GlobalEurope Anticipation Bulletin N°58

"To anticipate is to foresee in order to act"

Contents

16 October 2011

1- Perspective

Global systemic crisis – First half of 2012: Decimation of the Western banks

As anticipated by LEAP/E2020, the second half of 2011 is seeing the world continuing its unstoppable descent into global geopolitical dislocation characterized by the convergence of monetary, financial, economic, social, political and strategic crises. After 2010 and early 2011 which has seen the myth of a recovery and exit from the crisis shattered, it's now uncertainty that dominates the States' decision-making processes just like businesses and individuals, inevitably generating increasing apprehension for the future. The context singularly lends itself: social explosions, political paralysis and / or instability, return to the global recession, fear over banks, currency war, the disappearance of more than ten trillion USD in ghost-assets in three months, widespread lasting and rising unemployment...

Besides, it's this very unhealthy financial environment that will cause the "decimation[1] of Western banks" in the first half of 2012: with their profitability in freefall, balance sheets in disarray, with the disappearance of trillions of USD assets, with states increasingly pushing for strict regulation of their activities[2], even placing them under public supervision and increasingly hostile public opinion, now the scaffold has been erected and at least 10% of Western banks[3] will have to pass that way in the coming quarters.

However, in this environment, increasingly chaotic in appearance, trends emerge, the outlook sometimes appears positive... and most importantly, the uncertainty is much less than one might think, if only one analyzes the changes in the world within the framework of the world after the crisis rather than with the criteria of the world before the crisis.

In this GEAB issue, our team also presents its 2012-2016 "country risk" forecast for 40 States, demonstrating that one can depict the situations and identify strong trends through the current "fog of war".[4] In such a context, this decision-making tool is proving very useful for the individual investor as well as the economic or political decision-maker. Our team also presents the changes in the GEAB $ Index and its recommendations (gold-currencies-real estate), including of course the means to protect oneself from the consequences of the coming "decimation of Western banks".

[1] Decimation was a Roman military punishment by death of one legionnaire in ten when the army had shown cowardice in battle, disobedience or inappropriate behavior. The Roman system of decimation worked by drawing lots.

[2] Regulations that severely excise the banks' most profitable activities. Source: The Independent, 12/10/2011

[3] Our team believes the percentage to be somewhere between 10% and 20%.

[4] Fog of war to which the mainstream media incidentally contribute to a great extent instead of trying to clarify the situation.

In fact, it will be a triple decimation[5] culminating in the disappearance of 10% to 20% of Western banks over the next year:

. a decimation of their staff
. a decimation of their profits
. and lastly, a decimation of the number of banks.

It will be accompanied, of course, by a drastic reduction in their role and importance in the global economy and directly affect banking institutions in other regions of the world and other financial operators (insurers, pension funds ...).

EBA stress tests: ISP 2012 Core Tier 1 ranks among the best under the adverse scenario

Main peers	CT1 2012(1) Stress	CT1 2012(2) Stress (with additional measures)	CT1 2010	Δ CT1 2012(1) Stress vs CT1 2010	Δ CT1 2012(2) Stress vs CT1 2010 (with additional measures)
Dexia	10.4%	10.4%	12.1%	-1.7%	-1.7%
Nordea	9.5%	9.5%	8.9%	0.6%	0.6%
BBVA	9.2%	10.2%	8.0%	1.2%	2.3%
Intesa Sanpaolo	**8.9%**	**9.2%**	**7.9%**	**1.0%**	**1.3%**
ING Bank	8.7%	8.6%	9.6%	-1.0%	-1.1%
C. Agricole	8.5%	8.5%	8.2%	0.2%	0.2%
HSBC	8.5%	8.5%	10.5%	-2.1%	-2.1%
Santander	8.4%	8.9%	7.1%	1.3%	1.8%
Erste Bank	8.1%	8.1%	8.7%	-0.6%	-0.6%
BNP Paribas	7.9%	7.9%	9.2%	-1.4%	-1.4%
Lloyds Bkg Gr.	7.7%	7.7%	10.2%	-2.4%	-2.4%
UBI	7.4%	8.1%	7.0%	0.5%	1.1%
Barclays	7.3%	7.3%	10.0%	-2.7%	-2.7%
BPCE	6.8%	6.8%	7.8%	-1.1%	-1.1%
UniCredit	6.7%	7.2%	7.8%	-1.2%	-0.6%
Soc. Générale	6.6%	6.6%	8.1%	-1.5%	-1.5%
Deutsche Bank	6.5%	6.5%	8.8%	-2.2%	-2.2%
Commerzbank	6.4%	6.4%	10.0%	-3.6%	-3.6%
RBS	6.3%	6.3%	9.7%	-3.4%	-3.4%
MPS	6.3%	8.8%	5.8%	0.5%	3.0%
B. Popolare	5.7%	6.2%	5.8%	-0.1%	0.4%
Total 21 peers	**7.7%**	**7.8%**	**8.9%**	**-1.2%**	**-1.1%**

(1) Including capital base strengthening measures realised by April 2011
(2) Including capital base strengthening measures realised by April 2011 and additional strengthening actions planned or adopted (for ISP sale of branches to Crédit Agricole and disposal of Findomestic, transactions already carried out)

INTESA SANPAOLO 9

An example of bank information at the time of a global systemic crisis

Intesa SanPaulo's stress test results compared to its European competitors (and compared to the first casualty: Dexia)

As far as LEAP/E2020 is concerned, this type of classification presages nothing since the current shock is much higher in intensity and duration than the assumptions of the stress tests. And this equally applies to the US banks of course.

[5] Considering decimation in its widest sense, that's to say a sharp decrease can be much more than the Roman era's 10%.

Our team could address this issue like the Anglo-Saxon media, the president of the United States and his ministries[6], Washington and Wall Street experts and, on a wider basis, mainstream media[7], have done recently over all aspects of the global systemic crisis, that's to say by saying, "It's Greece and the Euro's fault!" It would obviously be a virtue to reduce this part of the GEAB to just a few lines and suppress any hint of analysis of the possible causes in the US, the UK or Japan. But, coming as no surprise to our readers, it won't be LEAP/E2020's choice[8]. As the only think tank to have anticipated the crisis and rather accurately foreseen its various phases, we're not now going to give up an anticipation model that works well, benefitting from prejudice without any predictive power (Don't let's forget that the Euro is still alive and well[9] and that Euroland has just completed the small feat of, in six weeks, putting together the 17 parliamentary votes needed to strengthen its financial stabilization fund[10]). So, instead of echoing the propaganda or "readymade thought" let's remain faithful to the method of anticipation and stick to a reality that we must uncover in order to understand it[11].

In this case, for ages, when one thinks of "banks" one thinks first of all of the City of London and Wall Street[12]. And with good reason, London for over two centuries and New York for nearly a century have both been the two hearts of the international financial system and the lairs par excellence of the world's major bankers. Any global banking crisis (as any major bank event), therefore, begins and ends in these two cities since the modern global financial system is a vast process of incessant wealth recycling (virtual or real) developed by and for these two cities[13].

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[6] Taking everything into account regarding Barack Obama, in difficult position for the next presidential elections because of his disastrous economic record and the deep disappointment of most of those who voted for him in 2007 because of his many broken promises, he must at all costs try to blame anyone or anything for the disastrous state of the economy and American society. So why not Greece and the Euro? When that doesn't work anymore (in a couple of months), it will be necessary to find something else, but short-sighted management is an Obama administration specialty; no doubt his Treasury Secretary Timothy Geithner, the faithful Wall Street link, will find another explanation. In any case, it's not Wall Street's fault, we can at least be certain of that. Otherwise, the Obama administration will always bring out the "specter of Iran" to try and divert attention from the United States internal problems. Incidentally, this seems to be the current situation with the cock-and-bull story of the attempted assassination of the Saudi ambassador to Washington by Mexican drug traffickers paid by Iranian intelligence. Even Hollywood would balk at the improbability of such a scenario, but to save the "Wall Street" soldier and try to be re-elected, isn't it worth a try? Sources: Huffington Post, 26/07/2011; NBC, 13/10/2011

[7] This mainstream media (financial or general) have, in fact, a brilliant history in anticipating the crisis. You certainly remember their 2006 headlines warning you against the 2007 *subprime* crisis, announcing the Wall Street "implosion" of 2008 and, of course, in early 2011 telling you of a major return of the crisis in summer 2011! No, you don't remember? Don't worry, your memory is good ... because they never made the headlines, they never warned you of these major events and their causes. So, if you continue to think that, as they repeat every day, the current problems are caused by "Greece and the euro", it's that you think they have suddenly all become honest, intelligent and insightful ... and you must therefore also believe in Father Christmas in the same sense. It's beguiling, but not very effective for facing the real world.

