The word BANK means: Be Aware No Kash!!

And by the looks of it, with the inner circle of Putin being targeted, it looks like the Russians are currently the first ones to find out what the word BANK means: Be Aware No Kash. When money finds its way into the Western banking system it can be traced to any place and it doesn't matter if it is to bogus accounts. Ultimately people will find out who are directly or indirectly the beneficiaries of the accounts. Too many people are involved and want get a piece of the pie and with enough pressure people will confess. I think one of the few ways to ensure no registration or tracking of the money flows is by buying gold. Gold can't be tracked as easily as money and circumvents the banking transfer system.

Anyway lets have a look at credible comments on gold and some circumstances that definitely warrant a much higher gold price.

Zijlstra, "gold is artificially kept at a far too low price" at the behest of the U.S. government!

Before I will get to the reasons why you should be wary of banks the memoirs of the former president of the Netherlands Central Bank, Jelle Zijlstra, who was also president of the Bank for International Settlements, can shed some light on gold suppression by the central banks and the reason why.

And this has especially more weighting because The Netherlands was one of the participants in the London Gold Pool, a mechanism established by the United States, United Kingdom, and six other European countries to control the gold price in the 1960s.

Zijlstra chronicled in his memoirs that "gold is artificially kept at a far too low price" at the behest of the U.S. government, which sought support for the dollar against gold and other currencies. And I believe this is one of the reasons why the US has been able to get away for such a long time with major monetary imbalances and still being able to uphold the US dollar as the most wanted currency, the reserve currency. Though nothing goes on forever and with the Chinese buying up all the available physical gold and countries such as Russia, China, Iran, Brazil closing oil and other trade contracts in other currencies than the reserve currency, the US dollar could lose it status. It feels like we are getting to the end of the hegemony of the US dollar, which will have far reaching ramifications for the US, the world and the banking system.

Why is the Yen/Dollar exchange rate so important?

The chart here above shows the correlation between the Yen (shown here is the inverse Yen value 97.88 which is equal to (1/0.9788) 102.16 Yen for $1) and the gold price. Why is the Yen/$ exchange rate so important? The reason is that Japan is the second largest foreign holder of Treasuries after China and because the Yen/$ is a "free" exchange rate whilst the Yuan/$ exchange rate is fixed.

Next to that many hedge funds have borrowed the Yen in anticipation of a much lower Yen and the low interest rates following the "Abenomics" which makes it a great carry trade currency allowing the hedge funds to borrow in Yen and invest in higher risk, higher return investment classes such as Euro denominated bonds which carry higher interest rates and might also produce a currency gain. Selling the yen short and using the proceeds to speculate in dollar- and euro-denominated assets because traders are attracted not only to the yield on offer, but also to the gains resulting from the relative movements of the underlying currencies.

Though an unwinding of this trade would have quite some financial consequences for all parties involved hence why the Yen is in my point of view kept at around the 102 level. In case the Yen would fall below the 100 level you can bet you will see some fireworks in the markets.

The reason I am saying that is because what we are witnessing is that whenever the yen goes down, i.e. the dollar rises, stocks rise and when the yen strengthens, and the dollar weakens stocks fell, since the beginning of 2013, the yen's movements are for 60% correlated with corresponding changes in the S&P

500.

Basically what we are witnessing is that next to the central banks of Japan and the US, the central banks in China and especially the EU, are now also actively looking to weaken their currencies to boost exports, their economies, trying to push inflation higher in order to avoid deflation. The newest kid on the block, the European Central Bank, after watching the euro zone's overall inflation rate drop dangerously low to 0.5% in March, amid stagnant credit creation, is now openly discussing launching a quantitative-easing bond-buying stimulus. Though a relative weaker Euro could mean a relative stronger Yen, which could strengthen the Yen from 102 to 100, 99 or 98 against the US dollar.

The Yen carry trade has worked because Japanese Prime Minister Shinzo Abe returned to power with a pledge to aggressively devalue the yen as a last-gasp strategy at ending Japan's multi-decade debt-deflation nightmare. But this strategy, dubbed "Abenomics" by Wall Street, is losing its edge as Japan's consumers suffer the negative consequences of a weaker currency (higher food- and fuel-price inflation) before the positives kick in (higher wages). A recent sales-tax hike (the first since the late 1990s, from 5% to 8%) is making the situation worse. As is being witnessed everywhere the wealth and purchasing power of the middle class is being eroded.

