

The Road to Commodity-ville

By [The Mogambo Guru](#)

12/04/06 **The Daily Reckoning PRESENTS:** The Mogambo has decided to educate the masses using his special brand attention getting tactics. On today's agenda...the stock market is only profitable for some...and for those who buy gold and silver. Read on...

The Road to Commodity-ville

My duty is thus clear: As part of my assigned Mogambo Educational Duties (MED) to educate the people of this planet, naturally I am up bright and early each morning, standing at the stop sign at the crossroads. Before people even come to a stop in their shiny cars on their way to their big-shot jobs, I am screaming at them, "The stock market is – at best – a breakeven proposition over the long term, you stupid moron! It's a loser for the vast majority of people! And that means YOU, mister fancy-schmancy guy in his fancy-schmancy car on his way to his fancy-schmancy job with his fancy-schmancy retirement package, and who will see them all destroyed! Destroyed!"

By now, most people have learned that if they give me money I will stop "instructing" them. For most people it's a bargain, because my voice is loud and irritating, especially that early in the morning. And since I only have the one message that I repeat over and over and over – once you've heard it, it seems like once is more than enough.

So, then, imagine my surprise when one of my regular "customers" comes roaring up, squeals to a stop, gets out of his car, strides over to me, grabs me by the neck and shouts in my face about how he already freaking KNOWS about the freaking STOCK market being a freaking LOSER, and helpfully advises "So just shut the hell up about it, you Creepy Little Loudmouth Mogambo Twerp (CLLMT)!"

So naturally, I coolly and malevolently say, "You know that once you let me go, I am going to hunt you down and make you pay for this in blood, don't you lowly Earth creature?" His face beamed with joy as he said, "You won't once you found out how you can prove that you are right!"

My eyes literally glowed at the happy prospect of being able to finally prove, one glorious time before I die, that I was right about something, and I say, hiding my rising excitement, "Oh, yeah? Prove it, smart guy!"

Getting my attention by tightening his iron grip around my throat, he tells me that Sprott Asset Management said, "Having started the decade at 11,000, for the Dow to only have attained a level of 12,000 after almost seven years is nothing to write home about. It equates to a paltry 1.2% annualized return ex-dividends. Furthermore, the S&P 500 and the NASDAQ are still nowhere near the levels they were at the start of the decade. The NASDAQ, in fact, is still less than half of what it once was."

And as bad as that is, it gets worse when he adds, “If one were to also incorporate the weakness of the U.S. dollar over the past several years, then the performance of U.S. equity markets looks even worse.” Exactly! Just like I said!

And in this same “the majority must lose” vein, I have been getting heat from people who want me to relax my strident antipathy to the proposed hike in the minimum wage, which will make business costs go up, which will make prices go up, which is what the low-wage worker is complaining about to start with!

So let me be as forthright as I can be when I say that I pity them, and the essential message of the Mogambo Guru newsletter in the first place is to object loud and long against the creation of excess money and credit, which will prevent inflation, which will prevent this suffering from inflation from even happening.

But, and hopefully conveying all the venom and contempt that I can muster, I have no compassion for the damned poor or the middle class, who have consistently used their massive electoral power to consistently elect socialists, communists, fascists and morons to every elected office in the land, and it is these lying, brain-diseased politicians who have spent us into the economic grave, as has happened every other time in the last 3,000 years when a government, any government, tried such monetary crap. So it is not like this is anything new.

And so, given the stark lessons of the sheer tonnage of the last 3,000 years of history, it is obvious that government is constantly growing, and especially by constant deficit-spending to accomplish it, is suicidal stupidity writ large, and we also learn that allowing unfettered growth in money, credit and debt is suicidal stupidity writ large. Thus, the behavior of Americans is inexcusable, as it bespeaks a nation of ignoramuses and lunatics, and the historical fate of such persons, and their brain-dead countries, is always bleak. Very, very bleak.

And it has to be the poor who first suffer the coming avalanche of pain, as they have no cushion against it. But as more and more people become poorer and poorer, as prices continue to rise faster than wages, then soon this cohort will collectively have the sheer physical clout to violently overthrow the government and arrest the treacherous politicians (a la the French Revolution) and Federal Reserve numbskulls who have gotten us into such a wretched, miserable state, which is how Mother Nature instills in future politicians and citizens the reluctance to commit the staggering, unbelievable economic idiocies that we Americans have been blithely committing for half a freaking century.