[8] For a long time, our team has been underlining the European difficulties, anticipating rather correctly the evolution of the crisis on the « Old Continent ». But we try not to fall victim of the syndrom of the European tree that hides the forest of major US and UK problems.

[9] A bit of education: those who bet on a Euro collapse a month ago have lost money again. To the rhythm of "the end of the Euro crisis" roughly every 4 months, they won't have much left by 2012. Whilst the United States for example have not been able to demonstrate their ability to overcome the opposition between Republicans and Democrats on the control of their deficits.

[10] Whilst the United States, for example, have not been able to demonstrate their ability to overcome Republican and Democrat opposition on the control of their deficits.

[11] It's appalling to see the G20's preoccupation with the Euro whilst the central issue of the future is the Dollar. Obviously, the huge media manipulation operation launched by Washington and London will have succeeded once again in deferring, for a time, the inevitable questioning of the US currency's central status. As anticipated by our team, one can expect nothing from the G20 until the end of 2012. It will continue to talk, pretend to act and to actually ignore the key issues; those are the hardest to put on the table. The recent announcements of an increase in resources for the IMF are a part of these empty words that will not be acted upon because the BRICS (the only ones able to augment IMF funds) will not finance an institution in which they continue to only have marginal influence. Meanwhile, these announcements make believe that there is still a shared commitment to international action. The alarm will be all the more painful in the months to come.

[12] If you think of Greece it's because you are Greek or that you are a manager of shareholder of a bank which has lent too much to the country over the last ten years

[13] And in a way also for the two States involved. But this is already a moot point, and widely discussed for that matter, to know if such financial markets are a blessing or a curse for the States and people that host them.

The decimation of the Western banks that begins and will continue in the coming quarters, an event of historic proportions, cannot therefore be understood without first of all measuring and analyzing the role of Wall Street and London in this financial debacle. Greece and the Euro will undoubtedly play a role here as we have discussed in previous GEAB issues, but these are triggers: Greek debt is yesterday's banking venality that is exploding in the public arena today; the Euro is the arrow of the future that is piercing the current financial balloon. These are the two fingers that highlight the problem, but they aren't the problem. This is what the wise man knows and the fool doesn't, to paraphrase the Chinese proverb[14].

In fact, one only needs to look at London and Wall Street to anticipate the future of Western banks, since it's quite simply there that the banking flock gathers together to come and drink its dollar dose every evening. And the condition of the Western banking system can be measured through changes in bank staff numbers, their profitability and their shareholders. From these three factors one can directly deduce their ability to survive or disappear.

The decimation of bank staff numbers

Let's begin with the numbers then! Here the picture is bleak for banking sector employees (and now even for the "banking system stars"): since mid-2011 Wall Street and London have continuously announced mass layoffs, spread by the secondary financial centers such as Switzerland and Euroland and Japanese banks. A total of several hundreds of thousands of banking jobs that have disappeared in two waves: first of all in 2008-2009, then since the late spring of this year. And this second wave is gradually gaining momentum as the months go by. With the global recession now under way, the drying up of capital flows to the United States and the United Kingdom as a result of the geopolitical and economic changes under way[15], the huge financial losses in recent months, and all kinds of regulations which gradually "break" the super-profitable banking and financial model of the 2000s, the heads of major Western banks have no choice: they must, at any price, cut their costs as quickly as possible and deeply. Therefore, the simplest solution (after that of overcharging clients) is to lay off tens of thousands of employees. And that's what is happening. But far from being a controlled process, we see that every six months or so Western bank leaders find that they had underestimated the extent of the problems and are therefore obliged to announce further mass layoffs. With the political and financial "perfect storm" looming in the U.S. for next November and December[16], LEAP/E2020 anticipates a new series of announcements of this kind from early 2012. The "cost-killers" in the banking sector have some good quarters in front of them when we see that Goldman Sachs, which is also directly affected by this situation, reduced to limiting the number of green plants in its offices to save money[17]. Although, after eradicating the green plants, it's usually the "pink slips"[18] that flower.

[14] "When a finger is pointing at the moon, the fool looks at the finger"

[15] Between Euroland's increasing integration which deprives the City of lucrative markets and closer economic, financial and monetary ties with the BRICS, bypassing Wall Street and the City, they are growing shares of the global financial market escaping London and New York banks.

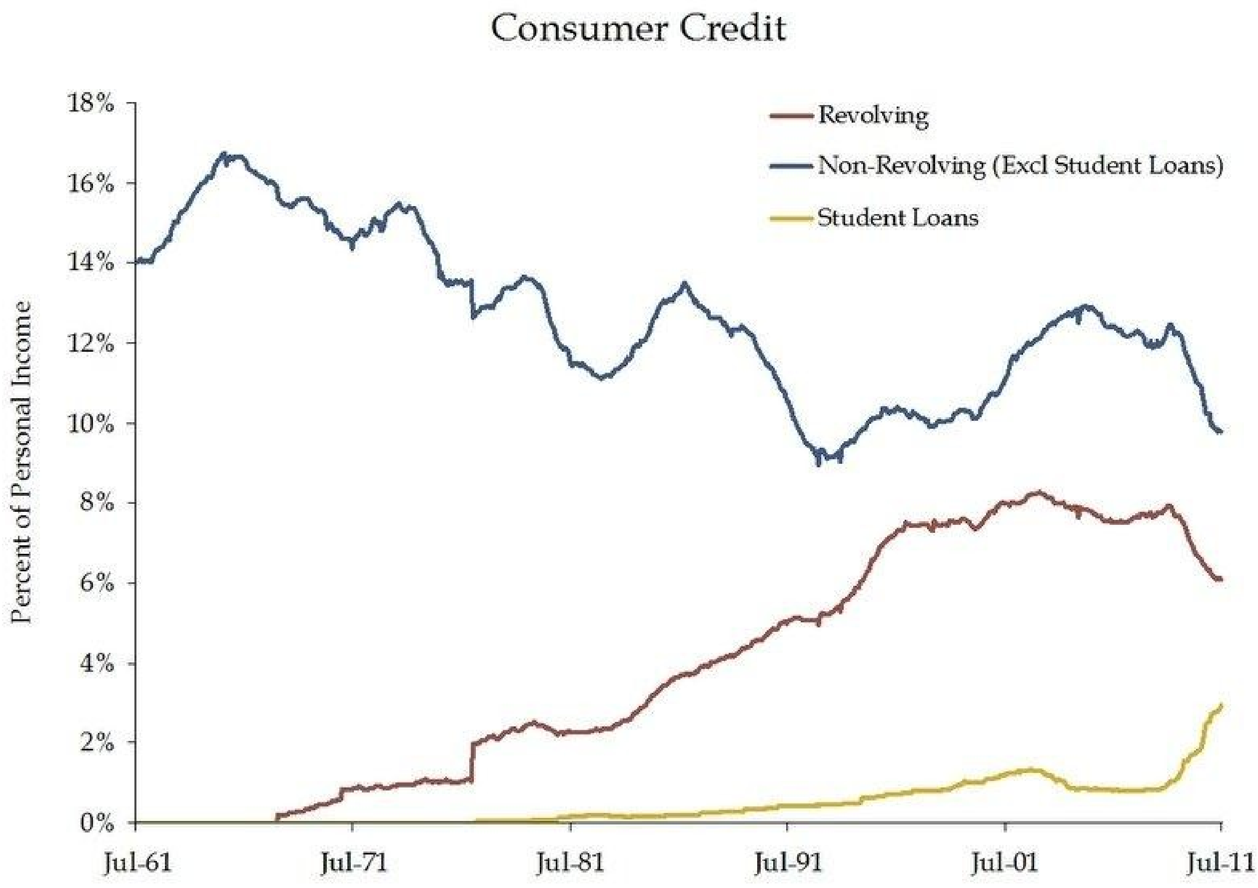
[16] See GEAB N°57

[17] Source: Telegraph, 19/08/2011

[18] In the United States the « *pink slip* » is a pink form indicating layoff. Source: Wikipedia

