



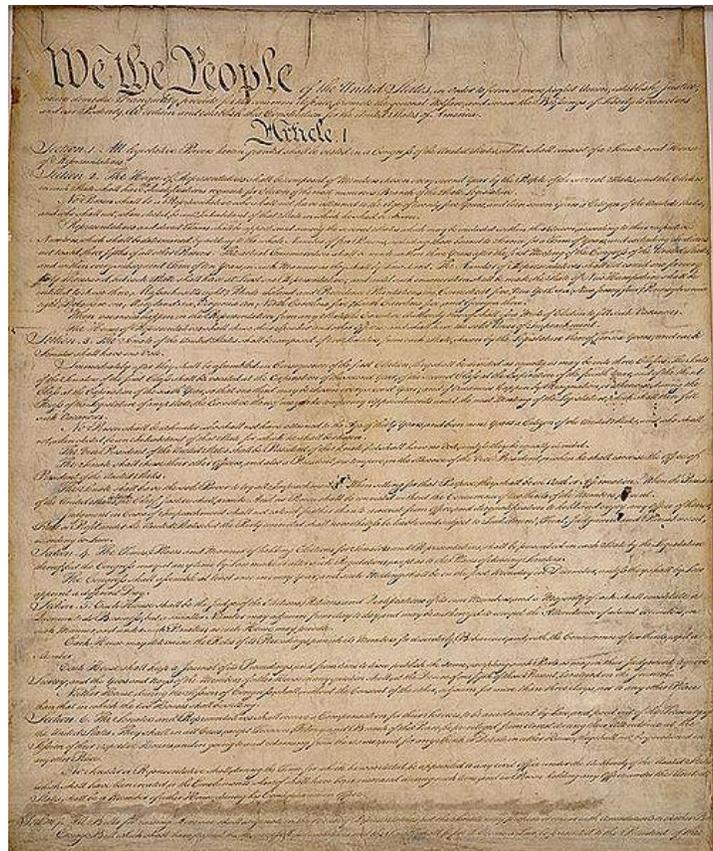
In the News

The recent news flow has been difficult for me to keep up with. A lot of important things have transpired during the Holiday Season that you may have missed. Below is a smattering of stories that I thought should have seen some more press.

NDAA (National Defense Authorization Act)

"Those who trade liberty for security have neither," John Adams. Rest in Peace Bill of Rights. On December 15, 2011, exactly 220 years after the Bill of Rights was ratified, the US Senate passed the most atrocious bill I have seen in my lifetime. A recent Guardian article states: "It's something so radical that it would have been considered crazy had it been pushed by the Bush administration," said Tom Malinowski of Human Rights Watch. "It establishes precisely the kind of system that the United States has consistently urged other countries not to adopt. At a time when the United States is urging Egypt, for example, to scrap its emergency law and military courts, this is not consistent."¹ Human Rights Watch also stated, "President Obama will go down as the president who enshrined indefinite detention without trial in US law."²

The Open Globe reported: "Senator Rand Paul from Kentucky, son of presidential candidate Ron Paul, voiced concerns over the bill on the Senate floor on Wednesday. "Under the provisions, wouldn't it be possible, then, that an American citizen could be declared an enemy combatant and sent to Guantanamo Bay and detained indefinitely?" John McCain, who had helped write out the relevant provision in the bill, responded: "I think that as long as that individual, no matter who they are, if they pose a threat to the security of the United States of America, should not be allowed to continue that threat." Senator Lindsay Graham, a supporter of NDAA, explained that it "basically say[s] in law for the first time that the homeland is part of the battlefield" and anyone can be detained, "American citizen or not."³



We will miss you Mr. Constitution.