Next to that the Federal Reserve chairman Janet Yellen needs to keep the dollar down, to stimulate growth, by holding short-term rates — which have been near 0% since 2008 — lower for longer until both inflation returns to the Fed's 2% target and alternative measures of labor-market health, such as wages, recover. That will keep the pressure on the dollar hence why the gold price also has to be kept low! Remember if the gold price will take off it will show the weakness in the reserve currency and as long as gold doesn't rise much higher "nobody" worries. Though I believe that if the US dollar index breaks the 79 level we could see a quick retracement to 74.

Anyway in the bigger scheme of things one has to wonder why is it that the reserve currency is weaker than the Euro or Sterling! The Euro is 1.38 US Dollars whilst the Pound Sterling is 1.68 US Dollars. Think about it, shouldn't that be the other way around i.e that you get more Euros or Pounds for one US dollar? What is this telling you about the underlying weakness of the US dollar?

Keep on dreaming if you think banks won't go bankrupt or that what happened in Cyprus won't happen here. See what happens in the Ukraine.

The reason I used this title and described the "meaning" of the word BANK is just to emphasize how little protection you have when you have money in your account at the bank. And if anyone thinks that their deposits are insured up to $100,000-$250,000 when the banking system falls over, they should think again, either the bank insurance company will be broke or the money you get repaid will be not worth the paper it is written on.

Following the stand-off between the Ukraine and Russia, we witnessed bank runs in the Ukraine and the Hrivnia, the Ukrainian currency, crashed. The ruble also experienced the impact of Russia's aggressive behavior, its interest rate was just recently increased to 7.5% (to defend the ruble) and Standard & Poor downgraded Russian debt to one level above junk.

The odd thing though was that it was not the US dollar that strengthened but gold and silver and the Euro and the Sterling that experienced the flight for safety whilst the Eurozone is the closest to the Ukraine. You have to wonder what that says about the confidence in the US dollar. Have we seen the breaking point of the US dollar?

Anyway lets get back to the Ukrainian issues. As a result of the geopolitical events Ukraine's largest commercial bank, Privatbank, announced temporary limits on cash withdrawals for its account holders and suspended writing new loans, saying in a statement the measures were intended to stop those undermining the political situation in the country. "A temporary limit on withdrawals is needed to stop the forces that are working to destabilize the situation [and] are using the cash for [their] sabotage," the bank said in a statement. The bank first announced withdrawal limits of 1,000 Hryvnia ($103) a day at both automated teller machines and in over-the-counter transactions.

Unicredit issued a statement "temporarily limiting operations on cash withdrawal in ATMs, in order to provide all the clients with an access to cash money." The decision, they stress, is a temporary one (like Cyprus capital controls?) and will be cancelled with the "normalization of the situation." UniCredit Group is an Italian global banking and financial services company with approximately 40 million customers and operations in 20 countries, in Western and Eastern Europe. Except for the notion that any sort of similar event can restrain you ability to get your money from the bank think also what the ripple effect in the banking system could be if the Italian bank suddenly has to write off billions because of the devaluation of Eastern European currencies.