The decimation of bank profits

Falling revenues, increasing losses, profits adrift: this is the Western banking background in late 2011! And yet all this is happening in a very favorable context for banking institutions' balance sheets who continue to assign their own prices to their assets (using the accounting tricks of « hold to maturity »[19] – or « fair value »). But even this may not last more than a further quarter or two ... because of Greece and Euroland! And yes, they really are the causes of something very damaging to the banking model of recent decades, but not in the sense that Wall Street and the City would want to believe, i.e. because the Euroland banks would collapse dragging down the whole world with them (so far, only Wall Street and the City in 2008 gave us a banking system collapse, sealed off - for a time - by a raid on taxpayers' money[20]). No, if there really is Greek and Euroland responsibility, it's in Euroland's willingness to require creditors to include the losses in their balance sheets, putting pressure on the banks to take on a substantial portion of these losses. This wasn't done in 2008. Greek debt is now at a 50% discount. But Greece is but a drop in the ocean of coming bank losses: the entire Western banking system floats on a sea of more than doubtful debts.



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US consumer credit (1961-2011) (brown: revolving credit / blue: non-revolving credit / yellow: student loans) - ***Source: Economic, 10/2011***

[19] The longer the crisis lasts, the greater the maturity value becomes a problem for bank balance sheets (as well as other financial players) because the continuing recession and falling asset values involves a balance sheet collapse. And these are not "playground" comparisons to see who has the biggest reserves that will make the difference in this area given the gulf that separates these reserves from the recapitalization needs generated by the unremitting collapse in the value of assets held by the banks.

[20] A hold-up done in a hurry, without taking the time to think, with neither parliamentary nor democratic debate. This same time that Euroland is supposed to "lose" in its laborious path towards common decisions, full of all-out discussions on the relevance and effectiveness of the likely options.

Primarily US residential property, which is at a 50% discount at least, and which will be unlikely to see any increase in prices before 2020[21]. Then we have the Irish residential property, Spanish[22], Portuguese, all at the same level, but obviously in smaller numbers overall. Then commercial real estate, which will plunge again with the confirmation of the global recession and the current US and UK depressions. Then, there are local and national authority insolvencies which, de facto, depreciate the banks' true balance sheets even more ("Munis" in the United States[23], public debt in Europe[24]). Finally, we come to the core of a multitude of financial assets (including consumer credit[25]t in a context of unemployment[26] and an unremitting recession[27] and business failures[28]), most of which are worth nothing at all because, in fact, they have no real counterpart. These are the 15 trillion USD of ghost-assets going up in smoke during this half year and during 2012 it will be the trillions (difficult to quantify exactly) of CDS which are at the heart of many major Western banks' markets (which has been one of Wall Street and the City's cash cows for years). The closely hidden connections between the major Western banks, hedge funds, in complete disarray since the summer of 2011[29] and the "black" side of global financial markets (dark pools) prevent regulators and policy makers even more from assessing the extent of the bank shock in the making[30].

[21] Source: CNBC, 01/10/2011

[22] In Spain the real estate crisis has begun to catch up with the banks. Source: New York Times, 22/09/2011

[23] 46 out of 50 American States are insolvent and the risks of city bankruptcies are growing rapidly, like the recent bankruptcy of the Pennsylvania capital, Harrisburg. Sources: Economic Policy Journal, 12/09/2011; Washington Post, 13/10/2011

[24] Thus "toxic" loans have infected more than 5,500 local authorities in France, as well as Belgium and Luxembourg. This has led directly to the breakup of Dexia, with a takeover or guarantee by the public. States cannot "afford" more than one or two failures of this type. Sources: Le Monde, 21/09/2011; Irish Times, 11/10/2011

[25] The US consumer's insolvency remains topical with an average rate of indebtedness of 154%. The salvation of the US economy and its banks will be not, therefore, come from household consumption. On the contrary for the banks, since the non-repayment of loans are rising. Sources: USAToday, 02/10/2011; MarketWatch, 05/10/2011

[26] In the United States in particular, the weakness of the social safety net literally throws out the unemployed from the status of consumer. With six million unemployed reaching the end of their benefits in 2012, in a context of political deadlock in Congress to extend their benefits, US household spending, already faltering, will sink further into negative territory. Meanwhile, US employers expect a sharp increase in layoffs in the coming months. But in Germany as well, the economy has broken down with the inevitable consequences for growth and the banks.Sources: CNNMoney, 12/10/2011; Los Angeles Times, 06/10/2011; Deutsche Welle, 15/10/2011

[27] Symbol of the enduring depression in the United States, the GAP brand has just announced the closure of 20% of its US stores ... whilst it's opening new ones in China. And changes in US household income is clear-cut. Between the official "end" of the recession in June 2009 and June 2011, US household incomes fell 6.7%! Besides German investors now believe that the US market is riskier than those in the Middle East and Latin America and it has no growth prospects. Yet it's information that you won't find in mainstream media headlines while the study was financed by Goldman Sachs.Sources: USAToday, 15/10/2011; New York Times, 09/10/2011; New Khabrein, 21/09/2011

[28] Source: Reuters, 11/10/2011

[29] Even the « pontiff » of hedge funds, John Paulson, has ended up with huge losses. Source: CNBC, 11/10/2011

[30] A parameter for distinguishing these opaque but real links between the two faces of the financial sector: the layoff epidemic that now affects them. The laying off of the financial sector secondary players is more low profile news-wise than that of the big banks, but it's accelerating and reflects a collapse of the entire sector's business model. Wall Street, like the City is currently the scene of a growing jobs purge in this sector. Sources: « *More jobs expected to go in the Square Mile* », Financial Times, 14/10/2011; Le Monde, 11/10/2011

One thing is certain for our team: If the Western banks provoke fear today, it is primarily in their own leaders who no longer know how to get out of the death trap in which they themselves are caught, believing that they were able to "manage" all events, with "tractable[31] " politicians and controlled in their service, and crony central banks[32]. Yet this time, politicians, even chosen for their docility, are showing reluctance. Even the French President Nicolas Sarkozy is no longer able to defend French banking interests[33] at a European level[34] on a permanent basis. Under these conditions, there is no longer a way for banks to contemplate a preservation of their profits pared on all sides: increased regulation affecting the most profitable areas, an economic crisis reducing classic business activity, increased competition between institutions and between regions even at the West's core[35], reduction of their socio-political "weight" because of reduced staff, funding capacity at half-mast, and balance sheets sinking more and more sharply into the "red"[36].

The decimation of the number of banks

In a way, the Western banking system looks increasingly resembles the Western steel industry of the 1970s. Thus the "ironmasters" thought they were the masters of the world (incidentally actively contributing to the outbreak of World Wars); just like our "major merchant bankers" thought they were God (like Goldman Sachs CEO) or at least masters of the universe. And the steel industry was the "spearhead", the "absolute economic example" of power for decades. Power was counted in tens of millions of tons of steel just like the power of billions in bonuses for merchant bank executives and traders in recent decades. And then, in two decades for the steel industry, in two / three years for the banks[37], the environment has changed: increased competition, collapsing profits, massive layoffs, loss of political influence, the end of massive subsidies and ultimately nationalization and / or restructuring giving birth to a tiny sector compared to what it was at its heyday[38]. In a sense, therefore, the analogy applies to what awaits the Western banking sector in 2012/2013.

