Porter Stansberry

Porter’s first Alliance conference was in 2003. And it's his pleasure to be back.

Porter thinks there's going to be a run on the US banking system that will start today or tomorrow.

In 2010 in December he launched a series of reports about America, and my initial documentary on YouTube. He had something like 100 million views, and it was 77 minutes long. What he was warning about was that our country's decision to begin to monetize our debts was putting us on a path to ruin. Because democracies in particular that follow this path of financing greatly increase the power of the state, while at the same time debasing private society. And what Porter is so fascinated by is not just the financial consequences, but the cultural consequences. For example, Las Vegas.

Porter cites the explosive growth of sports betting as evidence of American decline.

But as a society gambling doesn’t push us forward, and neither does prostitution. And when these two things, gambling and prostitution flourish, it tells us a society is monetizing its debt and debasing its currency. Why? Well, because as the currency is corrupted, it becomes harder and harder for us to cooperate. Money is more than just a system of exchange. It's a means of communication. it defines the price system. Farmers know what the plan is from prices. industrialists know what to produce because of prices. We know what to invest in because of the prices.

Today the price mechanism faces war, tight monetization, trillions in debt. And prices got wrecked. It becomes harder and harder to earn legitimately and the desperation leads to prostitutions, drug use, suicide. And that was one of Porter’s 2010 predictions.

The most important thing happened with COVID. COVID was exactly what happens in a society that's on a path to ruin. A few people stole every single one of your civil liberties away without any debate in Congress without any law being passed. It's truly what happened. And what you might not have noticed, was that they also produced about seven and a half trillion dollars of money. That has big consequences.

 What you might not know is that Bank of America bought about $700 billion of long term bonds in mid 2020, the largest investment bank we have. Those bonds are now down, this is an estimate, 30 to 50%. Estimated losses are over $200 million, which is about four times more than they lost during the great financial crisis. But they don't have to put that on the books. So you might have seen the regional bank failures last spring. They didn't say they fail because they bought treasury bonds. But banks are failing because they bought government bonds. US Treasury bonds are supposed to be the safest financial assets in the world. They're now down 50% from their peak. does that sound reasonable to you?

So all of the money that's has gotten pushed into that bond market. It got put in by our banks in 2020. And all of those bonds are collapsing. there will be a run on Bank of America. They have $200 million in losses. And the only reasons that they're still open is because they have 1.4 trillion in deposits. When people realize they've lost $200 million… What's the future of that bank? That's the largest repository of every bank in the country. Do you think the stock market's gonna go up if it fails? No way.

There hasn't been a bull market this year. There's been a bull market in a handful of stocks. You can take these stocks out, the s&p 500 is down for the year. The bubble and tech stocks is larger today than in 2000. If you divide the Nasdaq 100 by the Russell 2000 — that's 100 largest tech stocks and that's the smallest 2000 stocks — the previous bubble was a ratio of eight. Now it's eight and a half.

It won't surprise you to know that there's a strong correlation between interest rates and tech stocks. Why? Well, because tech stocks generally have weak cash earnings. They generally require lots of r&d, and there's lots of startups. A chart shows a wide spread in the total return for 10-year treasury bonds relative to the NASDAQ. There's normally a very tight correlation. Porter believes it will be again.

 So with inflation to run up four to 6%, are bonds going to rebound? It's more likely that tech stocks crash.

The disaster for commercial real estate is truly amazing. It's not a regular cycle. It's a secular trend. We're not going back to the office. The old Alex Brown tower in Baltimore sold recently for 16 cents on the dollar. And I think it's probable that the new buyer is gonna lose it too.

The crisis of commercial real estate is way worse than 2008. A good friend of Porter’s is in charge of workouts of commercial real estate deals for a major Mutual Bank. He's getting three buildings a week returned and there's no bid. There are billions that have been lost.

Porter wants you to know that these are facts. He’s not making things up. You can look at this example to prove it…

Porter wrote from 2002 until 2019 that General Electric's accounting was entirely fraudulent and that the company was bankrupt. He was writing that for 15 years because that company lied to investors. But he wasn't making it up.

2006 he began writing quarterly letters acting as though I was the chairman of General Motors. The company had not earned enough money in 19 the last 20 years to pay its interest. The stock was literally zero.

And at the Alliance meeting in Mexico in 2007 he called the crashes in Fannie Mae and Freddie Mac. He said both of these stocks are literally and obviously zeros. These guys guaranteed 90% of the mortgages in the United States over the previous five years. Just under half of those mortgages had been subprime. So when Fannie and Freddie said “we don't have any subprime exposure,” could that possibly be true? Absolutely not. Porter estimated that the losses would be around $500 billion. Paulson went to Congress. And said they're well capitalized.