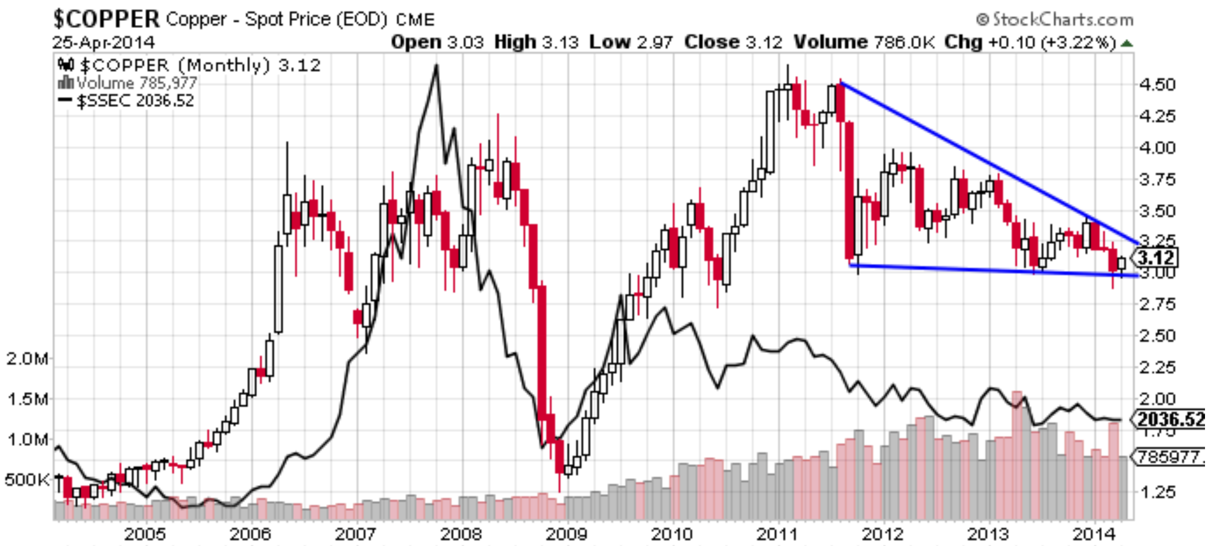
One moment you think you have money in the bank of which you are a creditor and the next moment the bank is telling FOR WHATEVER REASON that you can only withdraw a limited amount! WELCOME TO THE FUTURE. This could happen everywhere depending on the circumstances. In the Ukraine it was because of geopolitical reasons whilst in the West it could be because of massive budget deficits and unrepayable debts. And the more these bank freezes happen the more these will be considered “acceptable” by the banking and government/monetary authorities.

The situation in the Chinese economy, in combination with declining exports, the trust problem, the actions of the chengguan and the overcollateralization of copper are potential time bombs that could cause a worldwide ripple effect in the banking system.

And of course normally there is no reason for these concerns but we live in extraordinary times and experience a very fragile economic and financial global situation as just illustrated by the ripple effect affecting the markets which started with the unexpected manufacturing sector contraction following the publication of the HSBC Purchasing Managers' Index posted at 49.5 in January. The number signaled the first deterioration of operating conditions in China's manufacturing sector since July. And China, being the second largest economy, is crucial for the growth prospects of world's GDP and thus other countries hence the fallout we witnessed. China is losing its manufacturing competitive edge (low wages) to Vietnam, Indonesia, Malaysia and the Philippines and thus sooner or later its fragile banking system and out of control debt levels, not to speak of the $660bn trust problem and its potential ripple effect, will rear their ugly head.

Fewer exports mean higher unemployment and therefore more unrest etc.etc. You just have to read the articles about a riot involving around 1,000 people which broke out in April in Cangnan county of Wenzhou city, Zhejiang province, resulting in the hospitalization of five chengguan, China's notoriously abusive and under-regulated urban enforcement officials. The alleged cause for the riots was the five's brutally killing a civilian. According to reports, the chengguan "hit the man with a hammer until he started to vomit blood, because he was trying to take pictures of their violence towards a woman, a street vendor." This man later died while being rushed to the hospital. Just google chengguan in order to read more about the brutal actions of these enforcement officials and the reaction of the Chinese population having enough of these brutal practices. And think how long you believe these practices can go on before they erupt and cause major unrest across china.

Next to these lingering and ongoing problems there is the collateralization of copper (a copper price below $3/lb will therefore be quite worrisome) and other assets several times over, showing the leverage in the shadow banking system, which is now coming to hunt the debtors hence the first bankruptcies of the trusts. This could and is most likely to have quite a domino effect especially when panic hits the Chinese markets. The Chinese real estate market is also already starting to feel the pinch following real estate owners that are forced to sell in order to meet debt repayments.



See here above how the copper price and the performance of the Shanghai index (SSEC) are correlated. Remember "**Dr**. **Copper**" evaluates the health of the global economy.

The same overcollateralization is also happening with iron or in China. Chinese firms have developed a number of creative channels for raising money thanks to years of capital controls meant to starve the real estate sector of speculative funds. But the bulk and difficulty of transporting iron ore makes it a cumbersome material for raising money, limiting its flexibility as a financing tool compared with copper or gold.

Chart Courtesy Zerohedge

The Financial Times reported that The China Banking Regulatory Commission warned banks to tighten controls over letters of credit for iron ore imports as a result iron ore futures in China fell 5% on Monday, April 28.