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31 According to an eminent banker.

32 The Fed is now out of ammunition and paralyzed in terms of an exit via a massive printing of dollars. See previous GEAB issues. The ECB oscillates between its mandate, its "bancophilia" and increasing political pressure, particularly sent by public opinion against any new illicit bank rescue. Even if Jean-Claude Trichet, who has had better inspiration, is trying to play off a reflex of fear at European political leader level, calling Europe the epicenter of the crisis and a European systemic crisis . By mixing anything and everything, we create panic, but no understanding: it's a feature of the strategy followed by the Western banking lobby for the last three years. Our team remembers, however, that it pointed out to ECB officials in the first half of 2011 that the crisis couldn't wait quietly for 2013 for the EFSF to be strengthened and made permanent and in fact it would have to be done by autumn 2011. At the time, not that long ago, the ECB thought it could wait, and it was wrong. If we could anticipate this development, it's because it seems clear to us that the accelerated deterioration of the economic, financial, budgetary, social and political situation in the United States from the summer of 2011 would trigger a series of shocks undermining investor confidence even further and reinforcing the absolute necessity to "buy time" for the United States and the United Kingdom, including at the expense of the "European ally." There is in fact one epicenter of the current crisis: it's the United States as we have analyzed since 2006, a key element of our ability to anticipate changes in the crisis. And if there really is a European systemic crisis it's a second-rate event which is due to the maladaptation of Euroland's current institutional and political process which has been ignored for ten years to the benefit of the mechanisms of the EU 27, totally ineffective to deal with Euroland problems. On this subject, there has been an undeniable systemic improvement for the last 18 months. As regards the systemic European decision-making crisis, such a statement by Mr. Trichet in 2007/2008 would have been helpful. Now it's rather like yelling fire after the fire-fighters have arrived.

33 For which the battle of numbers on the recapitalization issue shows the sector's complete opacity. Source: La Tribune, 07/10/2011

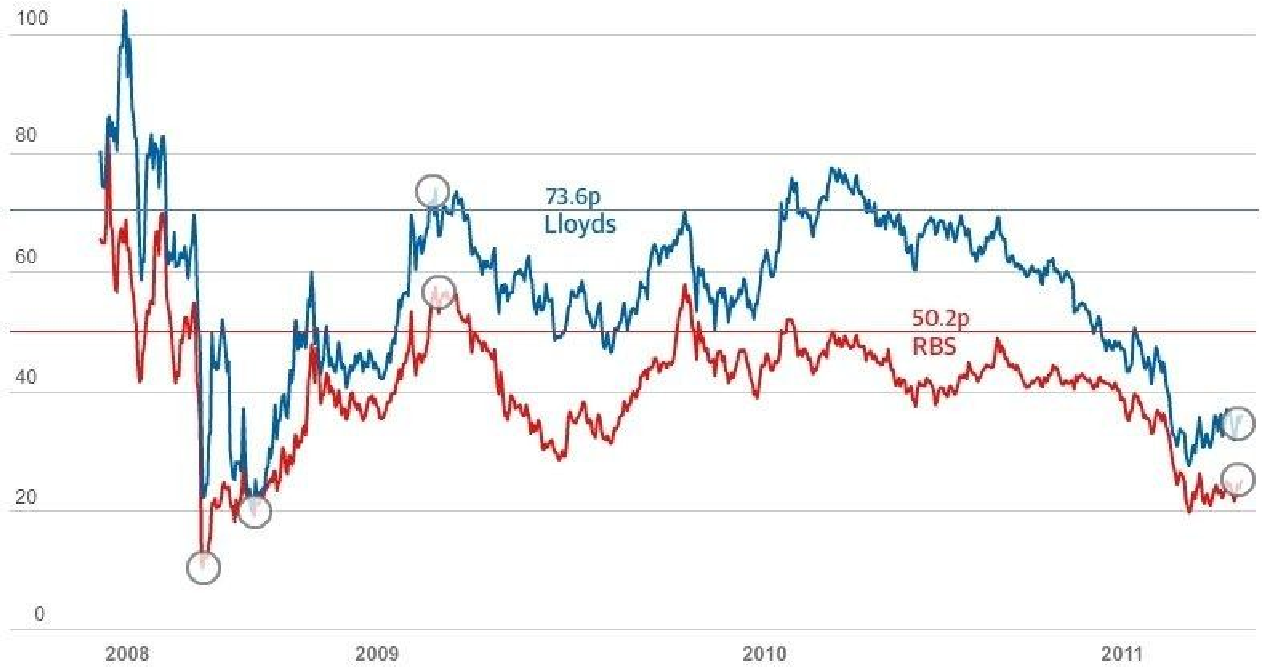
34 It just manages to complicate and slow the definition of common positions with Germany and the rest of Euroland.

35 Euroland banks are now at open war with their Anglo-Saxon counterparts, against a background of orchestrated attempts by the latter to destabilize and / or suffocate them. And 2012 will see a new front opening between the City and Wall Street on the one hand, because the market will continue to shrink, making it impossible to keep "two Anglo-Saxon hearts" at the core of the global financial system, and between the City, Wall Street and Euroland on the other hand, because the Euroland banks, pushed by their governments, will gradually cease to lend in US Dollars to concentrate on loans in Euros, including the trade in raw materials (oil included). The violent and sharp crises leave no room for the nostalgia of past partnerships. This will be the start of the Western financial market's final fragmentation, one of the last stages of Euroland's development and a new fatal blow to financial institutions having built their business model on the transatlantic financial partnership. We'll return to this very important point in GEAB N ° 59 regarding the United States and Euroland's future.

36 In fact, apart from retail banking, 2012 will show that there is virtually no profitable segment for the banking sector.

37 It takes more time to relocate heavy industry than a trader's desk.

38 This is, more or less, the procedure followed in the United States and Europe.



Share price changes (and, therefore, losses) for the British taxpayer following the partial government takeover of RBS and Lloyds - *Source: Guardian, 10/2011*

Already on Wall Street in 2008, Goldman Sachs, Morgan Stanley and JP Morgan had to suddenly turn themselves into "bank holding companies" to be saved. In the City, the British government had to nationalize a whole swathe of the country's banking system and to this day the British taxpayer continues to bear the cost because the banks' share prices have collapsed again in 2011[39]. This is also one of the Western banking system's characteristics as a whole: these private financial players (or market listed) are worth practically nothing. Their market capitalization has gone up in smoke. Of course this creates an opportunity for nationalization at low cost to the taxpayer from 2012 because it's the choice that will be imposed on States, in the United States as in Europe or Japan. Whether it be, for example, Bank of America[40], CitiGroup or Morgan Stanley[41] in the United States, RBS[42] or Lloyds in the United Kingdom[43], Société Générale in France, Deutsche Bank[44] in Germany, or UBS[45] in Switzerland[46], some very large institutions "*too big to fail*" will fail. They will be accompanied by a whole swathe of medium or small banks such as Max Bank which has just filed for bankruptcy in Denmark[47].

[39] See chart above.

