



Looking at www.census.gov, their latest estimate for the federal budget (receipts minus outlays) is a deficit of 12.9% of GDP. Their estimate for gross federal budget debt is 90.4%. Other estimates put this number at 88%. Either way, gross is right.

The 90% figure also represents what's believed to be a critical threshold for debt-to-GDP; it may have a significant impact on growth once it surges above 90%. And as *The Wall Street Journal* puts it:

This time around, the roots of our indebtedness are very different. We're borrowing to bail out consumers who took on too much credit and couldn't pay, and to support social-security and Medicare systems we can't really afford. We're able to do this because financial markets have maintained a **surprising faith** that we will eventually get our spending under control, and because the dollar's role as a global reserve currency has kept our **borrowing rates unusually low**.

You can argue that bail outs have gone to other unworthy candidates in addition to irresponsible consumers. And you can argue that there is a whole lot of other unnecessary spending on the books besides social security and Medicare, though those are two of the biggies.

Two things:

1) As to the "surprising faith," perhaps that's what I'm taking into this whole argument.

It appears Americans are waking up to the pace at which President Barack Obama's administration brought on increasingly large amounts of debt, to the dangers posed by the recent US and global recession, and the turmoil that's shaken up Europe and exposed the problems with out-of-control budgets there as well.

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Either way, Americans are realizing the US may be at a tipping point. This growing awareness is in fact a good thing. Despite current warts, and attack by recent government policies, the US economy is still the most dynamic economic system in history and has proven its resiliency time and time again. It can be turned around. Maybe the mid-term US elections will be a good start.

2) As to the “borrowing rates unusually low,” Bob Prechter, of Elliott Wave fame, recently gave an interview to *The Daily Crux*, where he argued for deflation to hit the US before inflation. Here’s something he said that’s no secret anymore:

Over the past eight years, the Fed's lending rates have twice fallen to zero, meaning that credit is free. The Fed has created \$1.5 trillion of new money. Central banks around the world have offered unlimited, cost-free credit. The government is spending money like mad. And the Fed and the Treasury have bailed out or guaranteed another trillion or two of bad debt and promise to do even more. Oh, and the Chairman of the Fed swore eight years ago that he would drop money from helicopters.

My point in bringing this up: consumer and businesses are at a point where they’re still deleveraging and/or shoring up their finances. They recognize that a change needs to be made; they recognize that there is a limit to spending and mal-investment at some point. They’re no longer diving into the temptation of unusually low interest rates, etc. This I think represents a secular change in sentiment toward debt.

Taxpayers are beginning to recognize this in their own way. It is only these taxpayers who can make government recognize this sentiment shift and act accordingly. And they’re working about as hard as possible to make that happen now.

John Ross Crooks III
Black Swan Capital
www.blackswantrading.com

Have you heard about *Position Trader FX*?

We’ve been getting the same question a lot over the last few days: is it too late to profit from the euro crash; and what about the Aussie ... or yen?

And our answer is:

No.

We’ve done well in 2010. And we expect to do even better as the halfway point approaches.

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For good measure, I've included our [year-to-date track record and profit curve here](#), reflecting through Thursday, May 20.

Here's the bottom line...

We think the Euro is going to par with the dollar – 1:1 – or maybe even lower.

If you've been waiting on the sidelines, now is time to jump in.

If you're not sure how to implement a currency trading strategy, we've got you covered. And we offer a 30-day 100% money-back guarantee if this isn't for you. After that we prorate your refund on a weekly basis if it's not working for you.

This is speculative trading and is not for everybody. If you're cut out for this, [jump over now and give it a try](#).

All the best,

David Newman
Director of Sales and Marketing
Black Swan Capital
dnewman@blackswantrading.com
Phone: 866-846-2672

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