

DEEPCASTER LLC

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DEEPCASTER FORTRESS ASSETS LETTER

DEEPCASTER HIGH POTENTIAL SPECULATOR

Wealth Preservation

Wealth Enhancement

ESSENTIAL KNOWLEDGE FOR MAXIMIZING REAL GAINS

Gold, Silver, Crude Oil, Equities & the U.S. Dollar

"Since its inception in 1913, The Federal Reserve Board has been responsible for almost 95% devaluation of the U.S. Dollar. All this has been achieved through its ability to continually inflate the money supply.

And, between 1985 and 2005, the Federal Reserve Board has increased the money supply by five times. This extraordinary money creation is merely the catalyst for debt creation. In a fiat money system, money is debt...there is absolutely no way this money can ever be repaid except by continued inflation. But, now that the credit bubble is blown up, inflation is no longer an option; bankruptcy looms."

"The Federal Reserve...What Has It Done For You Lately?"

Ian Gordon, December 29, 2007, www.axisoflogic.com

Rising U.S. Equities Markets from the September, 2002 low (or for that matter, the March, 2009 low) through the May, 2011 highs lulled some investors and several commentators into believing that they had Real gains as of May, 2011. Unfortunately, when properly measured, many of these Ostensible Gains actually are not.

The proper measure for Real Gains is "Purchasing Power."

Consider, for example, the rise in the U.S. Equities Markets from 2005 through 2006. If one owned shares in the S&P 500 (SPX – the market basket of S&P 500 Securities) for the 12-month period ending April 30, 2006, the value of that market basket of securities would have risen in U.S. Dollar terms.

But it would have declined over 30% since the summer of 2005 when measured by the price of Gold. The point is that, from the summer of 2005 until late April 2006 the S&P 500 was in a Bull Market in Dollar terms, but in a Bear Market in Gold terms.

Consider also the United States Dollar. From January 2002 through May, 2011; for example, the U.S. Dollar, as measured by the USDX (the U.S. Dollar's value as measured by a market basket of other Fiat Currencies) lost Purchasing Power by about 35%.

Or consider that since 2001, the value of the U.S. Dollar has fallen 50% against the "Basket" of Commodities reflected in the CRB Index.

Or consider that at year-end 2010, the Dow was trading at about where it was in September, 2000. Even accounting for the miniscule dividend return over that Period,

Since many, if not most, of the prices of goods and services we purchase are determined in an international economy, this loss of Purchasing Power for typical Major Fiat Currency holders is quite substantial.

Key conclusions are: holding one's wealth in Fiat Currencies, or Equities-in-general is often a money losing enterprise.

One also must decide what asset or asset class one will use as the "baseline asset" (and potential or Actual Store of Wealth) against which to measure one's wealth and income increase or decrease. Assets and asset classes rise and fall vis-à-vis each other.

Deepcaster's view is that the Ultimate Measure of Value should be, and historically is, Gold (first), then Silver and the other Precious Metals and Key Strategic Commodities (i.e., generally, Tangible Assets rather than Paper "Assets").

Gold and Silver Holders have profited immensely in the Past decade compared to holders of Equities-in-General.

But one must employ this Golden Tangible Asset "Ultimate" Valuation Measure with caution because the prices of the aforementioned Precious Metals and other commodities have for years been the victims of Price Suppression Actions by a Fed-led Cartel* of Central Bankers and their Allies and Agents. Indeed, some Interventions are conducted quite publicly. Interest Rate Adjustments are the most publicly visible. The August 17, 2007 Fed Discount Rate Cut is one example. Less visible, but not less potent, are the nearly daily Repurchase Agreement (Repo) injections (by The Fed, via their Primary Dealers), used, inter alia, to control (and usually to boost) the levels of the Equities Markets. And there are other Potent Ongoing, but barely visible, Interventions as well. But the private for-profit Fed-led Cartel's Interventions are used above all to suppress Precious Metal Prices.

*We encourage those who doubt the scope and power of Overt and Covert Interventions by a Fed-led Cartel of Key Central Bankers and Favored Financial Institutions to read Deepcaster's December, 2009, Special Alert containing a summary overview of Intervention entitled "Forecasts and December, 2009 Special Alert: Profiting From The Cartel's Dark Interventions - III" and Deepcaster's July, 2010 Letter entitled "Profit from a Weakening Cartel; Buy Reco; Forecasts: Gold, Silver, Equities, Crude Oil, U.S. Dollar & U.S. T-Notes & T-Bonds" in the 'Alerts Cache' and 'Latest Letter' Cache at www.deepcaster.com. Also consider the substantial evidence collected by the Gold AntiTrust Action Committee at www.gata.org, including testimony before the CFTC, for information on precious metals price manipulation. Virtually all of the evidence for Intervention has been gleaned from publicly available records. Deepcaster's profitable recommendations displayed at www.deepcaster.com have been facilitated by attention to these "Interventionals." Attention to The Interventionals facilitated Deepcaster's recommending five short positions prior to the Fall, 2008 Market Crash all of which were subsequently liquidated profitably.

