

November 2010



Had Enough Yet?

Hooray—the Republicans took some more seats and my neighbors can finally take their “Had enough yet? Vote Republican” signs out of their yards. More than a few lawns were so covered in election signs that the grass had begun to wither from lack of sunlight. Unfortunately, for us, the Corporatocracy and ruling elites have owned both parties for quite a while. They have mastered the system so well that in 2008, both of our “choices” for President were adamant that we needed to bail out the banks, pass a massive stimulus package, and keep on fighting endless “wars” in the Middle East.

It is time that every human understands what Gerald Celente, of The Trends Research Institute, has been screaming for years—the Republicans and Democrats are two wings of the same bird of prey. They are just like professional wrestlers. They pretend to hate each other while on camera, but behind closed-doors they go to the same clubs, share the same mistresses, and work for the same banksters. We truly have the best congress that money can buy. They are experts at dividing and conquering our country with wedge issues (abortion, gun control, immigration, NYC Mosque, etc.) that divide our country. While everyone is busy fighting over these “straw man” issues, the two parties go through the crowd picking the populous’ pockets to pay back their corporate handlers.

If the United States of America is to survive, this game must be stopped. We must return to the rule of law and away from the path of regime uncertainty, a government ruled by the whims of our “leaders.” We can no longer have one set of rules for the ruling elite and another set for the rest of us. The Patrick Kennedys of the world must get a breathalyzer test when they wreck barricades at 2:45 in the morning. The Charlie Rangel of the world must be forced to resign when they cheat on their taxes (he writes the tax laws for Pete’s sake).

We can no longer tolerate a bank like UBS turning over a paltry 4,500 out of 52,000 names of suspected tax cheats.¹ How many of our current and former government officials are on the list that didn’t get turned in? Were their names not selected because of their political connections? We must do more than fine UBS only \$780 million dollars while giving them a back-door bailout through AIG of a whopping \$5 billion.² They have admitted to smuggling diamonds in tooth paste tubes for clients and willfully helping clients evade taxes.³ This is serious. Under the rule of law, their bank charter would be taken away and they would not be allowed to do business in the United States. Under regime uncertainty, their gambling debts are made whole and they are only fined 16% of what Turbo Tax Timmy gave them in the AIG bailout.

Former N.Y Governor, Eliot Spitzer, aka “John Number Nine,” admitted to being a client of the Emperor’s Club V.I.P. After he resigned and the public lost interest, these charges were dropped.⁴ If

¹ <http://www.businessweek.com/news/2010-10-22/ubs-tax-fraud-charge-is-dropped-by-u-s-prosecutors.html>

² http://www.nydailynews.com/money/2009/03/17/2009-03-17_looting_goes_far_beyond_bonuses_aig_dole.html

³ <http://www.elitetrader.com/vb/showthread.php?threadid=129662>

⁴ <http://cityroom.blogs.nytimes.com/2008/11/06/no-federal-charges-against-spitzer/>

he was John number nine, that means that the investigation should have turned up at least eight other wealthy men that could afford to pay up to \$5,500 per hour for sex. What household name had the power to stop the investigation with Spitzer? Character matters and how you behave in your private life is indicative of what you can be trusted with in your public life. Are you listening to me Edwards, Gingrich, Clinton and Sanford?

Let's look at what J.P. Morgan Chase did to the poor citizens of Jefferson County, Alabama. They gave more than \$8 million in bribes to local politicians and friends of decision makers in Birmingham, Alabama to earn investment banking business. According to Karl Denninger, of Market-ticker.org, these bribes ended up costing the county 25 times what it should have to replace their sewage system. Several politicians are rightfully serving time in jail, but to date nobody from JP Morgan has gone to jail.⁵ Apparently bankers don't have to go to jail; they just get fined for "unlawful payment schemes."⁶ Under the rule of law, handcuffs are issued after someone has been convicted by a jury of their peers. Under regime uncertainty firms "settle without admitting or denying" their "undisclosed payments." Come on, we are not idiots. It takes two parties to bribe; someone to give the bribe and someone to accept the bribe. Why was the investigation stopped with a settlement? How high up the corporate ladder would you need to go to get approval for \$8 million of expenses at your company?