[40] Bank of America is definitely at the confluence of major and growing problems: a lawsuit against it claiming $50 billion for concealing losses on the acquisition of Merrill Lynch in late 2008, a massive grassroots rejection by customers following its decision to impose a $5 per month cost for cash cards, a long and unexplained crash of its website; series of trials over subprime involving individual owners and local authorities, and a threat to place Countrywide in bankruptcy, another of its acquisitions in 2008, to limit its losses. According to LEAP/E2020, it embodies the ideal US bank for a crash scenario between November 2011 and June 2012. Sources: New York Times, 27/09/2011; ABC, 30/09/2011; Figaro, 29/06/2011; CNBC, 30/09/2011; Bloomberg, 16/09/2011

[41] The US bank which, in 2008, received the largest slice of public financial support and which, once again, is panicking the markets. Sources: Bloomberg, 30/09/2011; Zerohedge, 04/10/2011

[42] One of the most vulnerable banks in Europe. Source: Telegraph, 14/10/2011

[43] Which itself is also seeing the hour of the cut in its credit rating approach. Source: Telegraph, 12/10/2011

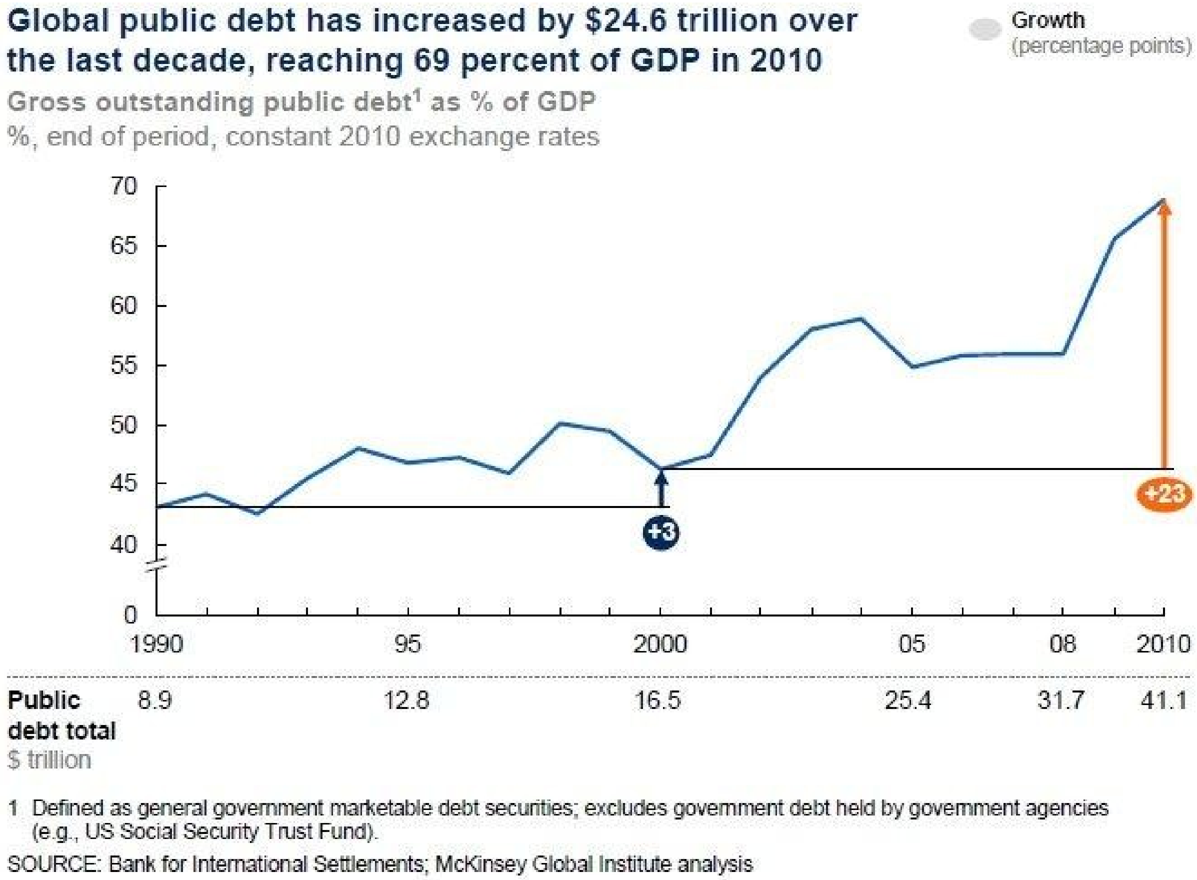
[44] The leading German bank, which is already exposed to a cut in its credit rating. Source: Spiegel, 14/10/2011

[45] UBS is also on the road to a cut in its credit rating. Source: Tribune de Genève, 15/10/2011

[46] Société Générale, Deutsche Bank and UBS have a point in common of particular concern: all three rushed to the US "El Dorado" during the last decade, investing like drunken sailors in the US financial bubble (Deutsche Bank in subprimes, as Société Générale in CDS and UBS in tax evasion). Today, they don't know how to exit this maelstrom that increasingly drives them to the bottom each day. In passing, we recall that in 2006, we recommended that European financial institutions free themselves from US markets as soon as possible, which appeared very dangerous to us.

[47] Source: Copenhagen Post, 10/10/2011

Faced with this "decimation", States' resources will be quickly overrun, especially in these times of austerity, low tax revenues and the political unpopularity of the bank bailout[48]. Political leaders will, therefore, have to focus on protecting the interests of savers[49] and employees (two areas full of electoral promise) instead of safeguarding the interests of bank executives and shareholders (two areas full of electoral pitfalls, whose precedent in 2008 demonstrated its economic futility[50]). This will result in a new collapse in financial stock prices (including insurance, considered very "close" the banking situation) and increase hedge funds, pension funds[51] and other players' turmoil traditionally closely intertwined with the Western banking sector. No doubt this will only strengthen the general recessionary environment by limiting loans to the economy just as much[52].



Global public debt (1990-2010) (as a % of GDP, constant 2010 exchange rates) - ***Sources: BRI / McKinsey, 08/2011***

[48] Even the BBC, certainly marked by the UK riots in summer 2011, asks itself a question, "unthinkable" just a year ago for this type of media: can the United States expect social unrest? To ask the question is to answer it. And in Europe, a country like Hungary, with Social-Nationalist government, directly accused the banks, especially foreign ones, of being responsible for the crisis facing the country. Source: BBC, 20/09/2011; New York Times, 29/10/2011

[49] Of which an increasing number have begin to rebel against banking system practices, especially in the United States where Wall Street rejection is growing exponentially, weakening major US banks on a daily basis. Sources: CNNMoney, 11/10/2011; MSNBC, 10/11/2011

[50] And it's even worse than economic futility since a recent study had shown that banks that received public financing were subsequently shown to be the most prone to make risky investments. Source: Huffington Post, 16/09/2011

[51] US public pension funds are now facing a financial chasm estimated at between one and three trillion USD. Will the US public authorities choose to save the banks or their retirees? Because they will soon have to choose. Source: MSNBC, 23/09/2011

[52] Source: Telegraph, 02/10/2011

To simplify the view of this development, one can say that the Western banking market, significantly reducing its scope and the number of players in this market, has to downsize proportionally. In some countries, especially those where the very large banks account for 70% or more of the banking market, it will inevitably lead to the disappearance of one or another of these very large players ... whatever their leaders, stress tests or rating agencies say[53]. If you are a shareholder[54] or customer of a bank that may collapse in the first half of 2012 there are, of course, precautions to take. We offer a number in the recommendations in this issue. If one is an officer or employee of such an institution, things are more complicated because we now think it's too late to avoid serial bankruptcies; and the banking job market is saturated because of massive layoffs. However, here is a piece of advice from our team if you are an employee in any of these institutions, if you are made an interesting offer of voluntary redundancy, take it as the next few months, the redundancies won't be voluntary and will be under much less favorable conditions.

[53] None of these banks are able to withstand the global recession and the implosive melding of financial assets that will prevail in the coming months.

[54] We could have also developed the point that we are witnessing a process of "bank shareholder decimation".

2- Telescope

Global systemic crisis: LEAP/E2020 anticipation of 40 countries' risks 2012-2016 *(USA, Euroland, BRICS, Japan, UK, Australia, Argentina, Sweden, Egypt, Switzerland, Philippines, Mexico, South Korea, Morocco, Libya, Syria, Iran, Israel, Poland, Thailand, Indonesia, Saudi Arabia, Tunisia, Chile, …)* - **Widespread collapse at the heart of the global geopolitical dislocation phase... with very different prospects for exiting the crisis depending on the country**

In this issue, our team sets out the annual update of "country' risk" under the crisis from 2012 to 2016. The assessment of country risk for the next 5 years is meant to be a decision-making tool for political and economic players and investors (individuals, companies or institutions). In a world in turmoil, it offers a medium-term perspective based on the methodology of political anticipation which has proved itself over nearly six years in terms of anticipating the global crisis and its consequences. Based on an analysis incorporating twelve criteria this year, this decision-making tool has already demonstrated its relevance for many years, faithfully anticipating developments generated by the crisis.