Steel mills and traders have used iron ore imports to raise money as other sources of credit dry up, in yet another channel for off-book or "shadow" financing. Anyway it is clear in my mind that things are converging, people are panicking how to pay their loans. It is just a matter of time before we see all these effects resulting a massive sell off in the markets.

Banking and other laws in the EU are tightened in order to deal will the ongoing shortcomings of banks and budgets!

Back to banking law in the EU. In the context of things I should also mention the Eurozone law that was hastily passed on August 1st, 2013 (while EU citizens were on holiday) to deal with the inevitability event of a bank collapse. Under this draft proposal no depositor big or small will in future be able to feel safe with money deposited in a bank. The International Business Times reported on the rapidly drafted new EU law for "overhauling its policy on how banks receive bumper bailouts". Be aware: it is an EU law.

"In future, taxpayers will not be called upon to bail banks out. It will be down to the creditors and the owners".

The British government has just gone even further. Buried in its most recent budget package is a curt little paragraph that reads **"The Government will modernize and strengthen [the tax agency's] debt collection powers to recover financial assets from the bank accounts of debtors who owe over £1,000 of tax."** The British government is setting an absurdly low threshold at £1,000 or about $1,650 in back taxes. And they're saying that if the tax authorities believe you owe even just a minor tax debt, they will not only FREEZE your assets, they'll dip into your bank account and TAKE whatever they want.

Anyway to give you another insight on how the thinking on the "safety" of your bank accounts and the banks is changing almost daily I would like to share the following with you. During a hearing in the European Parliament on banking, the new German board member of the European Central Bank, Sabine Lautenschlaeger said that it should be possible to wind down failing Eurozone banks over a weekend "before markets open in Japan on Monday."

And this is on top of what the German Bundesbank said on January 27 that countries about to go bankrupt should draw on the private wealth of their citizens through a one-off capital levy before asking other states for help. "A capital levy corresponds to the principle of national responsibility, according to which tax payers are responsible for their government's obligations before solidarity of other states is required," the Bundesbank said in its monthly report.

So where will the Government and politicians go to “repair” the un-repairable position they created with their irresponsible and selfish behavior? There were the money is: the banks. The banks and the Government are in cahoots. The “Government (the taxpayers) rescued” the banking system so now it will be time for the banks to cooperate with the Government and act as the capital levy collector. The Government and the banks are interdependent; they can’t exist without each other. One is the extension of the other. In this light it is also important to emphasize that the banks everywhere have bought a lot of government debt and thus their fates and existence are inextricably linked.

In this context I just want to caution you again that you are should be aware that when you deposit money into a bank account your title changes from owner of the funds to being one of the million creditors of the bank, it is debt amalgamation. In other words a substantial loss of your rights vis a vis your former ownership rights. You hardly have any rights and as pointed out especially when circumstances deteriorate.

The restrictions people encountered at HSBC in the UK for wanting to withdraw £5,000-10,000 were just astonishing and on the other hand very significant. And this is an example of occurrences during times and circumstances that are not under duress! Imagine when there is duress how much of **your** money you can withdraw. Read all the stories about Iceland and Cyprus and you will get an idea. So the big question that comes to the fore is: why keep your money at the bank? You don’t get any return! Perhaps to transfer money? There are different ways of achieving that.

Under normal circumstances banks are in general used for 3 purposes:

> **Security:** Storing all your money in cash at home just isn't safe. Your home could be burglarized, flood, or catch on fire. As long as you choose a legitimate bank that has Federal Deposit Insurance Corporation (FDIC) insurance, any money you put in the bank (up to FDIC insurance limits) is protected by the U.S. government. FDIC insurance does not cover other

financial products and services that banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or securities. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category. To date, the guarantee provided by the FDIC has proved to be completely reliable so far, even during times of financial crisis like the banking crisis brought on by the 2008 subprime mortgage meltdown or the savings & loan crisis of the early 1990s.