And now, obviously working myself into a fit of outrage, and since my arrogance knows no bounds, I deliberately quote Bill Bonner of DailyReckoning.com completely out of context, and, twisting his words around to my own advantage, I have him agreeing with me, and that “in America, there is still a fool on every corner, a clown in every public office, and every village has not one, but several, idiots.”

And now the wailing of the poor for higher incomes is merely the sound of the first people reaping the dismal economic rewards of what we, as a nation of irresponsible simpletons and knaves, have sown.

It seems to me that I would shy away from the stocks of property insurers, as I predict that as the value of houses keeps going down and down (while the mortgages do not, but instead continue going up and up) and insurers keep increasing their premiums and deductibles but insuring less and less (by excluding from coverage those things that may actually happen to you), many homeowners are going to think to themselves “Hmmm! How can I escape the horror of letting this house drag me into debt hell?”

I figure that in a “Eureka!” moment (probably about the same time as the insurance bill arrives with that new, much-higher premium and much-smaller coverage), arson will seem to be a “painless and toasty way to wipe my debts away” (which is catchy and rhymes, so you know it must be true), thus allowing you to get the hell away from here, starting a new life somewhere else, clean and sober, free from debt and the burden of a suffocating, clinging family always complaining and whining for food and medicine, even though I have repeatedly and patiently explained that I am on the verge – the very verge – of a big, big breakthrough in correcting my backswing, and so to give up even one round of golf per week for the sake of their constant, whining “needs” is not optimal.

From the MoneyandMarkets.com newsletter we get the dispiriting news that “about 2.5% of all of the nation’s homes were sitting vacant in the third quarter, according to the Census Bureau.”

So how bad is it? Well, they don’t answer directly, but they do say that “it’s also the highest since the Census started keeping track in 1956.” The worst in 50 years!

This at the same time as one of Congress’s most Leftist whack-o embarrassments, Maxine Waters, is vowing that she will use her new powers to have the government build “affordable housing”! Hahaha! A glut of vacant housing, and she wants to build more! Hahaha!

Jim Rogers, writing at DailyReckoning.com, says that “the dollar has been a pale remnant of itself – down against the euro almost 40 percent from the beginning of 2002 until the start of 2004 and at a three-year low against the Japanese yen.”

Like most people, I find this whole foreign exchange thing to be very confusing, and so Mr. Rogers sees my eyes glazing over as I try to understand how to use this apparently very useful, albeit mystifying, information to make a profit on something. Amazingly, I think he supplied the answer when he went on to say, “Since commodities are traded in dollars, a weak dollar will make prices appear higher.”

Perhaps a brief flicker of comprehension flashed across my face at that, but it was soon obvious that I was still stumbling in the dark for the answer. Attempting to be helpful, he added “Crude oil rose 64 percent in dollars over that two-year period, but only 16 percent in euros.”

Surprising everyone, I shout out, “I never expected to see the day when a 16% increase in the price of oil was the good news! Hahaha! Did you, Jim?”

With a stern look in my direction that says “It’s ‘MISTER Rogers’ to you, you Little Mogambo Punk (LMP)!” He ignores my little joke in vain attempt at familiarity, and instead goes on to say

that it all comes down to, as it always does, the supply/demand dynamic, as he tells us, “For now, however, here’s the story: dwindling supplies and increasing demand. And,” he adds ominously, “the dollar has nothing to do with either.”

My brain flickered to life at that ominous thing, as it meant that prices of commodities would rise anyway, thanks to the increased demand, which is price inflation, which is the thing I fear the most. But a falling U.S. dollar will make them rise MORE!

So who gets hurt the most? Only the people who use dollars to buy the commodities! And who will make the most? The people who invest dollars in commodities!

You want to know where the next boom is, my Cuddly Mogambo Darlings (CMD)? It’s right here in Commodity-ville!

Until next week,

The Mogambo Guru
for The Daily Reckoning
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Mogambo sez: Gold, silver and oil are your only friends, and that is why they have treated you so good for so long, and will continue for a long time more. Keep accumulating more of these friends.