At the end 2011, LEAP/E2020 now considers that the various countries of the world have now collectively entered the core of this phase of geopolitical dislocation, socio-economically and strategically. Our work thus allows us to continue presenting LEAP/E2020's anticipation of "country risk" for the 2012-2016 period, by adapting the categories to the crisis' progress through four groups of countries[55] characterized by the contrasting impacts of this dive into the geopolitical dislocation phase of the global systemic crisis.

This period is crucial because it matches a first point of emergence of the world after the crisis' first components. Therefore, we have included a new tool taking into account the crisis' dynamics and the responses brought about: changes in countries' situation during the relevant five years.

[55] Our team has analyzed criteria for 39 countries plus Euroland which, since 2010, has been asserting itself as an "emerging sovereign" and whose member states have shown their determination to find a common solution to the challenges of the global systemic crisis. In 2012, the coming to power of new leaders, even more determined to develop common European solutions, will significantly strengthen this trend. It therefore seems legitimate and useful to now treat the Eurozone countries as a single geopolitical entity (economically, monetarily and financially); that at least has the merit of being consistent, in contrast to most of the media who, depending which day it is, deal with the problems of the Eurozone country by country or, on the contrary, collectively. This is also the process of the emergence of the world after the crisis: the awareness of new geopolitical realities, of new groupings.

Map of « Occupy Wall Street » and similar demonstrations[56] - *Source: DailyKos, 08/10/2011*

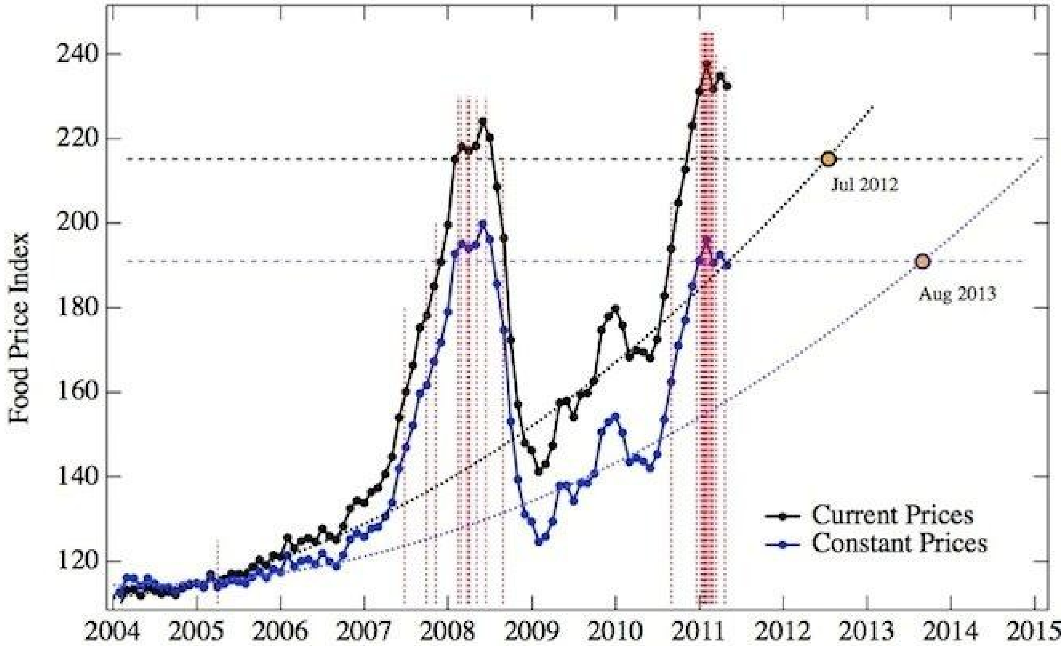
Twelve criteria enabling the identification of four risk groups amongst the 40 "sovereign countries" which will progress very differently

Faced with this world dive into chaos, there is unquestionably specific "country risk" which has nothing to do with traditional economic and financial analysis – or even limiting itself to strictly geopolitical analysis - provided by institutional and / or Anglo-Saxon specialists for decades[57].

For our researchers, the magnitude of the consequences of the crisis' impact phase on different countries in the world is thus based on their degree of resistance to the «financial detonator's» explosion (which began almost three years ago), of their ability to absorb the political and social shock which is now at the heart of the crisis' economic consequences, and to resist the economic, then trade, war which has begun. The more a country is "immune" to these four shocks, the better it will make its' way through the coming period.

[56] The US has now fully entered the dislocation phase of their "social consensus" around the "American way of life," the foundation of the country's political stability since the 1930s. The explosive consequences of this break-up will, of course, make themselves felt soon from the 2012election year, but they will primarily feed an unprecedented paralysis and political instability unprecedented in the country's recent history for the entire 2012-2016 period. We have actually decided to present our anticipation for the United States 2012-2016 together with Euroland's in the next GEAB (No. 59).

[57] For example, the rating agencies have gone from a state of irresponsible inertia before 2008 to equally irresponsible activism in 2011. In the same way as their ratings before 2008 didn't describe reality and future developments in any way; their current serial breakdown mixes anything and everything preventing the recognition and understanding of essential detail… which is, moreover, undoubtedly their goal.



Food crisis and political instability: The North African and Middle Eastern example (2004-2011-projected to 2015) *(in black: FAO current price index/in blue: FAO inflation adjusted index /red dots: beginning of riots /horizontal black and blue dotted lines: threshold of the outbreak of riots/black and blue dotted curves: forecast 2012-2015) -* ***Source: New England Complex Systems Institute / Wired, 08/2011***

LEAP/E2020 has, therefore, studied the situation of 39 States in the world (plus Euroland) based on 11 specific criteria enabling the measuring of the potential for damage to the country's socio-economic and political situation (compared to the current situation):

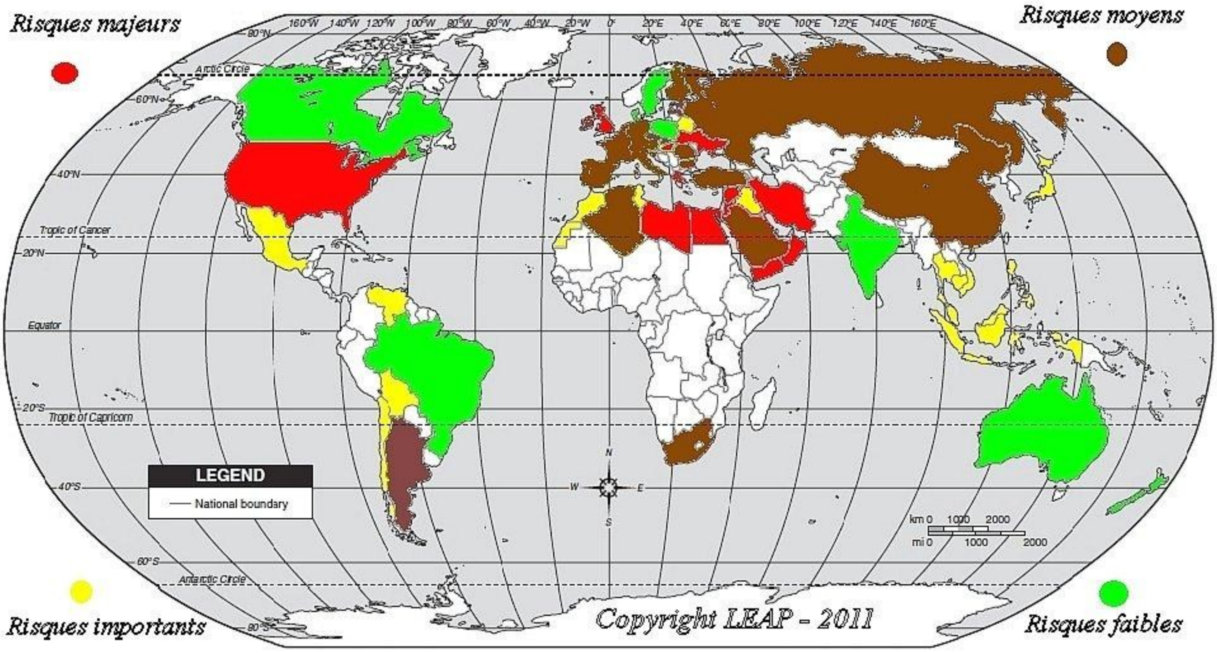
1. Financial sector's share of the economy
2. Service sector's share of the economy
3. Extent of household debt
4. Degree of uncertainty over the quality of the financial system's and households' assets
5. Relative size of public deficits (States and local authorities)
6. Relative size of external deficits (trade and balance of payments)
7. Share of capital-based retirement of all the country's retirees
8. Vulnerability of the "social security net"
9. Structural dependance on foreign demand
10. Weakness of the average tax rate over the last twenty years
11. Weakness of the particular economic base of that country's currency
12. Weakness in changing the political elite.