Source: <http://www.judicialwatch.org/IraqOilMap.pdf> One of the few documents Cheney ever released from the Energy Task Force. payer-funded meetings were about. Despite being personal friends with Cheney and recently flying

Not only is this rampant corruption an essential part of Fraud Street and Congress, it has also infected the judiciary branch of the government. Many people are unaware that Clarence Thomas used to work for Monsanto Company in the 1970s. After that, he joined the fast track to becoming a Supreme Court Justice. Is it only a coincidence that he later wrote the majority opinion in the J. E. M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc. case in 2001 that greatly benefited companies that create genetically modified seed?⁷

Even more obscure is the 2005 case of Cheney v. U.S. District Court for the District of Columbia. Almost as soon as he got to Washington, Dick Cheney headed some extremely secretive meetings with his National Energy Policy Development Group in 2001. Judicial Watch and the Sierra Club both sued under the Freedom Of Information Act to find out what our tax

⁵ <http://market-ticker.org/akcs-www?singlepost=2139226>

⁶ <http://www.sec.gov/news/press/2009/2009-232.htm>

⁷ <http://www.vanityfair.com/politics/features/2008/05/monsanto200805?currentPage=5>

on Air Force II to hunt ducks with Cheney, Supreme Court Justice, Antonin Scalia, refused to recuse himself from the case.⁸ Scalia was later part of the 7-2 majority decision that said “up yours America”—you have no right to know what happened in these meetings.

Time Magazine recently reported that the Ninth Circuit Appellate Court has ruled that “Government agents can sneak onto your property in the middle of the night, put a GPS device on the bottom of your car and keep track of everywhere you go. This doesn't violate your Fourth Amendment rights, because you do not have any reasonable expectation of privacy in your own driveway — and no reasonable expectation that the government isn't tracking your movements.”⁹ In 2007, the DEA actually did this to Juan Pineda-Moreno in Oregon. Chief Judge Alex Kozinski, a dissenting judge of the court said, “The court's ruling means that people who protect their homes with electric gates, fences and security booths have a large protected zone of privacy around their homes. People who cannot afford such barriers have to put up with the government sneaking around at night.” He went on to say, “There's been much talk about diversity on the bench, but there's one kind of diversity that doesn't exist. No truly poor people are appointed as federal judges, or as state judges for that matter.” The judges in the majority, he charged, were guilty of “cultural elitism.” This is scary folks. This is a clear violation of the Fourth Amendment and this court went on to say that when the government puts a GPS device on your vehicle; they have the right to track you wherever you go *without a warrant*. I fully agree with Kozinski's last statement: “1984 may have come a bit later than predicted, but it's here at last. Someday, soon, we may wake up and find we're living in Oceania.”¹⁰

Of course this corruption goes straight to the top. In early 2009, Obama not only trashed the constitution, but the former Constitutional law professor decided by decree to overrule 500 years of bankruptcy law. He decided to side with the union and unfairly give them more of Chrysler than they deserved by law than the “speculators.”¹¹ Who were these evil speculators? They were municipal and teachers' pensions. That's right; your pension may be partially underfunded because of Obama's regime uncertainty. If we actually had two different parties, where were the allegedly “pro business/free market” Republicans during this theft?

The biggest concern that I have with Obama is his decision to target the American citizen, Anwar al-Awlaki for assassination without due process of law. The administration has declared that they have the right under “state secrets” to kill an American citizen without charging him of a crime or giving him a trial. We fought for our independence for transgressions just like this.

Many American worker drones take the government's story for granted—Awlaki is a terrorist and he should be punished. Glenn Greenwald of Salon states:

For those reciting the “Awlaki-is-a-traitor” mantra, there's also the apparently irrelevant matter that Article III, Section 3 of the Constitution (the document which these same Obama supporters pretended to care about during the Bush years) provides that “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.” Treason is a crime that the Constitution specifically requires be proven with due process in court, not by unilateral presidential decree. And that's to say

⁸ <http://en.wikipedia.org/wiki/Scalia>

⁹ <http://www.time.com/time/nation/article/0,8599,2013150,00.html>

¹⁰ <http://www.time.com/time/nation/article/0,8599,2013150,00.html>

¹¹ <http://online.wsj.com/article/SB124217356836613091.html>

nothing of the fact that the same document -- the Constitution -- expressly forbids the deprivation of life "without due process of law."¹²

It is not up to me or any other person to determine if Awlaki deserves to die. The constitution grants him the rights to know what crime he is accused of and to be given the right to defend himself in a fair trial. Would anyone have voted for Obama if he openly admitted before the election that he would at his own discretion single out American citizens for death without due process? Why aren't the Republicans all over this and running on the campaign "Vote for us—we will not put a death warrant on your son without due process?"