¹ http://www.guardian.co.uk/world/2011/dec/15/americans-face-guantanamo-detention-obama?CMP=tw_t_gu
² http://www.salon.com/2011/12/15/obama_to_sign_indefinite_detention_bill_into_law/singleton/

One of the scariest things I learned while researching this bill is that the Obama administration has been arguing that they already had the power to indefinitely detain a U.S. citizen without due process under the powers granted in the 2001 Authorization for Use of Military Force (AUMF).⁴

Additionally, the bill is a direct violation of Art. III, Sec. 3 of the Constitution that states "No Person shall be convicted of Treason unless on the Testimony of two Witnesses to the same overt Act, or on Confession in open Court."⁵ The fact that this bill was passed ten years after 9/11 with bi-partisan support after Bin Laden and Hussein have been killed should send shivers down your back. One of the greatest things about the United States was the Bill of Rights. The colonists had firsthand experience of having their lives run by a tyrannical government. The crimes of King George gave them good reason to put into law a specific list of what the government *could not do* to its people. One of the most important rights was [unfortunately I am using past tense here] the due process clause. Rep Ron Paul explains, "The 5th Amendment is about much more than the right to remain silent in the face of government questioning. It contains very basic and very critical stipulations about due process of law. The government cannot imprison a person for no reason and with no evidence presented or access to legal counsel."⁶

Even if you think Obama is the Messiah sent down from heaven to dispense peace and is trustworthy to have the power to kill an American citizen without due process with a predator drone⁷ or should be allowed to "erase" your neighbor by picking him up in the middle of the night and sending him to GITMO indefinitely without a trial, you have to be concerned about these powers in the hands of future presidents. Thomas Jefferson said, "In questions of power then let no more be heard of confidence in man, but bind him down from mischief by the chains of the constitution."

This is slippery slope. The propaganda that was used to pass the Patriot Act was that if you don't have anything to hide, you don't have anything to worry about. Was American citizen, Anwar al-Awlaki, a terrorist? Who knows? Instead of his Constitutionally guaranteed trial, he had some 19-year-old with a joy stick murder him via predator drone. Al-Awlaki's 16-year-old son [born in Denver] and his 17-year-old nephew along with six others were just collateral damage in the September killing in Yemen.⁸ No matter the evidence against them, US citizens should get a fair trial that is held in the open. Governments are comprised of people and people make mistakes. I don't care if you are the Unabomber, Charles Manson, or Jeffrey Dahmer, the Constitution was designed to protect all citizens from the evils of a tyrannical government. How long will it be before the next government expands this power and indefinitely detains political leaders or anyone who questions the next dictator?

Even when citizens are given their constitutional trial, the court system often locks up the wrong people. If an open case with a jury often makes this mistake, why would we trust a politically motivated secret panel of spies? Take the time to watch *After Innocence*, a movie that documents a charity that helps the wrongfully accused reverse their criminal convictions using new DNA. It is

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http://www.theopenglobe.org/wiki/US_Senate_passes_its_version_of_NDAA_bill,_which_would_allow_military_to_detain_anyone_on_US_soil (hat tip Thunder Road Report)

⁴ http://www.salon.com/2011/12/15/obama_to_sign_indefinite_detention_bill_into_law/singleton/

⁵ http://www.salon.com/2011/12/01/congress_endorsing_military_detention_a_new_aumf/

⁶ http://paul.house.gov/index.php?option=com_content&view=article&id=1936:the-ndaa-repeals-more-rights&catid=62:texas-straight-talk&Itemid=69

⁷ <http://www.foxnews.com/politics/2011/09/30/us-born-terror-boss-anwar-al-awlaki-killed/>

⁸ http://www.washingtonpost.com/world/national-security/anwar-al-awlakis-family-speaks-out-against-his-sons-deaths/2011/10/17/gIQA8kFssL_story.html

incredibly moving to see brothers, dads, and sons freed from prison a decade after being wrongfully convicted. No person or government is infallible. No president can be trusted to be God. Do you want the same government who was convinced that the secular Saddam Hussein was tied to the religious Al Qaeda and had weapons of mass destruction to determine your guilt without a trial?

