Wealth Protection Kit

Report #3: Protect Yourself From Inflation

Since the Financial Crisis erupted in 2007, the US Federal Reserve has engaged in dozens of interventions/ bailouts to try and prop up the financial system. Now, I realize that everyone knows the Fed is "printing money." However, when you look at the list of bailouts/ money pumps it's absolutely staggering how much money the Fed has thrown around.

Here's a recap of some of the larger Fed moves during the Crisis:

- Cutting interest rates from 5.25-0.25% (Sept '07-today).
- The Bear Stearns deal/ taking on $30 billion in junk mortgages (Mar '08).
- Opening various lending windows to investment banks (Mar '08).
- Hank Paulson spends $400 billion on Fannie/ Freddie (Sept '08).
- The Fed takes over insurance company AIG for $85 billion (Sept '08).
- The Fed doles out $25 billion for the automakers (Sept '08)
- The Feds kick off the $700 billion TARP program (Oct '08)
- The Fed buys commercial paper from non-financial firms (Oct '08)
- The Fed offers $540 billion to backstop money market funds (Oct '08)
- The Fed agrees to back up to $280 billion of Citigroup's liabilities (Oct '08).
- $40 billion more to AIG (Nov '08)
- The Fed backstops $140 billion of Bank of America's liabilities (Jan '09)
- Obama's $787 Billion Stimulus (Jan '09)
- QE 1 buys $1.25 trillion in Treasuries and mortgage debt (March '09)
- QE lite buys $200-300 billion of Treasuries and mortgage debt (Aug '10)
- QE 2 buys $600 billion in Treasuries (Nov '10)

And this is just a *brief* recap. I'm almost certain I left something out. Indeed, between 2008 and today, the US Federal Reserve has grown its balance sheet from $800 billion to almost $3 TRILLION in size (larger than the economies of Brazil, the UK, and France).

Small wonder then that the US Dollar has broken down in a big way.

As you can see, starting in 2008, the US Dollar had a series of rallies based on various Crises (the 2008 Crash and the 2010 Euro Crisis). However, starting in 2011, when the Fed announced QE lite and QE 2, the US Dollar COLLAPSED, breaking through its long-term trendline

This is a MAJOR sign that the US Dollar is on RED ALERT. Indeed, once it breaks below its 2008 low, the US Dollar will trigger a MASSIVE Head & Shoulders pattern predicting a 50% collapse:

The ultimate target for this pattern is 40: **roughly 50% lower than where the US Dollar trades today.** Indeed, the only reason the US Dollar hasn't already imploded is because other major currencies (the Euro, Japanese Yen) are also based on paper and so devaluing rapidly too.

However, the fact remains that at some point in the not too distant future, the US Dollar will collapse. Which is why smart investors are already taking steps to prepare their portfolios for the coming inflationary disaster.

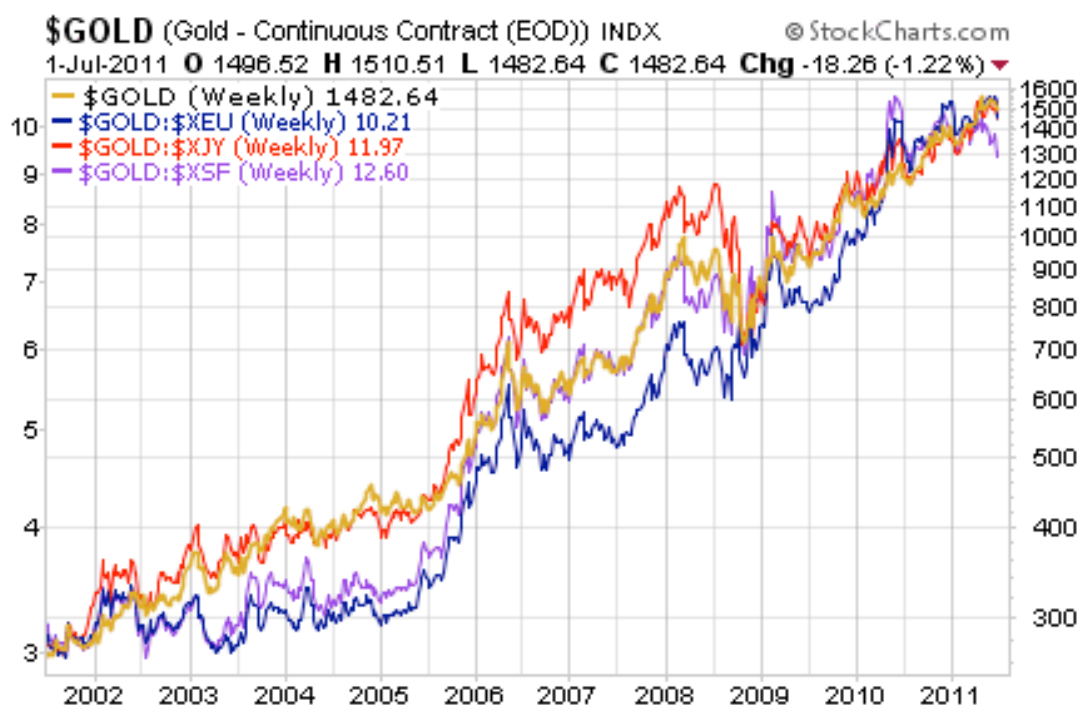
I've selected two investments that will not only maintain your purchasing power, but will actually even show you a profit when inflation rips into the financial system.

