Dubai is Not Alone…
Six Debt-Laden Countries to
Avoid in Your Bond Portfolio

By Andrew Packer

From London, England

Dear A-Letter Reader,

In Tuesday’s A-Letter, we saw this week that Dubai is simply “kicking the can” of its debt down the road by strategically defaulting on its Dubai World debt. And their creditors are on board with that…hoping that in, say, six months, a brighter outlook may lead to a better outcome than outright foreclosure.

But Dubai is not alone.

The world is swimming in debt, if not drowning following massive sovereign debt issuances in 2009. And 2010 looks to continue that trend…

Internal Sponsorship

Collapsing Dollar Creates the Biggest Stock Opportunity In Years…

Accurate 55 of 56 times, this signal has given investors a chance to turn a $2,100 stake into $29,400 or more, simply by betting against the right stocks at the right time.
But now the collapsing dollar is throwing fuel on this fire…and the 30 stocks we have on our exclusive watch list could blow-up at any time…making savvy investors a small fortune.

Click here to be notified when the next “nearly sure thing” burns down and makes scorching profits.

In fact, just by looking at the rate of the increase in global debt, it seems pretty compelling that we’re in a bubble of sovereign debt. The worst part is that this debt is piling up in advanced economies with slower growth prospects…

Dubai was supposed to fit into the second category: a fast-growing emerging economy wisely diversifying away from petrodollars into a global financial powerhouse with a real estate market to rival London, New York, and Hong Kong.

But in reality, Dubai was neither—it was a mirage of wealth created by the perception that skyscrapers in the sea were worth billions and that oil would zoom past $148 a barrel to $200 and beyond.

There’s a whole laundry list of countries with unmanageable debt loads that have the potential to default in 2010. Examples include Greece, Spain, Portugal, and Ireland… better known by the acronym PIGS.

A default by any of these countries could force other E.U. members to come to the rescue, and, in the process, derail the euro. There’s also trouble in Eastern Europe, from last summer’s narrowly avoided default in Latvia.

The Dubai of Dubais…

But the worst offender of all—the Dubai of Dubais—is the United States.

Rather than build skyscrapers in the ocean, the U.S. has taught its citizens to dream big while the government offered mortgage deductions and other tax breaks to subsidize the bubble.

Instead of a nation building unnecessary skyscrapers in the desert, low interest rates caused a nation of unnecessary housing in the desert. Places like Mesa, Arizona and the Las Vegas region are America’s
Dubai World.

And all the while the debt issuance continues unabated, insufficient to meet current government spending as well as unfunded liabilities. It’s estimated that with Social Security and Medicare’s unfunded liabilities, total debt in the United States currently stands at over $100 trillion dollars.

Damn. That’s a big number. Let’s break it down. To about $900,000 per household. Good thing you keep that much spare change lying around, right?

Not only is Dubai not alone, it’s one of the littlest kids on the debt block, defaulting on $20 billion or so of its total $90 billion debt load. Just wait until the United States or another advanced economy defaults. It’ll make Dubai look like the garden spot of the world it wanted to become when it embarked on its Dubai World projects.

Debt has to be backed by some tangible collateral that can be seized by creditors in the event of default. And no appetite for debt is insatiable—eventually rates will have to rise, government "services" curtailed, and pitiful, pandering political promises laid by the wayside.

Stay Sovereign,

Andrew Packer
Managing Editor of The Credit Crunch Short Report

P.S. With so many countries already on the edge, I’ve been preparing my subscribers for the inevitable…click here to find out how…

Internal Sponsorship

We were right 55 out of 56 times (or a 98% success rate!)
And small investors had the chance to turn $2,100 stakes into upwards of $29,400

After months of back-testing and research, we’ve uncovered an exclusive shorting formula that lets us predict (with a 98% success rate!) the next stock to plummet in this overinflated market.

By just following along the system’s recommendations, you could have turned a $2,100 stake into $29,400.

But it’s about to get even better. The next major stock correction is right around the corner….the dollar continues to plummet….real estate sits on the brink of another major collapse…gold is hitting heights never even considered…

And our system has already identified 30 stocks ready to fall (while we are recommending only four positions).

Click here to be notified the next time our exclusive formula reveals the next stock ready to plummet and earn the next round of profits.

Global Investor: Silver must confirm the Gold Rally…
By Eric Roseman

To confirm gold’s bull market run, silver must settle above $20.78 an ounce.

Silver hit $20.78 an ounce back in March 2008; while gold also hit a nominal high that month, it surpassed contract highs 12 months later while silver stalled.

If there's an ounce of doubt still apparent in the nine-year bull market for the precious metals it's silver's failure to confirm the primary trend in gold prices. Silver has failed to confirm the rising trend in gold over the last four months because it didn't hit a new high last year whereas gold did.

Historically, gold and silver have rallied together in all precious metals’ bull markets since WW II. I can’t find a period when one metal rallied at the same time the other declined. Though gold is a monetary metal – silver is more tied to the economic cycle because of its industrial usage – the latter nevertheless plays a role amid an uncertain monetary environment. Supplies for both metals remain at historically low levels as production continues to decline.

Any bear market rally for the dollar must be viewed as yet another opportunity to sell the dollar in exchange for gold, silver and the mining shares. I would also add to my holdings in Canadian dollars and Norwegian kroner on any intermittent dollar rally.

Unsubscribe

To end your A-Letter email subscription, and associated external offers sent from the A-letter, visit this address.