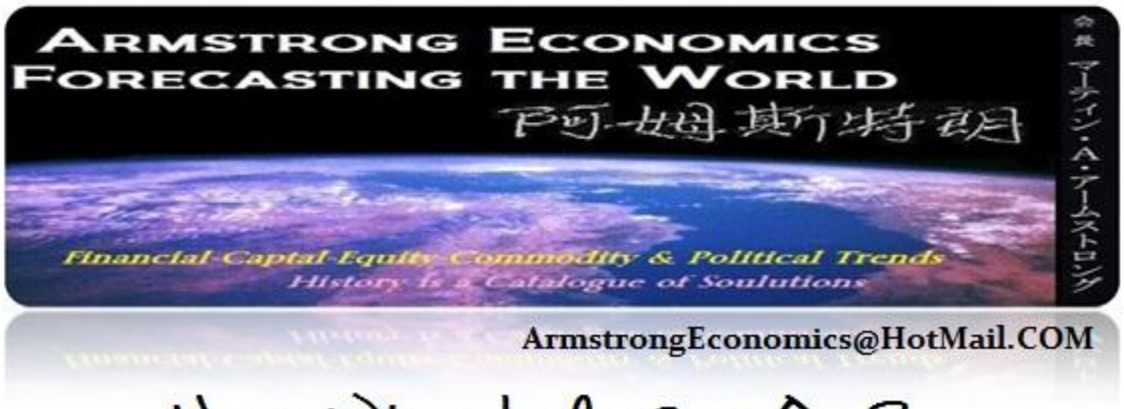


Now What's Going On?

FRANCE AND GERMANY
AGREEING TO CREATE €2TRILLION EURO RESCUE FUND

Instead of revising the monetary system, politicians would rather do everything the hard way and indirectly rather than admit they screwed up when the created the Euro. France and Germany have reached agreement to boost the eurozone's rescue fund to €2trillion (£1.75trillion) as part of a "***comprehensive plan***" to resolve the sovereign debt crisis, which of course it will not do. Nevertheless, they will now seek to endorse this idea at this weekend's summit instead of simply consolidating the debt and going forward. Consolidating the debt into a single Eurobond with every country simply issuing its own debt going forward without **RESERVE** status is what is necessary. It appears that the real solution may curb their ability to borrow in the future so they would rather bail out the banks instead of dealing with the debt and restricting the system.

The deal is yet to be signed, yet confidence is rising in hopes that it will go through. Then they assume everything will be back to normal and they can continue to borrow for another few generations. France is scared because Moody warned that it might review their coveted AAA rating because of the cost of bailing out its banks and other members of the eurozone. Moody has more credibility than S&P these days. The leaders of France and Germany hope to agree striking a deal to ease market uncertainties and volatility in the run-up to the G20 summit in Cannes early November.

The gist of this deal is to boost the main bailout fund enabling it to offer first-loss guarantees for bondholders, be they private or public. The fund will increase the kitty from €440bn to €2tn. Germany and France have concluded that the banks will require recapitalization to meet the 9% capital ratio that the European Banking Authority (EBA) is demanding after its re-examination of the exposure levels of 60 to 70 "systemic" banks. The EBA has marked these exposures much closer to current market values.

Additionally, it looks like there may be a 21% reduction in Greek bond values in the summer may now rise to 50%. In other words, this would be a partial default. Greek debt may be covered in the banks by recapitalizing them, but private holdings will be slashed. It appears that they will restructure the Greek debt in hopes of stemming the tide against the whole lot. However, a 50% haircut is pretty much saying you deserve to take a loss for believing in the euro.

The system is just not stable long-term. We may have short-term confidence emerging from those who just want to pretend everything will be OK. However, the system is fundamentally flawed and this deal looks merely more of the same trying to push off the inevitable. This may prove to be just a prelude to the fall next year.

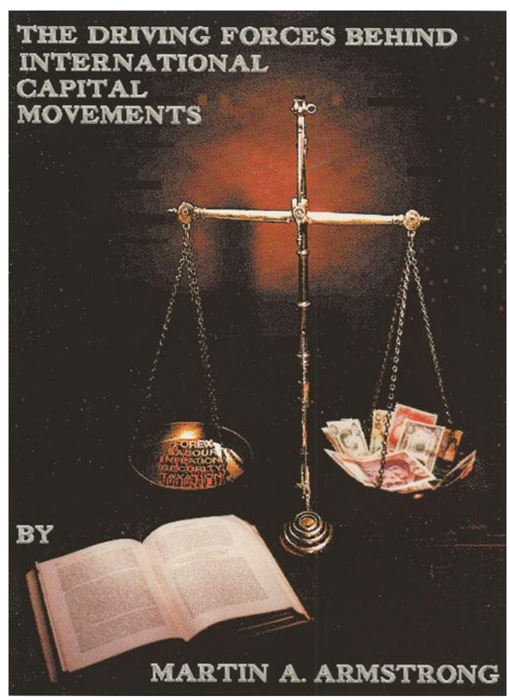
The **World Economic Conference** was held annually between 1983 and 1999. These are events intended for serious investors familiar with the industry and the global prospects of investing. This is not the typical domestic home-spun variety selling Russian bonds, munis, or swamp land. Here the focus is always the **WORLD** providing specific forecasting on a country by country basis. This session allows clients to see the interconnected global economy and to see where the capital flows will take us next.

The audience is usually global and one can feel the capital flows within the room. Audiences are generally limited to a few hundred and seating is classroom style providing ample table space for note taking. These events are usually one day or two days depending upon the time.

Included in this session are computer forecasts, charts, forecast arrays, and reversals on most major world stock indices, bonds, and currencies, commodities that include agriculture, energy, and metals. We will also provide an ***update*** for the following year regarding those forecasts.

This has been our most popular conference. This includes a question and answer format so there is a good two-way flow that helps everyone expand their understanding of the global trends and where capital will concentrate next.

The **World Economic Conference** is a special event. Seating is limited to foster of learning experience rather than a warehouse auditorium. This is a special think tank session where there is always a good two-way flow. You will have ample room for writing, keeping notes, and reviewing the different an international gathering affords. Attendance is generally worldwide and this affords the opportunity also for friendships and networking on a global scale.



These events have often been called mini-UNs. It is this dynamic flow that creates more than just the sum of the parts – it produces a synergy that further enhances the attendance. Often, one can get a real sense in the room of how global capital investment flows.

Those who arrive the night before will be welcome to join a cocktail gathering between the two sessions Saturday evening. Just be prepared to see the world in a much more dynamically connected manner.