***What's the Fed Up To With the Money Supply?***

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***by Robert McHugh, Ph.D.***

***Over the past few days,*** December 21st — when our first Hindenburg Omen (of whatever cluster is coming) — and Thursday December 22nd, ***the Federal Reserve has conducted one of the largest two-day Repo injections of money into the system since back in September 2001***. On Wednesday they added $18.0 billion in reserves and on Thursday they added another $20.0 billion. Is this a coincidence, coming right as we get another Hindenburg Omen? Probably not. Is something high-risk going on behind the scenes here? Let's review some facts at the Fed. On November 10th, 2005, shortly after appointing Bernanke to replace Greenbackspan, the Fed mysteriously announced with little comment and no palatable justification that they will hide M-3 effective March 2006. M-3 has been the main staple of money supply measurement and transparent disclosure since the Fed was founded back in 1913. It is the key monetary aggregate that includes Fed Repo transactions, that mechanism whereby the Fed increases reserves. The date when M-3 will start being hidden also happens to be the exact month that Iran will declare economic war against the U.S. Dollar by trading its oil in Petro-Euros on its new bourse. But there is more. The Federal Reserve currently has three vacancies within the 19 top Regional Bank and Board of Governor spots. Why? Part of ongoing ***wholesale resignations.***

The latest is from the Philly Fed. Fed President and Open Market Committee member Anthony Santomero has announced his resignation after only a few brief years tenure. Very unusual. Hey, Fed Presidents are treated like gods. They have enormous power, prestige, and presence. Why quit? He is far from alone. Over the past few years no less than six Federal Reserve Regional Bank Presidents have resigned. This is highly unusual.

An immediate impact is that ***we are about to have a largely inexperienced batch of individuals conducting monetary policy in the United States***. So of course, the first thing they will do is hide the key money figures. Two positions for the Board of Governors (there are 7)have been open for quite a while. Plus six of the 12 Regional Head spots have turned over during the past few years.

If a substantial amount of oil transactions will suddenly be conducted in Euros instead of Dollars, this should put pressure on the Dollar as folks exchange Dollars for Euros, jeopardizing the Dollar's status as the world's reserve currency, making it more difficult to print all the dollars the Fed wants to without driving the Dollar into the ground. Iraq threatened to do what Iran has threatened to do just before we went in looking for weapons of mass disappearance. If the Dollar tanks, Treasuries might not be far behind. If Treasuries tank, kiss the Housing-driven boom goodbye. Could the Master Planners be hiding M-3 because they anticipate they may have to monetize the Federal debt, buy our own Treasury Bonds during the coming economic attack against the Dollar? That would require a ton of new fresh money creation — too much to disclose.

Could it be some folks at the top of the Fed do not have the stomach to be part of what is about to go down?

***M-3 has a direct but lagging impact on financial markets***. Whenever M-3 rises, the Dow Industrials rise. Whenever M-3 is flat or declines, the Dow Industrials decline. The Dow Industrials are a bellwether for the economy. If we can monitor M-3, we can better monitor the future path of equities and the economy. It is wrong for the Fed to stop its disclosure for this very reason. Investors need to know in a free market economy, because M-3 infusion is centrally planned intervention into a free market system. Investors need to know when the Master Planners have decided to intervene. Our buy/sell signals were designed to pick up the scent of Master Planner intervention by analyzing supply and demand forces underlying the markets. So with or without a fully disclosed M-3, we will be able to continue to identify coming multi-week trends.

So what about ***M-3*** the past week? The latest figures show that ***on a seasonally adjusted basis, M-3 rose 27.3 billion last week, a 14.0 percent annualized clip***, and is up $76 billion over the past month, a 9.8 percent growth rate. But those are the massaged numbers. For the raw figures, fasten your seat belt. Are you ready? M-3 was increased $58.7 billion last week (that does not include the huge Repo infusions noted above), ***a 30.0 percent annualized rate of growth***. For the past two week, the Fed added $93.5 billion to the money supply, ***a 24.0 percent annual clip***. ***<u>Over the past 6 weeks it is up $192.9 billion, a 16.7 percent Banana Republic hyperinflationary pace.</u>*** This is nuts, folks — unless there is an incredible risk out there we are not being told about. That is a lot of money for the Plunge Protection Team's arsenal to buy markets — stocks, bonds, currencies, whatever. This level of irresponsible money supply growth makes shorting markets hazardous, yet at the same time says markets are at huge risk of declining. Maybe M-3 growth doesn't stop the decline this time. Should be a fascinating storm in 2006.

The recent rise in Gold catalogued 74 points over about a month, ***a 16 percent rally from precisely the day the Fed announced it would hide M-3*** from taxpayers and citizens of this great nation. That is no coincidence. Gold sees hyperinflation, monetization of debt, and intervention into free markets. Gold is telling us it expects Ben Bernanke to be an inflationist.



***"For a child will be born to us, a son will be given to us;***
***And the government will rest on His shoulders;***
***And His name will be called Wonderful Counselor, Mighty God,***
***Eternal Father, Prince of Peace."***

***Isaiah 9:6***