In assessing country performance against each of these twelve criteria[58], our team has identified four major groups of countries, which often have little geographic relationship between them, but whose profiles match each other very closely in contending with the crisis.

To facilitate the interpretation of country-risk, LEAP/E2020 has chosen to present them in visual form here, displaying a world map grouping countries according to four coloured zones[59].

[58] This assessment is represented by a rating of 1 to 5 (weakest to strongest) for each criterion. Then, LEAP/E2020 drew up four groups bringing together the countries with close scores. The maximum possible score is 60 and the minimum 12.

[59] Our team considers that it doesn't have sufficient relevant information for the countries shown white on the map to conduct a reliable anticipation.



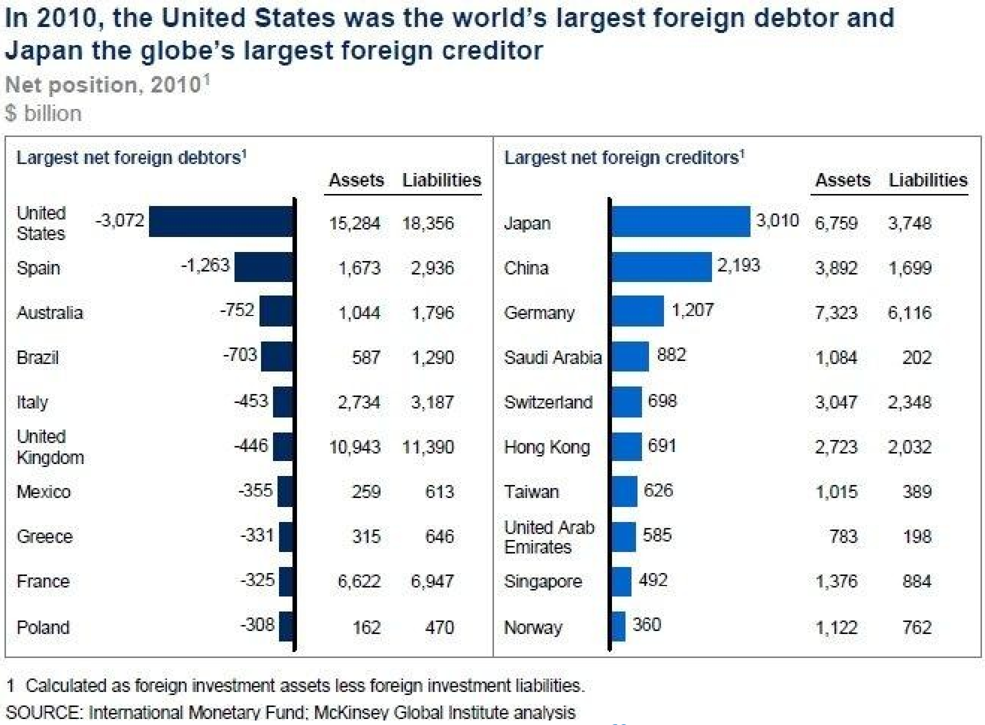
2011 country risk map in the 2011 crisis *(in red: major hazards/in yellow: significant risks/in brown: medium risk/in green: low risk)* - ***Source LEAP/E2020, 15/10/2011***

Group 1 / Major Risks:
This group, shown in red, brings together the countries for which the overall evaluation, using the twelve criteria (above 40), shows major exposure to all the consequences of the crisis and a major risk of being strongly affected by the economic, social and political consequences of geopolitical dislocation. It includes the United States, the United Kingdom, Egypt, the Yemen, Hungary, Libya and Israel especially.

Group 2 / Significant risks:
This group, coloured yellow, groups the countries for which this appraisal (between 35 and 40) indicates the existence of significant socio-economic and political risks for the period in question, especially for Mexico, Morocco, Japan, Tunisia, Chile, Syria, Iraq, the Ukraine, Thailand, the Philippines, Lithuania and Bolivia.

Group 3 / Medium risk:
This group, in brown, brings together countries that have scored between 30 and 35, for which the social risks and their political consequences will be significant, but still manageable within the current institutional framework, as is the case of Euroland, China, Russia, Venezuela, Algeria, Switzerland, Sweden, Iran, South Korea, South Africa, Turkey, Argentina and Saudi Arabia.

Group 4 / Low risk:
This group, coloured green, rounds up countries with scores below 30, such as Brazil, India, Poland, Denmark, Canada and Australia which should be able to manage this period without too many painful shocks.



The world's principal debtors and creditors (2010)[60] (in billions USD) - ***Sources: FMI / McKinsey, 08/2011***

Country progress 2012-2016

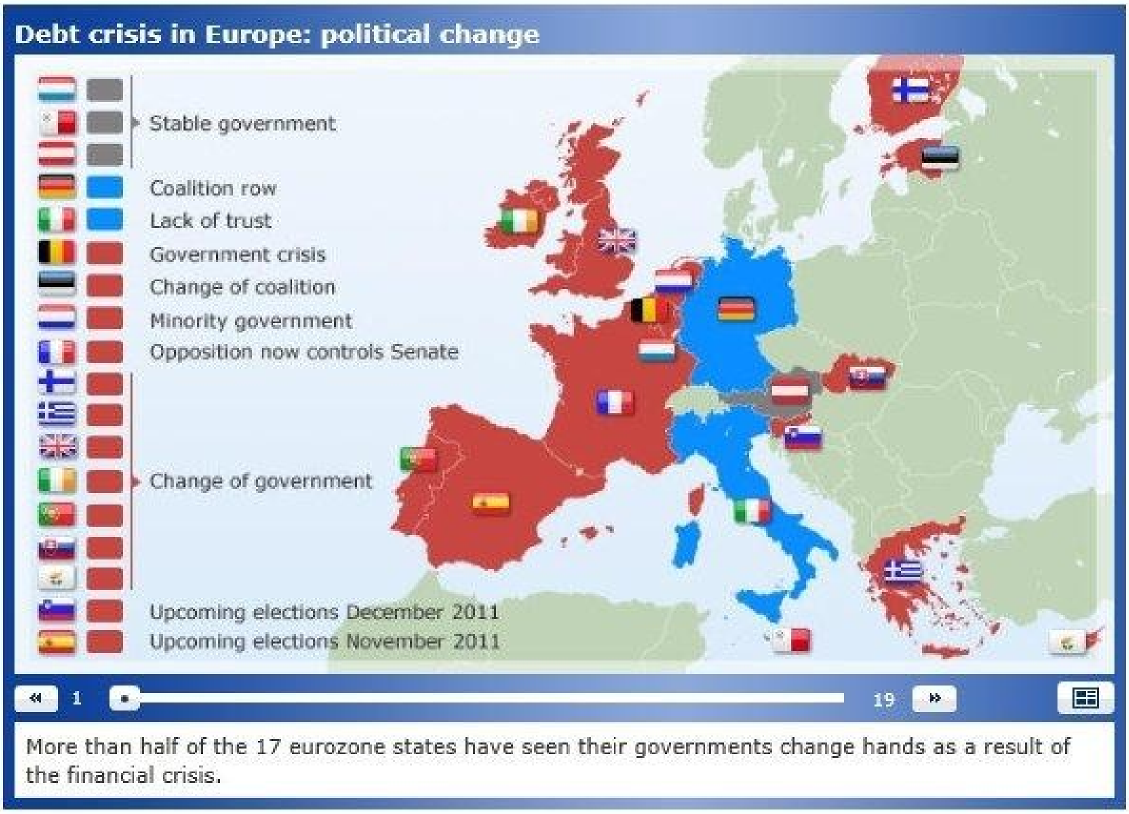
As regards the timing of this global geopolitical dislocation phase which all regions of the planet have now entered, LEAP/E2020 has decided to change its traditional presentation of the progress of the crisis' sequences. In fact, it seems no longer appropriate to separately present the different components of the crisis (financial, economic, political and social) since they are now fully interwoven. Therefore, we preferred to present a more general picture of two major country groups classified according to our anticipations over the process of a deepening of the crisis 2012-2016.