There is considerable evidence that select Primary Dealers are employed to effect these periodic Precious Metal Price Takedowns (See Gata.org Archives). The Cartel's motivation for takedown attempts of Gold, Silver and other Tangible Assets is clear: they do not want the further legitimization of Gold & Silver (or Tangible Assets in general, for that matter)

as Measures and Stores of Value to compete with their Treasury Securities and Fiat Currencies.

One vehicle for this Suppression is Derivatives.

For example, nearly \$400 billion in OTC (i.e. not Exchange Traded) Derivatives were available to suppress Gold prices alone as of December, 2010 (as reported by the BIS, the Central Bankers' Bank based in Switzerland - www.bis.org. Path: statistics>derivatives>"OTC derivatives Market Activity in 2nd half of 2010" Table 1 (page 8)). Indeed, were it not for active Gold Price Suppression by The Cartel, Deepcaster believes Gold would have exceeded \$2500/oz. by now.

We are all aware of anecdotal evidence of such price suppression.

For example, observing the markets upon arising on Tuesday, August 19, 2008, Deepcaster noted that the two main stories headlined in the Mainstream Financial Media were the prospective collapse of Fannie Mae and Freddie Mac, as well as the July PPI increase of 1.2% -- twice what was expected.

Of course, Gold and Silver should have rocketed up on this news but, instead, Gold was down several dollars at the time and moved very little when the PPI number was announced.

Similarly, in mid-March, 2008 when the Financial Crisis culminated (temporarily) with the demise of Bear Stearns, Gold and Silver were smashed down, whereas in a Free Market they would have shot up.

Clearly Gold and Silver were being capped, as they seem often to have been when negative economic data or market developments are revealed.

The insight which we garner, again, from these and many similar observations is that it is essential to consider the Interventionals as well as the Fundamentals and Technicals when making a Market Forecast or Buy or Sell Recommendation.

The Equities Markets are regularly Subject to Interventions as well.

For example, there is considerable evidence that the Equities Rally since March, 2009 was induced by QE (see Graham Summers' September 30, 2010 article -- "The Only Reason Stocks Have Rallied This Month" quoted in Deepcaster article "Surmounting the Wealth Destruction Juggernaut (09/30/10)") and the fact that when QE was withdrawn (e.g. in July/August 2010) the Equities Markets fell, more QE (as in QE 3 and 4) will likely be necessary, eventually. Indeed, the Price Increases of Equities-in-General since March 2009 have not been justified by the Econo-Financial Conditions.

But Investors and Citizens pay a price for QE. Recent QE has been wildly in excess of GDP growth (in de facto contraction) (see Real Numbers from Shadowstats.com** above) and

has resulted in Massive Monetary and therefore Price Inflation, as we have seen already with Food and Energy.

In addition, QE has not significantly aided Economic Recovery if at all (we emphasize, Real U.S. GDP is now a negative 2.6% -- see Shadowstats.com note above -- and Real U.S. Unemployment is 22.3%). It has however fattened the Balances and Pay Packages of the Mega-Banks, some of whom are Shareholders of the Private-for-Profit Federal Reserve.

So long as the private-for-profit United States Federal Reserve continues to profligately expand the supply of money and credit, it ensures the continuing destruction of the Purchasing Power of the U.S. Dollar and virtually guarantees Price Inflation. Thus much of the Financial Asset and Commodity appreciation, in terms of U.S. Dollars, which we have seen in recent years and especially since the March, 2009 Equities Rally began, is really mainly dollar depreciation. We reiterate, the U.S. Dollar's Purchasing Power has been depreciated over 35% in the last decade, against other Fiat Currencies (basis the USDx) and much more vis a vis Gold, Silver and other Commodities.

This Fed Policy is a de facto confiscation of Citizen-Investors' Wealth.

In sum, therefore, if one holds appreciated (in dollar terms) financial "assets" one must consider "appreciation (or depreciation) vis-à-vis what?" Depending on one's choice, one may find that the ostensible appreciation is really depreciation. [And especially so, if one factors in the tax consequences of being taxed on a larger number of U.S. Dollars which have a substantially decreased purchasing power.] The same considerations apply to other Major Fiat Currencies such as the Euro.

Specifically, for example, measured as of May 1, 2006 (just to pick a salient date) against Gold or even other currencies, the ostensible appreciation of financial assets from late 2002 through the end of April, 2006 and again from March, 2009 through May, 2011 is arguably only a delusion. That is, it is arguably only an artifact of the Fed's profligate printing of paper money and increase of credit - - enabling an unhealthy "borrowed liquidity" as opposed to a healthy "earned liquidity" (e.g. savings) to use the late Dr. Kurt Richebacher's (R.I.P.) superb distinction. Given this Reality, the ostensible appreciation reflects mainly only the depreciation of the Purchasing Power of the U.S. Dollar. Asset price increase based on mainly Credit or Monetary Expansion are typically not sustainable.