Investment #1: the Ultimate Inflation Hedge

Nothing protects against inflation like GOLD.

Gold was, is, and always will be THE ultimate storehouse of value. Mankind was prizing it long before the concept of stocks, mutual funds, or paper money even existed.

So with world central banks printing paper money day and night it is no surprise that Gold is now emerging as the ultimate currency: one that cannot be printed. Indeed, Gold has broken out against ALL major world currencies in the last ten years. The below chart prices Gold in Dollars (Gold), Euros (Blue), Japanese Yen (Red) and Swiss Francs (Purple):



Now, a lot of commentators have noted that gold is already trading above its 1980 high ($850 an ounce). What they fail to note is that thanks to inflation, $1 in the '70s is worth a LOT MORE than a $1 today.

$1 in…	**Is Worth Today**
1970	**$5.49**
1980	**$2.58**

For gold to hit a new all time high adjusted for inflation, it would have to clear at least $2,193 per ounce. If you go by 1970 dollars (when gold started its last bull market) it'd have to hit $4,666 per ounce.

If you do not already have exposure to Gold, get some now. I strongly urge you to buy actual physical bullion because it is not clear that the various Gold ETFs actually own the bullion they claim to.

In terms of actual gold coins, there are three coins that comprise the bulk of the bullion market. They are Kruggerands, Canadian Maple Leafs, and American Gold Eagles. I've been told to avoid Maple Leafs by both a trader and a bullion dealer as they can easily be scratched which damages the gold and reduces the coin's value.

In terms of silver, the easiest way to get it is via pre-1965 coins (often termed "junk" silver). The bullion dealer I spoke to prices them at 50 cents over spot. However, you can also get silver one-ounce rounds (coin-like medallions) and 10-ounce bars, both of which can be bought at 95 cents over spot. You can buy Silver Eagles coins at $2.50 over spot, though the premium higher.

I cannot tell you which dealer to go with, but look for someone who's been dealing for years (not a newbie). You should ALWAYS ask for references from the dealer (former clients you can talk to about their purchases/ experiences).

Some warning signs to avoid are dealers who try to store your bullion. NEVER, I repeat, NEVER store your bullion with someone else. ALWAYS store it yourself. Also, be sure to talk to the dealer for some time and ask him or her numerous questions about the industry, the coins, etc (feel free to test him or her on the information I've provided you with eg the three most liquid Gold coins, etc). If they can answer everything you ask in a knowledgeable fashion, their references check out, and you verify everything they say with a 3rd party, you should be OK.

Personally I have placed orders with Camino Coins in California. They've been dealing bullion for over 50 years and I've been very happy with their services. I receive NO compensation in any form for mentioning them here. They're just dealers from whom I have personally bought and trust.

Camino Coins
1301 Broadway
Burlingame, CA 94010
Phone: 800-348-8001 or 650-348-3000
Fax: 650-401-5530

Buy some physical gold. Even a little bit can go a long way during an inflationary collapse.

Investment #2: Investing Legend Jim Rogers' Favorite Inflation Hedge

Do you know Jim Rogers?

The legendary investor first went to work on Wall Street with $600 in his pocket in the late '60s. In 1970, he and George Soros founded the Quantum fund: one of the greatest investment funds in history.

Between 1970 and 1980, the Quantum fund returned 3,365%, outperforming the S&P 500's performance of 47% by an enormous margin. Rogers then "retired" with millions in his bank account at the ripe age of 37.