Seemingly small violations of our rights cascade over many years into a totalitarian state that nobody wants to call home. Leo Tolstoy observed "Governments need armies to protect them against their enslaved and oppressed subjects." If you think I am being an alarmist, please read or watch Naomi Wolf's book/movie *The End of America: Letter of Warning to a Young Patriot*. She details the ten steps that dictators take to shut an open society. The similarities she highlights between the rise of power of totalitarian dictators and what has been going on in the United States cannot be denied.

2.7 million Stratfor emails hacked

On Christmas Eve, the Antisec wing of Anonymous, claims they hacked into and downloaded 2.7 million emails from www.stratfor.com. Barrett Brown, a representative of the group said:

Stratfor was not breached in order to obtain customer credit card numbers, which the hackers in question could not have expected to be as easily obtainable as they were. Rather, the operation was pursued in order to obtain the 2.7 million e-mails that exist on the firm's servers. This wealth of data includes correspondence with untold thousands of contacts who have spoken to Stratfor's employees off the record over more than a decade. Many of those contacts work for major corporations within the intelligence and military contracting sectors, government agencies, and other institutions for which Anonymous and associated parties have developed an interest since February of 2011, when another hack against the intelligence contractor/security firm HBGary revealed, among many other things, a widespread conspiracy by the Justice Department, Bank of America, and other parties to attack and discredit Wikileaks and other activist groups. Since that time, many of us in the movement have dedicated our lives to investigating this state-corporate alliance against the free information movement.

Stratfor is a well connected organization that sells a daily intelligence briefing to governments, corporations, and individuals. It appears that the Anonymous hackers believe they will uncover information in the emails that will embarrass the U.S. government and corporate cronies. On December 27, when I visited stratfor.com, it was down; citing "undergoing maintenance." Stay tuned, another big Wikileaks type release may be forthcoming.

Texas SB 321 (Parking Lot Bill)

OK, this bill became effective on September 1, 2011 and not in December. If you are like me, you totally missed it. This bill amends Chapter 52 of the Texas Labor Code and makes it unlawful for an employer to prohibit an employee from keeping a firearm in their locked vehicle on company property. There are some exceptions to the law such as it doesn't apply to employers where state or federal law prohibit firearms (public and private schools).⁹

According to the Texas State Rifle Association's website:

⁹ <http://www.huntonlaborblog.com/2011/09/articles/employment-policies/weapons-allowed-texas-sb-321-and-guns-on-company-property/>

Hegar's [one of the sponsoring Senators] bill balances the rights of employer and employee. Under the new law, employees regain their express right to store legally owned firearms and ammunition at their place of work, and with it, the ability to protect themselves as they travel to and from their jobs. Employers will be protected from any lawsuit resulting from the use of a firearm stored on their property, and they can still forbid an employee from carrying a firearm in company owned vehicles. Under his new law, employers will also retain the right to prohibit firearms in their offices.

I can't think of a single person that I know that is affected by this bill, but I was still happy to see it become law. I can't remember the last law that gave me more liberty. I am so used to liberties being taken away. The Declaration of Independence holds Life, Liberty and the pursuit of Happiness as unalienable rights. A 5', 110 lb female cannot retain these rights if they only apply until she is confronted by a larger stronger male. Firearms are the great equalizer to differences in size and strength. As more and more municipalities are forced to cut back on their budgets, looking after each other and protecting yourself will take on greater importance. John Lott's *More Guns, Less Crime* states that allowing citizens to carry concealed weapons decreases the rate of violent crime. Many will disagree with this study. It seems logical to me that criminals will think twice when they know that a statistically significant percentage of the population is carrying a gun that they can't see. I have never heard of a terrorist attack at a gun and knife show!