In the long run, there is no better "Safe Haven" and Measure and Store of Value and Profit Potential than in the Precious Monetary Metals, Gold and Silver, and selected other Tangible Assets.

BUT, we must reiterate that one essential Caveat regarding finding a "Safe Haven" and Measure and Store of Value in Precious Monetary Metals: in the short run they are subject to the considerable price suppression by The Cartel of Central Bankers* (see above), the most dramatic of which is the 35% Takedown of the Silver Price launched in April, 2011.

Tragically, several times in recent years investors (and especially leveraged investors) who have invested their resources in the "Safe Haven" Precious Monetary Metals Sector have been greatly disappointed and have had their net worth considerably reduced by massive Cartel-induced Takedowns of the prices of the Precious Monetary Metals. See Deepcaster's December 22, 2010 Article -- "Profit, Protection Despite Cartel Intervention -- Update" at www.deepcaster.com for specific examples and for a Strategy to insulate and profit from these Takedowns. We note that Strategy led to our recommending taking Profits in Silver 3 times in the six months preceding the April, 2011 Silver Price Takedowns.

Of course, these Takedowns have enriched Central Bankers and their Allies and Agents at the expense of wise and prudent (but victimized) citizens around the world.

Investor-Citizens best defense is buying Gold and Silver near Interim Bottom.

Indeed, regarding our recent Forecasts, we were honored recently to receive Legendary Gold and Silver Investor Harry Schultz's comments about our newsletter and specifically about our May 6 Forecasts Alert.

"This is a classic issue, perhaps your best I've seen.
Very bold of u to stick neck out on all these fronts.
But IMO u have a good nose for mkts
& u savey right--as they dovetail. Absence of dovetailing means U R wrong.
I agree with your projections on all of it."

Uncle Harry Schultz
May 5, 2011

And in the May, 2011 Aden Forecast Letter, Uncle Harry wrote: "...Subscribe to www.deepcaster.com; get May 6 forecast issue".

Indeed, the Fundamentals have become ever more bullish in terms of pushing the prices of Tangible Assets to record levels as they have recently been for Gold, Crude Oil, certain Agricultural Products, and other Tangible Assets.

So one Persistent question is, in the next round, will The Cartel price suppressors win out when it comes to Precious Metals and other Tangible Assets prices, or will blazingly bullish fundamentals propel them further up? Deepcaster typically provides his most recent Forecasts in his recent Alert posted in the 'Alerts Cache' at www.deepcaster.com.

Considering the Macro-Econo-Financial Picture and the Cartel's Interventional Regime, there is mounting evidence is that the Fed-led Cartel is knowingly creating conditions designed to force the U.S (and, indeed, the entire industrialized world), to eventually choose between a Hyperinflationary Great Depression and The Cartel's ominous "End Game," which Deepcaster first described in its Alert of 8/13/07 entitled "Massive Financial-Geopolitical Scheme Not Reported by Big Media" and June, 2007 Letter "Profiting From the Push to Denationalize Currencies and Deconstruct Nations" and his November 18, 2010

"Antidote to Globalists' Threat to U.S. Dollar-Gold Investments" and "Gold-Freedom versus The Cartel 'End-Game' & A Strategy for Surmounting It (09/23/10)" all in the 'Articles by Deepcaster' Cache at www.deepcaster.com.

Thus Deepcaster makes it a high priority to take all the aforementioned considerations into account in its portfolio selections, since it is important that investors achieve Real Gains and not chimerical ones.

Specifically, among the key components of Deepcaster's prescription for achieving "Real Gains" are:

- 1) Locating one's capital primarily in Tangible Assets which are in great and relatively inelastic demand and at the right time including in
- 2) The Consumer Staples Sector and especially Food and Food Producers, and in the
- 3) Precious monetary metals (i.e. Gold and Silver) but, only when acquired near the interim bottoms of Cartel-generated Takedowns. Timing and Selection here are key. Some forms of Gold and Silver are more resistant to Takedowns than Others. For further details see Deepcaster's 12/23/07 Alert entitled "A Strategy for Profiting From Cartel Intervention in Gold, Silver, Crude & Other Tangible Assets Markets" at www.deepcaster.com.
- 4) Stay informed, daily, if possible, regarding "The Interventionals" as well as the Fundamentals and Technicals.
- 5) Know the Real Statistics. Do not rely on the Official, often-gimmicked, Official Data.

Ultimately, the authentic stores and measures of value are Gold and Silver and other key Tangible Assets, not paper Fiat Currencies and Treasury Securities. But with the Intervenors extremely active, it behooves investors to regularly attend to the Interventionals as one acquires, and disposes of, and acquires again, Tangible Assets.

Best regards,

Deepcaster
May 26, 2011