Since then, he's taken two trips around the world: the first on a motorcycle, the second in a custom-made Mercedes. Still managing his own money, Rogers has used his "on the ground" knowledge of foreign markets to make numerous major calls for large profits.

To whit: he went long stocks in 1982 when everyone was still bearish. Stocks more than tripled in the five years following this. He also went short before the market crash in 1987 making yet another fortune.

However, his most famous call was the commodities bull market that began in 1999. At that time, everyone thought he'd lost his mind. Commodities had done nothing in 15 years. The Dow Jones Commodities Index hadn't been revised since the 1960s. and Reuters' hadn't revised its commodity index since the 1930s.

With no decent options available, Rogers decided to launch his own commodities index. He did so August 1, 1998. He then took off on his second world trip as chronicled in his book, *Adventure Capitalist*. Since that time, the Rogers International Commodities Index has more than doubled. In contrast, the S&P 500 has fallen.

And Jim believes we're just getting started.

Historically commodities have always done well during periods of high inflation. And Jim, like myself, believes the Feds' moves are highly inflationary. In fact, Jim has said, *"We're setting the stage for… a massive inflation holocaust,"*

Which is why our second inflationary hedge comes from Jim's favorite investment sector today: agricultural commodities.

The fundamentals of this sector couldn't be better either. Inventories (supplies) for corn, wheat, and soybean are all near 40-year lows. Other soft commodities like cotton, sugar and coffee are at historically low inventories too. So there's very limited supply.

Yet, while supplies are dwindling, demand is growing rapidly. From 1974-2005, the world's population grew by more than 1.1 billion people. And a lot of them have begun eating more protein heavy diets: in 1985 the average Chinese consumer ate 44 pounds of meat per year… today, it's more than doubled to 110 pounds.

Now, it takes 17 pounds of grain to generate one pound of beef. So grains demand is soaring... But land is limited. In 1989, worldwide arable land was 1.6 billion acres. It's still 1.6 billion acres today.

So this is the perfect set up for any investment: dwindling supplies and growing demand. The inflationary disaster will only be adding gasoline to the fire, pushing agricultural commodities to record highs. As Jim Rogers puts it, "*God knows how high the price of agriculture is going to go, so that's where I'm putting more of my money now than in other things… I think I'm going to make more money in agriculture than I make in precious metals.''*

Best of all, Jim's set up the perfect agricultural investment for us: the **ELEMENTS Rogers International Commodity Agriculture ETN (RJA)**.

RJA tracks the movements of the agriculture portion of Jim Rogers' commodity index. All told it includes 20 agricultural commodities, making it the broadest agricultural commodity index available to individual investors (other indexes only track 4-6 agricultural commodities each).

Best of all, the weighting for each agricultural commodity comes from Jim Rogers himself. So you're relying on an investing legend, not some Wall Street stooge, to decide your exposure to a given commodity.

On a final note, I want to point out that RJA is an exchange-traded note (ETN) backed by the Swedish Export Credit Corporation: an entity 100% owned by the Swedish government (not a Wall Street bank). In order for this bank to collapse, the Swedish government itself would have to default. The ETN charges a 0.75% management fee. This is a fairly standard fee as far as ETNs or ETFs go.

Two Means of Profiting From the Feds' Inflation

To conclude, since the start of the 2007 Crisis, the Fed has been printing money both night and day. We're talking about more than $11 TRILLION hitting the financial system in all.

As a result of this, inflation will be ripping into the financial system in the future. With the two investments detailed in this report: Gold and the Rogers Agricultural Commodity Index, you've got two means of not only maintaining your purchasing power but actually profiting from the Fed's money printing.

What You Learned In This Report

- The US Federal Reserve has grown its balance sheet from $800 billion to almost $3 trillion, which is larger than the economies of Brazil, the UK, and France. This is highly inflationary and it *will* erode your purchasing power significantly

- The US Dollar could very well drop a full 50% lower than it is today. Everything we import (and that's a lot of what you buy every day including gas and many foods) will cost twice as much … or more

- Two means of protecting yourself from inflation are physical Gold bullion and agriculture investments such as the ELEMENTS Rogers International Commodity Agriculture ETN (RJA)

- My recommended bullion dealer is Parker Vogt of Camino Coins:

  Camino Coins
  1301 Broadway
  Burlingame, CA 94010
  Phone: 800-348-8001 or 650-348-3000
  Fax: 650-401-5530

Best Regards,

Graham Summers
Chief Market Strategist
Phoenix Capital Research

PS. Your next report will arrive in your inbox tomorrow.