

# The Last Bubble

**How the Entitlements Tidal Wave and  
National Debt Will Swamp the U.S. Ship of  
State... And How You Can Make a Fortune as  
the Government Bond Market Sinks**

Jon Herring

# Central Planners Interrupt the Natural Order And Create a Series of Rolling Bubbles

- The Tech Bubble
- The Housing Bubble
- The Commodities Bubble
- The Worldwide Credit Bubble
- The Biggest Bubble of All – U.S. Treasury Bonds

“Money will be attracted to the liquidity and transparency of the U.S. long Treasury market. I think this will be the final bubble of my generation. Crowding into a 20-year bond in a depreciating currency when inflation sets in, and long rates inevitably rise, will be a religious experience for the victims.”

- Rick Rule

# The True Scope of the America's Fiscal Problem

- **The U.S. National Debt – \$11.3 trillion**
- This does not include obligations for Medicare & Social Security
- **Total U.S. debt – \$100+ trillion!**
- **The “Fiscal Gap”** (present value difference between what we owe and what we could reasonably expect to collect) – **\$70 trillion**
- The only reasonable conclusion – The U.S. Government is Bankrupt

# Where Will the Money Come From?

- **Cuts in Spending?**

*“To fully fund our nation’s entitlement programs would be to cut discretionary spending by 97 percent. But hold on. That discretionary spending includes defense and national security, education, the environment and many other areas. All of them would have to be cut—almost eliminated—to tackle this problem through discretionary spending.”*

Richard Fisher,  
CEO – Dallas Federal Reserve Bank  
Member of the Federal Open Market Committee

- **Tax Increases?**

*“Similarly on the taxation side, income tax revenue would have to rise 68 percent and remain that high forever. Remember, though, I said tax revenue, not tax rates. Who knows how much individual and corporate tax rates would have to change to increase revenue by 68 percent?”*

Richard Fisher

- **Can we borrow it from ourselves?**
- **Can we borrow it from foreigners?**

## This is a Job for the Printing Press

- We do not have the means to pay our debts in real terms
- The only option – Pay our entitlements and bondholders with devalued dollars

*“Our government doesn’t have the spare cash to bailout a lemonade stand, let alone a bloated and failing financial industry. Washington can only offer funds that it has borrowed from abroad or printed. Unfortunately, the nation is in the grips of a delusion that money derived from these sources has the power to heal. But history clearly shows that borrowed or printed money only has the power to destroy.”*

Peter Schiff

Euro Pacific Capital

## Why Interest Rates will Skyrocket

- The Federal Reserve sets short term interest rates
- Long term rates are set by the market and respond to supply and demand
- When the supply of debt increases, interest rates must rise to attract investment
- When the demand for debt falls, interest rates must rise to attract investment
- When inflation is seen as a threat, long-term rates rise

The groundwork has been laid for hyper-inflation, soaring interest rates and exploding gold and silver prices.

How can you protect your wealth and profit?

Gold and silver and precious metals mining equities investment that will appreciate as long-term government bonds fall and interest rates rise

*“Goldman Sachs estimates a \$2 trillion borrowing requirement that would finance an \$850 billion federal deficit, fund \$500 billion in Treasury purchases of bank assets and equity, and roll over \$561 billion in maturing coupon securities...”*



## How to Profit From Rising Rates



# BOOM & DOOM

PROTECTING & BUILDING YOUR FINANCIAL FUTURE



INVESTOR'S DAILY EDGE



MT. VERNON  
RESEARCH

**\$TYX (30-Year T-Bond Yield) INDX**

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28-May-2009 12:03pm

Open 43.59 High 46.06 Low 43.39 Last 45.63 Chg +1.71 (+3.89%) ▲

— \$TYX (Weekly) 45.63



## Where are the Ounces Going to Come From?

The major gold producers need big deposits desperately  
They no longer have the exploration talent in house  
They must buy the ounces through acquisition or  
partnership

## Companies to Consider:

### Northern Dynasty Minerals (AMEX: NAK)

- 47 million ounces of gold
- 72 billion pounds of copper

### Seabridge Gold (AMEX: SA)

- 26 million ounces of gold

### Silver Standard Resources (NASDAQ: SSRI)

- 1.7 billion ounces of silver
- 19 million ounces of gold