These are facts. But if you want to leave your money in bank of America, go ahead.

Bank of America has $760 billion on long term bonds. Those bonds are going to zero. There is no way that we can possibly afford $33 trillion in debt. The only solution is printing it away. Which they will do.

 So if there's still enrollment Bank of America, it's only because people are stupid. Tomorrow, the bank will announce that their unrealized losses have doubled in the last quarter from 100 million to 42 million. You will not want to have your money in the bank that day.

We have never seen a trillion dollars leave the banking system before and that's what's happened already.

Okay, so we've got huge losses to the bank's assets because of commercial real estate and because of the inflationary pressures of the US government's runaway spending and at the same time, the consumer is flat because the government printed a bunch of money and gave it to everybody three years ago and everybody spent it. It's gone.

More than one in three Americans have more credit card debt than savings and their credit card interest rate is at a new generational high averaging about 24%.

There are an awful lot of cars that cost 10s of thousands. When folks lose their jobs, they will default. They're defaulting already at unprecedented levels at full employment.

The surest sign is the severity of the coming recession… Is the massive decline in new jobs. Every time there's a new jobs report. The data is down by 50% to 75%. The economy is rolling over. by this time next year there will be more than 10% unemployment. And by the time this recession ends there'll be more than 20%.

And that's the good news. Because that means if you're one of the eight in 10 people that don't lose their jobs, you're getting ta raise. And you know what's going to be so nice? Imagine walking into a store and the people who you are dealing with are competent.

Full employment is no good for anybody. Just because they have a job doesn't mean they deserve it. They're about to lose it.

At full employment, housing prices are crashing. Everyone has a low interest rate mortgage on their homes. Nobody can afford to lose a mortgage. That's gonna be a huge problem. Home construction is a major part of our economy and it is going to zero.

No surprise here, poor people are out of money. Has anybody looked at Dollar General (DG) stock this year? It's absolutely getting crushed. If you're too poor for buy toilet paper at Dollar General you have no money. Dollar General says their problem is competition from the food bank. There is a depression happening in our country right now. And nobody sees it. But it is real. If you have poor cousins, call your cousins and ask them how they're doing.

This is a very different kind of crisis, because for the first time in Porter’s lifetime, the government's broke. Truly. If the government prints more money, the bond market will absolutely fracture and so will the dollar. If the government borrows more money, there will be more inflation, the bond market will crash and so will the dollar. We are absolutely at the end of our ability to finance our way of life. It's over.

As the consumer has rolled over, as capital gains eroded, and so has the tax base in the last four months, the government has borrowed another $2 trillion. Next year, the fiscal deficit will be more than 10% of GDP. Get ready. Also, Biden has just announced a new global industrial policy. They have partners in 136 countries to equalize tax rates and to plan winners and losers. Get ready.

Hedge funds are short treasury bonds at an unprecedented way with the notional value of their short positions on roughly a trillion dollars. That's never happened before. The size of the short position in the bond market today represents a threat to fiscal stability according to the Fed.

And all of the returns that we've seen over the last five years because of inflation, there is no other reasonable way to explain why gold energy and stocks have all returned the exact same amount. Why have they? Well we printed $7.4 trillion. All right, well, I'm gonna continue this what's the only thing that's going down now? Treasury bonds. Wonder why?

There is no way the stocks are going to continue this alpha. He believes they're going to crash this week but admits he’s very likely to be wrong about the timing.

Porter plays a game called “who borrowed so much money there is no way they'll never pay it back…”

Has anyone ever owned a boat? Bad investment. Carnival owns boats. during COVID They borrowed $25 million. is there any way carnival will ever pay back that money? No. Because demand to take cruises has never been higher and they still can't make money. Same goes for Caribbean. There is no way it will ever pay back its debt. So the stock is a zero.

Well, everybody needs airplanes and missiles. Okay, fine. But Boeing will never pay back its own $150 billion in debt. It is absolutely impossible. That stock is a zero too.

You think that the United States is going to do well if Boeing goes to zero?

But there are certain stocks that actually will protect your wealth and do well during an inflationary crisis. And they're not the stocks that you would expect. There are stocks that have very unique financial characteristics. And if you think about it you'll actually find the very best period of Warren Buffet’s entire history was the 1970s, because he understood the exact same thing. It's not buying gold stocks. It's not by buying real estate. It’s buying companies that do not require capital to grow. And that's what Porter has been writing about my newsletters for 25 years. So it's not going to be a secret.

The end of America is here. Porter Stansberry has a plan. To learn more about Porter’s thesis, visit [www.portersreport.com](http://www.portersreport.com) To download his full report.