SOPA (Stop Online Privacy Act)

This bill was introduced to the house on October 26, 2011 and will continue its heated debate when Congress goes back to session.¹⁰ Supporters of the bill state that it is necessary to protect intellectual property and counterfeiting. Glenn Greenwald at Salon.com states that SOPA "...would vest the U.S. government and the largest corporations with draconian powers literally to shut down or otherwise disable Internet sites without due process." He goes on to say, "Internet freedom--preventing government and corporate control of the Internet--is indeed one of the most vital political fights of this generation, perhaps the most vital."¹¹

GoDaddy, the world's largest domain name registrar, originally supported the bill until many of its customers threatened to move their domain names to a different registrar. On December 23, Jimmy Wales, of Wikipedia tweeted, "I am proud to announce that the Wikipedia domain names will move away from GoDaddy. Their position on #sopa is unacceptable to us." The threat of losing customers has caused GoDaddy to reverse its position.¹²

Yahoo!, Google, Ebay, facebook, and five others have placed ads in major newspapers against SOPA. They state:

We support the bill's stated goals--providing additional enforcement tools to combat foreign "rogue" websites that are dedicated to copyright infringement or counterfeiting. Unfortunately, the bills as drafted would expose law-abiding U.S. Internet and technology companies to new and uncertain liabilities, private rights of action, and technology mandates that would require monitoring of websites. We are concerned that these measures pose a serious risk to our industry's continued track record of innovation and job creation, as well as to our nation's cybersecurity. We cannot support these bills as written and ask that you consider more targeted ways to combat foreign "rogue" websites dedicated to copyright infringement and trademark counterfeiting, while preserving the

¹⁰ http://en.wikipedia.org/wiki/Stop_Online_Piracy_Act

¹¹ http://www.salon.com/2011/12/09/hillary_clinton_and_internet_freedom/

¹² <http://www.theverge.com/2011/12/23/2657485/sopa-pipa-debate-boycott-petition-activism-bieber>

innovation and dynamism that has made the internet such an important driver of economic growth and job creation.¹³

This should be a very important topic in 2012.

LTRO (Long Term Refinancing Operation)

Worldwide stocks had an impressive rally on December 20, when the ECB lent €489 billion in 3 year loans under its LTRO program at 1%. 523 European banks applied for the funds and the next batch of money will be available in February.¹⁴ LTROs were announced on December 9th by Mario Draghi, the new head of the European Central Bank. They are a fixed 1% interest rate loans for three years that allow European banks to deposit lower quality asset-backed securities for collateral.

The ECB hopes these loans can buy some more time, stimulate the economy, and help the bleeding banking system reduce leverage. There is an enormous amount of risk aversion and distrust between European banks and Draghi wants banks to use this facility to restore confidence. Many critics have come out against the program. Bill Gross of PIMCO mutual funds tweeted: "What does #LTRO stand for? 1. A shell game; 2. Cash for trash; 3. Three-card "monti;" or 4. All of the above." Pater Tenebrarum, of acting-man.com jokingly said, " Instead of lending only against collateral of impeccable quality, it sounds as though the ECB will possibly soon accept everything from beanie-babies and comic book collections upward (as long as they are securitized). In this it has adopted the methodology employed by the Fed in the 2008 crisis: it is relieving the banking system of assets of rather dubious quality.¹⁵

This facility appears to be restoring confidence for now and it appears some of the banks are using the 1% loans from the ECB to buy up more of the sovereign loans. This could be the cause for the better than expected debt auctions in Italy and Spain. The PIIGS countries have a lot of debt coming due in the first part of 2012, so it remains to be seen how long the LTRO facility will be able to maintain confidence in the game of kick the can down the dead end road. The best explanation of LTROs on the internet can be found at <http://www.acting-man.com/?p=12317> if you are interested in learning more about this topic.

