

# WHERE IS THE GOOD NEWS?

written by Egon von Greyerz | June 26, 2009

The only reason why there has been an air of optimism in the world economy in the last couple of months is that the bearers of these false rumours of recovery all have a vested interest. They are either government officials who consistently mislead the people, bankers who are the principal beneficiaries of the dollar trillions printed or they are investors in the stockmarket who hope to recover their losses.

Anyone who speaks to the man in the street will get a totally different message. Speak to the hundreds of thousands who are losing their jobs every week in the world, speak to the taxi driver, speak to the man with his little corner shop, speak to a small manufacturer, speak to a restaurant owner or speak to someone in the real estate business, etc, etc, – EVERY SINGLE ONE OF THESE PEOPLE FINDS LIFE EXTREMELY TOUGH AND GETTING WORSE.

If we look at some of the headlines from the last 24 hours we don't see any good news here either:

- British Banks vulnerable to future shocks, Bank of England warns
- ECB lends record Euro 442 billion in bid to unlock credit
- Record US credit card losses force banks to prop up loans
- UBS raises \$3.5 billion to cover second quarter losses
- Russia considers bailing its banks out

We could go on and on and everything points to the same thing – the real economy, whether it is normal people or small to medium size businesses are all experiencing very difficult times and it is getting worse. In addition the banking system, as we consistently point out, is as bankrupt now as when the crisis started.

So the money printing by governments will have to continue at an accelerating pace. Since the only buyers of the government paper will be the government itself, the paper issued will rapidly decline in value and the currency with it. Two of the weakest major economies are the US and the UK and we could see these two countries defaulting on their debts even as soon as this year. But of course they won't call it a default since they will just print more paper which eventually will have no value.

We warned investors that gold would make a bottom in the current week and thereafter start to appreciate strongly over the next few months. We believe that the bottom at \$912 on 23 June is unlikely to be seen again in the foreseeable future, if ever.