How much more are you willing to put up with America? As consumers, we have the right to choose who we do business with. What sin would your bank have to commit in order for you to move your account? What would it actually take for you to attend a protest rally?

We no longer live in the United States taught about in our history classes. Both parties have completely run amuck and are too corrupted to even pass a bill to give a true audit of the Federal Reserve for the first time in 96 years. We are long past the point of being able to fix this by passing a few laws. We are clearly in a Kondratieff Winter Cycle where many of the systems that were built in prior generation no longer serve a purpose for today's society. With close to \$45 million Americans on food stamps and the country obsessed with Hollywood and sports, one can't help but be reminded of the "bread and circuses" at the end of the Roman Empire. Have we already lost our Republic or is there still a chance of saving it?

Several of the stories that I highlighted this month were brought to my attention by Dan Carlin's Common Sense Podcast. If you are interested in politics and current events, I highly recommend that you check out his excellent work out here:
<http://www.dancarlin.com/disp.php?page=csarchive>

I also highly recommend reading "None Dare Call it Conspiracy" and "Tragedy and Hope." I have links under Recommended Reading on my website.

Markets

I am always looking at divergences in the markets to try and find investment opportunities. One such relationship is the relationship of gold and the Gold Bugs Index (HUI). As you can see in the chart below, the HUI index peaked the week of March 17, 2008, at just under 520. At the time the spot price of West Texas Intermediate Crude was about \$110 per barrel (a key cost for gold miners) and the spot price of gold hit \$1,033. The Gold Bugs Index dropped an amazing 71% from its peak to 150 the week of October 20, 2008. The reason for the dramatic crash was that gold miners require the capital markets to lend them money to build out their mines. If the credit markets stayed frozen, many gold miners would have been forced into bankruptcy.

¹² http://www.salon.com/news/opinion/glenn_greenwald/2010/09/25/secretcy/index.html



Source Yahoo! Finance

Since October of 2008, the HUI has skyrocketed back up to its old all time highs; which is better than most equity indexes. The last time the HUI was here, spot oil was about 25% higher and gold was about 28% lower. With gold up and oil (one of miners' biggest expenses) down you would expect the gold miner index to be much higher.

I think the divergence in these markets is best explained by the fact that a lot of the gold bug community still have skid marks across their backs from 2008 (especially if they sold at the bottom) and US investors are very skeptical of equities in general. ICI recently reported domestic stock mutual funds have had net outflows for 25 weeks in a row.¹³ Clearly, investors are nervous and they don't trust the post-flash crash stock market.

Many investors today have never heard of a company called Homestake Mining. It was acquired by Barrick Gold in 2001. It was one of the few stocks that did very well during the Depression. According to Rob McEwen, CEO of US Gold Corp, "From 1929 to 1939, Homestake Mining, which you might think of as a proxy for senior [gold] mining stocks, rose from \$80 per share in October 1929 to \$495 per share in December 1935, which was 519% and it paid large annual cash dividends while gold was only increased from \$20/oz to \$35/oz in 1933 by government decree."¹⁴

The big question for investors in the gold mining space is when the next bear market arrives, do miners tank like 2008 or do they soar like Homestake did during the Depression?

Most of the momentum indicators that I follow are showing that stocks are currently overbought and due for a pull back. It also looks like the dollar is finding a temporary bottom. An advance in

¹³ <http://www.zerohedge.com/article/25th-sequential-stock-fund-outflow-81-billion-year-date>

¹⁴ <http://seekingalpha.com/article/197448-rob-mcewen-on-junior-miners-and-the-next-homestake-mining-company>

the dollar could be the catalyst for a correction in risk assets. I will be looking to accumulate equities and precious metals on weakness and do not want to fight the strong seasonality of the mid-term election year mentioned here last month.



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