Comments:

1- How safe is your money if you can't withdraw it at will without giving any specific reason acceptable to the bank (HSBC)?
2- What if the banks are being used to apply a one-off 30% levy on your deposits? How safe is that?
3- What if the fractional reserve banking system fails? Banks only have 10% in cash of what you have deposited (some banks are geared 30+ times in other words only have less than 3.33% of the money you deposited available for payback). Try to get $100,000 from your account from the bank by tomorrow! Next to that see what kind of questions you encounter from the bank! You will be made feeling like a criminal trying to steal money from the bank!
4- What if the purchasing power of your money is being eroded because you don't get an adequate interest remuneration that more than compensates you for inflation? Negative interest rates because interest rates are being kept artificially low.
5- What if the system fails and the FDIC pays you your nominal "guaranteed" amount in US dollar notes that have no value?
6- Who says the FDIC will still be in existence when the "too big to fail" banks do fail? Promises don't mean #$%&@ look at Oba**NO**care.

Convenience: When you have money in the bank, you can access it from anywhere. A checking account also makes it much easier to pay bills – you will no longer have to pay bills in person. You can also transfer money online. In other words it facilitates payment and transfer.

Comments:

1- How convenient is it if you only can withdraw a maximum amount "for your own protection" or should I say for the "protection of the bank"?
2- Costs to get your own money out are getting quite outrageous! In other words you give your money to the bank with what they generate income for the bank and they charge you for using your money!? $3 for getting money from an ATM or a $30+ fee for transferring money!

Saving and Investing: Once you have enough money, you'll want to go beyond a checking account and start saving and investing your money to optimize your future financial situation.

Comment:

1- How is 1% an adequate remuneration for lending the bank your funds with inflation running at 3-4% and for the risk that you might not get your money back. Do you believe that under the current circumstances that that makes any sense? Normalized interest rates should be at least 5%-8%.

2- Banks think first about their own P&L account, ask Goldman Sachs, the US banks showed record earnings in 2013, before they think about your P&L so be suspicious. MBS, Liborgate, bondtrading etc etc you name it

3- Next to that fees and penalties are outrageous for doing what?

4- And who incurs the loss for wrong advice or advice that serves the bank first (MBS etc etc)?

The risks and costs of keeping your money at the banks are clearly increasing

People have used banks historically to keep their money “safe” (that is ending now) whilst banks also insure (you pay for it anyway) your money up to $250,000 per account. But what happens to your money if as mentioned here above with still all the pitfalls in the economy present the banks (with only 1.5% to 10% of the money you have deposited in cash available to pay you back) fail and fall over, or if the bank is being used to act as a collector for the Governments to pay for their unrepayable debts?

A recent OECD paper revealed that the top 22 banks in Europe were levered up 33 times as against the market value of their equity. This means a loss of a mere 3% of their assets would push them into insolvency. These figures are a weighted average. The worst banks, Credit Agricole, Commerzbank, Royal Bank of Scotland, Deutsche Bank, and Société Générale all have leverage ratios of less than 2%.

This means if these highly interconnected banks lose only 2% of their assets, they will need a bailout (or a bail-in) lest they pull their counterparties into insolvency as well. A bail-out is when outside investors rescue a borrower by injecting money to help service a debt. Bail-outs of failing banks in Greece, Portugal and Iceland were primarily financed by taxpayers.

By contrast, a bail-in forces the borrower's creditors to bear some of the burden by having part of the money they are owed written off. In the case of Cyprus, the creditors in question were bondholders, and depositors with more than €100,000 in their accounts. The bail-in option avoids the sovereign having to inject funds directly, but the destruction of credit would push the Eurozone deeper into a deflationary debt spiral that must lead either to a collapse of the banking system or massive printing by the ECB.

Other observations that the risks of keeping your money at the banks are at present much bigger than the opportunities are the very low remuneration you get for the use of money lent and next to that the fact that the interest rates you receive don’t compensate you for inflation because of the QE of the central banks (in other words your capital sum is reducing in value/purchasing power). Because most of the real interest rates are negative (inflation rate higher than nominal interest rates) this is fuelling the deflationary trend!! See the irony. The central banks try to stimulate growth and inflation and what do they get : deflation, which normally leads to destruction of demand because purchases are being postponed in anticipation of deflated or lower prices.

B A N K = Be Aware No Kash

Anyway so don't be surprised that when the final chapter and ripple effect takes hold that you should Be Aware No Kash in the banks!!! You are being presented more and more with ample examples taking place in the world we are living in. so believe it. As I have said many times what do you prefer worthless money that doesn't give you any return on your money or physical gold and silver that also doesn't give a return but shows the devaluation of paper money in higher gold and silver prices?

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