



MELTDOWN

1. RESCUES

Central banks and governments are now in a frantic state to save banks and financial entities that are falling like dominos on an hourly basis. It is almost impossible to keep up with all the businesses that have collapsed worldwide only in the last week. The authorities around the world have no choice. They will print any amount of money to save whoever needs to be saved. Also the whole world is waiting for the US rescue package of \$ 700 billion to be passed. This might help for a few days or weeks but not much longer

Let us be very clear; **NO RESCUE PACKAGE OR ACTION WILL BE SUFFICIENT.**

The authorities are throwing pennies at a **multi trillion or quadrillion dollar problem.**

The amounts of money that need to be printed to bail out the system is so large that it would dwarf what happened in the Weimar Republic in the 1920's.

2. MAGNITUDE OF BUBBLE(S)

Let us put the latest US rescue package of \$ 700 billion in proportion:

- Only last week **\$ 1 trillion** liquidity was injected into the US financial system. Thus in one week more money was injected than the proposed rescue. US and other

central banks are injecting at least hundreds of billions of dollars every week and the bank system is still totally paralysed. LIBOR (interbank) rates are at record highs and banks refuse to lend to each other.

- Banks have loan books in the dollar trillions against assets which are falling precipitously in value. The banks, with the help of central banks, have in the last decade flooded the market with easy credit that have inflated all asset values to totally unsustainable levels. This bubble is now bursting and the banks will over the next year or two sit on virtually worthless and unrealisable collateral with **\$ trillions in losses.**
- The crisis is currently focusing on the financial system but soon “MainStreet” (consumers) will be an additional massive problem. Personal loans, credit card loans, car loans etc are at levels which most consumers had problems repaying in good times. The increase in food and energy prices combined with higher mortgage rates and falling unemployment will lead to bank losses of **\$ hundreds of billions.**
- But all of the above is dwarfed by the derivatives outstanding of **\$ 1 quadrillion.** This figure is so big that it is impossible to fathom. When a financial institution fails it is the gross amount that is due. A major part of these derivatives is worthless although only minimal writedowns have been made. Authorities have allowed the derivatives to be marked to model rather than to market. But at some point in the not too distant future the derivatives bubble is likely to burst. It is doubtful that the governments around the world will have time to print \$ 1 quadrillion but even if they did it would obviously be worthless money.

3. ONLY TRUST YOURSELF

In the last few years no politicians, central bankers, bankers or other so called experts have warned the public of the disastrous consequences of the credit and asset bubbles that have been taking place. On the contrary everybody has embraced the Goldilock scenario. It is the same situation today. Virtually **nobody will tell you the real problem and the real risks.** We urge you not to trust anybody. Everybody you talk to has a vested interest. Therefore it is essential to make up your own mind (which is difficult with so much contradictory advice) and to decide based on all the facts how to protect yourself.

We advised our clients back in 2002 to put a major part of their capital into physical gold stored outside the banking system. Gold has doubled or trebled since then depending on your base currency. Our view is that the real move in precious metals is still to come and that it will start this autumn. For any cash above the government guaranteed levels we recommend short dated government securities preferably in Swiss Francs.

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