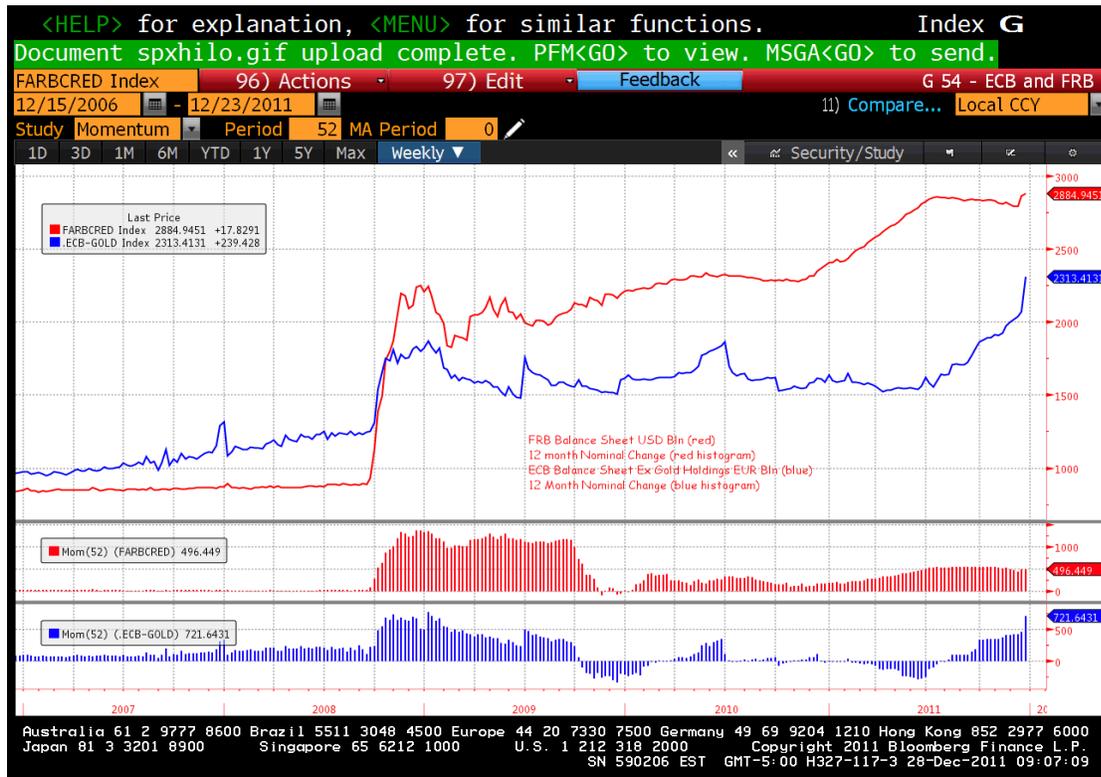
¹³ <http://www.digitaltrends.com/web/internet-titans-fight-sopa-with-full-page-ny-times-ad/>

¹⁴ <http://www.ibtimes.com/articles/20111221/nbsp-ecb-provides-euro-area-banks-with-489-billion-euros-in-terms-of-long-term-refinancing-operation.htm>

¹⁵ <http://www.acting-man.com/?p=12317>

Markets

On December 28, Michael Shaoul, CEO of Marketfield, reported that the ECB's balance sheet had grown by €721 billion or 45% over the past year. The blue line below shows the parabolic rise in the assets on their balance sheet (ex gold holdings). Many Keynesians were hoping for some outright money printing in the December announcements. They haven't said they will be printing Euros outright, but their 1% short term interest rate and massive cheap loans on questionable assets through the LTRO is very loose and could calm markets for awhile.



The ever expanding balance sheet of the Fed and ECB. Chart courtesy of Marketfield.

The problem, as I see it, is that many governments will not be able to pay their debts off. History has shown that they will either default or print their currencies and pay you back with worth-less paper. With negative real interest rates (inflation is greater than the ten year government bond yield), a looming sovereign debt crises, and loose central banks, the fundamentals for gold are very strong. Sentiment right now is very negative for gold and the miners. This is bullish for the price. Many are frustrated with the recent 21%, four-month correction. It is very reasonable to expect a correction like we just saw to digest the massive 183% gain that gold saw over the last three years as it went from a low of \$681 on October 24, 2008 to its recent peak of \$1927 on September 26, 2011.

December 29 looks like an intermediate low to me, but we will not know for sure until a couple months go by. A couple of the better technical analysts that I follow are expecting one more sell off to finish this correction in the \$1400 to \$1500 range. During corrections within bull markets it is helpful to remind yourself that making money in investing is not easy because of our emotions. If it was everybody would be rich.



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