

# WILL ITALY SINK EUROLAND? HOW TO PROTECT YOUR WEALTH

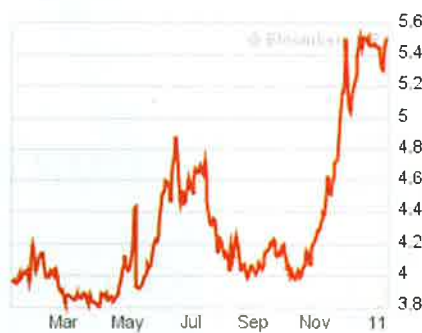
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The Eurozone debt crisis in the PIIGS periphery is intensifying, with multiple recent rating agency downgrades or downgrade warnings on Ireland, Portugal, Spain and Greece. But perhaps even more importantly, we have also seen an increase recently in the bond yields and default insurance (CDS) of US treasuries, UK gilts and German bunds as well, indicating that at last these supposed ultimate safe haven bonds are losing their status too, because one bailout or quantitative easing (QE) after another escalates their deficits further, thereby ultimately putting the security of the relevant currencies and bonds' purchasing power at risk.

Added to this, nobody appears to dare to even talk about Italy, the bond yield of which has lately been soaring like Spain's but whose debt of close to EUR 2 trillion is so large that this country alone could easily put all Euro/Eurozone bailout hopes, (and whatever sophisticated further rescue plans EU bureaucrats may yet seek to dream up, into the dust-bin of history at a moment's notice.)

10 YEAR SPANISH BOND YIELD



10 YEAR ITALIAN BOND YIELD



(A rising bond yield tends to indicate investors' rising fears of a country's debt default, and makes it substantially more difficult for such country to service its debt obligations. Higher bond yields mean that a higher interest rate needs to be offered/paid for new bond issues, and in turn higher interest to be paid implies a further deteriorating balance sheet of the country. And as the balance sheet worsens, investors will again demand higher risk compensation in the form of yet higher interest rates. It is a dangerous vicious circle.)



The reality is, countries like Spain and Italy are too large to be bailed out, without in the process sinking Germany as well - a country that is already now "not swimming in money, but drowning in debt", according to the German Finance Minister Wolfgang Schaeuble. Therefore, the Eurozone members will soon have only two realistic options left: Either a) a break-up of the single currency (which is politically difficult hence relatively unlikely), or b) to start engaging in exactly the same type of policies that the US has no problems with: Unlimited rounds of quantitative easing/ money printing, resulting in sharply rising inflation (which appears to be the easiest and most likely route for politicians to take)

In simple terms, this means for investors that the Euro currency or Euro bonds are not attractive investment choices over the coming years, (neither is USD currency nor

USD bonds, given the US' 200 trillion USD fiscal gap, nor will Asian currencies be a true safe haven, as Western inflation is likely to be increasingly imported into Asia, including Hong Kong and China as well).

For this reason, commodities clearly remain an attractive inflation-protected investment choice, not even for the purpose of speculative gain, but mostly to protect ones wealth against purchasing power erosion.

Obviously, precious metals, a sector which every investor should still hold/gain exposure to for crisis and inflation protection, has been benefiting handsomely from this trend already, with silver doing particularly well of late, helped also by the exposure of "fraudulent efforts to persuade and deviously control that [silver] price" (US Commodity Futures Trading Commissioner Bart Chilton) and ongoing lawsuits with regards to the

silver price manipulation/suppression against JPMorgan Chase & Co and HSBC Holdings Plc, filed under the Racketeer Influenced Corrupt Organisations (RICO) Act - also known as the anti-Mafia law.

Given the recent 'rare earth metals' craze, it should just be noted here as well that underground resources of silver, which is also a key element of industrial use in the high-tech and many other important sectors, actually happen to be rarer on this planet than the reserves of most of the so-called rare earth metals. (The rare earth problem has in fact less to do with global underground supply potential but more with the fact that the underground supplies have largely not been tapped into, because recently no-one except China wanted to do the dirty work of mining polluting and radioactive minerals at low prices, hence mines simply were not developed elsewhere.)



NATURAL GAS PRICE 2002-2011



Finally, it should be noted that the energy space generally, and natural gas in particular, appears rather attractive in value now, due to underperformance over the past 2 years which has brought its price back down to approx. 70% below the 2005 high, while the increased supply from shale

gas discoveries in the United States will mostly likely be matched by increased global demand - particularly (as one might have guessed) from China, which has only just turned into a net natural gas importer, with a 130% year-on-year overseas natural gas purchase jump in 2010. 