. Oh well...

Fixed Income:

What conundrum? Greenspan is feeding you all a big pile a crap. The Fed knows exactly what's going on. It's called a deflationary cycle. Look at the 1850s, and the 1920s.

Biggest Duh!

What should we do?!!

Well...George doesn't have such a bad idea. That dude is collecting his acorns already and he'll be ready.

Read. The best book out there is 'Conquer the Crash' by Prechter. If you want other supporting data, read Strauss and Howe's 2 books Generations and The Fourth Turning. Harry S. Dent has some good books also. Disregard his short-term market guesses cause they stink. However, the guy is right about his long-term stuff.

Keep readin' George's great site. I really haven't found anything like it on the net and I have over 5000 sites catalogued (I'm very sick in this department. I think I may be committed for the size of my bookmark collection and my database of electronic documents).

Other than that, well....don't have a mortgage. Don't have any debt. Usually in a crash, like the one that's coming, it's the opposite of what you grew up with. You grew up with the dollar being worth less and less each passing day. In a crash like this, the dollar becomes worth more after the crash...well....kind of.

Meaning, that in the '30s, if you had a million dollars before the crash, then you were many times richer after the crash, until they devalued the dollar in 1934. That hurt. This time around I think it'll best serve folks to buy safe haven currencies like the Swiss franc. Look for the US to 'adopt' a sister currency to the Euro, or something to that effect. Gold is good too.

Hey, you know what? I've been giving this some thought. Do you know what will be worth a lot of money come the late teens and early 2020s? Manufacturers. Think about it. We'll be in a time of repatriation. Buying anything from over seas will cost an arm and a leg. Now, think about the decimation of the manufacturing industry over the last 30 years? They're gone! Abandon factories everywhere! Now, try importing manufactured goods when the goods cost more than something that could be made here. The Manufacturing folks that survive the next 15 years will be sitting on gold!

So, I've just been biding my time and tryin' to store some acorns before winter hits. My kids keep me busy and so does my writin'. I kinda get the sense that it's calm before the storm. Know what I mean?

Also, I'll leave you with one last thing. Going back in time and studying the industries that survive the best during these types of crashes I found something very interesting. By the time 1935 came around there were two, count them....2, industries that did the best out of all the others; Electricity and Insurance.

Guess what Warren Buffet has been shifting the bulk of his assets into the last 10 years?

The utility industry and insurance.

Take care,

Jim Goulding

[www.jamesgoulding.com](http://www.jamesgoulding.com)