The assessment of the progress of the crisis' severity has been carried out based on two specific criteria:

1. The presence or absence of a deep social crisis and a broad political crisis with serious structural characteristics. These two types of consequence will, in fact, significantly increase the length of the "exit from the crisis" because they will, first, slow down all the decision-making processes and aggravate the country's difficulties and, secondly, involve the need for country to find a new politico-social balance (which is generally long and painful).

2. The readiness of the elite (and to a lesser extent public opinion) of the country involved to face acute challenges to the current system. The less they are prepared, the less they are remodelled, the longer the search for effective solutions will be.

[60] In a way, these two groups of countries, situations in apparently totally contradictory appearance, are actually reflections of the same problem: the global economic- financial imbalance on the one hand, the "Dollar / T-Bonds bubble" on the other. And, according to our team, 2012-2016 will see these countries drawn into the bursting of this bubble, a prelude to major global economic and financial re-balancing. It's in this context that we have assessed "country risk" and its progress.



European government changes following the crisis[61] **- *Source: Deutsche Welle, 09/2011***

[61] The coming to power of the Social Democrats in Denmark after more than a decade of domination by a pro-US liberal / far right coalition should be added to this picture. And this change will accelerate in late 2011 and during 2012, with Spain, Slovakia (where the right-liberal coalition collapsed during the vote on the extension of EFSF paving the way for the social democrats), France (for which GEAB's November 2010 anticipation is increasingly confirmed, namely the elimination of Nicolas Sarkozy in the first round and a socialist victory), Italy (which will see the end of the Berlusconi era) and certainly Germany (since it is unlikely that the CDU-FDP coalition will last the summer of 2012).

So, for our team, the countries which will see an improvement in their situation 2012-2016 are therefore: *India, Brazil, China, Euroland*[62], *Poland, Denmark, Canada, Argentina, South Africa and Turkey,*

LEAP/E2020's view is that the following countries will see a worsening of their situation during 2012-2016: *Russia*[63], *Venezuela, Algeria, Switzerland, Sweden*[64], *Iran, Australia, South Korea, Indonesia, Morocco, Japan, Tunisia, Chile, Egypt, the Ukraine, Syria, Thailand, the Philippines, Mexico, Hungary, Bolivia, Israel, Libya, the Yemen, Saudi Arabia, Lithuania, the United States and the United Kingdom*[65].

They represent 28 of the 40 countries analyzed, thereby confirming that the global crisis will be far from over in 2016. However, keep in mind that this worsening trend towards must be related to the category of country risk of the State concerned. Thus, the worsening situation of a country classified as "low-risk" in 2012 may be only a transition towards a state of "medium-risk". On the other hand, for states already classified as "significant risks" or "major risks" in 2012, this will undoubtedly result in serious political and social upheaval and economic and financial disaster nearing 2016.

[62] We won't return to our analysis of the Euroland situation , already described in previous GEAB issues. We will limit ourselves to a reminder that the period beginning 2012 will be, according to our anticipations, that of the "second renaissance" of the European unification project opening a very constructive period for the Eurozone. As mentioned above, we will present our detailed anticipations for Euroland 2012-2016 in the next GEAB (No. 59), along with those for the United States.

[63] During 2012-2016, Russia's main handicap will be to maintain its political course which will face two key challenges: in foreign policy, position the country in a dynamic and proactive strategic fashion on emerging Euro-BRICS axis, in domestic policy, satisfy the thirst for renewal of the ruling elite and the prevailing ideas of the Russian middle class. A straightforward renewal, simply inverted, of the Putin / Medvedev pairing would not provide a satisfactory answer to this second challenge, significantly increasing the risk of political instability in the middle and end of the period in question.

[64] In Switzerland, as in Sweden, whatever their relationship to European integration now embodied in Euroland, or their position with the United States since 1945 (financial centre for the Dollar system for one, a faithful intermediary for Washington / London for the other), both countries will have to face significant changes to their geopolitical, economic and financial models which will result in significant internal tensions.

[65] The United Kingdom stands out as the country combining the worst score of the developed nations in terms of country risk and a worsening of the situation in 2012-2016. The failure of the Conservative-Liberal coalition to control public deficits, combined with the economic recession triggered by austerity measures and the continuing collapse in the value and profitability of the City banks, sucks the country into a sinister spiral. The Britain's marginalization, both vis-à-vis the European mainland where Euroland countries now progress without it, and the United States which now has other geopolitical and financial priorities, considerably strengthens this trend.

3- Focus

GEAB $ Index – October 2011: the US$ fall accelerates against the €, ¥, ¥ and R$ basket

As our team has explained in many GEAB issues, the traditional Dollar Index (used by the financial markets) isn't a reliable indicator for calculating the Dollar's progress. In fact, it is based on a basket of currencies which is no longer representative, neither of the major global monetary balances, nor United States' trade. This currency basket is, in fact, a "tiny Western club" even more illegitimate today than the G8. Amongst its makeup of six currencies one thus finds the Swedish Kroner, the British Pound, the Swiss Franc and the Canadian Dollar which seem irrelevant to our team because they are either marginal currencies internationally (Canadian Dollar), or the currencies of the United States secondary trade partners (Swiss franc, British pound) or both (Swedish Kroner).

The other two currencies are the Euro and the Yen which, themselves, on the contrary correspond to these two criteria which we have decided to use to calculate the GEAB $ Index. Having begun in December 2010, we'll publish this indicator (base 0 in January 2006) in every third GEAB issue from now on. The other currencies included in this calculation, in addition to the Euro and the Yen, are the Yuan and and the Real. Thus the GEAB $ Index seems to us to be a simple and representative indicator of the progress of the US currency's value globally that integrates the decentralized dimension of the evolving world.

In October 2011 **the GEAB $ Index is -21** (a fall of 21% in the US Dollar's value since January 2006 against the basket of the four world currencies used for the calculation). A rise of two points compared to April 2011 (Index at -23%) which is basically due to Euro weakness these last few weeks. Moreover, the gap is confirmed compared to the traditional Dollar Index which only shows (like last April) a decrease of 15% over the same period.

This index, applied to GDP measured in USD allows, for example, an assessment of the dramatic decline of the American economy compared to key players in the global economy. And for investments in a currency, it gives a clear indication of the loss of actual value of USD denominated assets.

In this regard, the LEAP/E2020 team stresses that the media noise made over a so-called rise of the US Dollar during the summer 2011 financial crisis in reality translates into a very small upward move of the US currency against the currencies of the major global economic centres, as reflected in GEAB $ Index, a variation which is only a slight blip in the long term downward trend.

In the spring 2011 GEAB issue, we also repeatedly stated that the sudden shock of the second half of 2011 would lead to erratic currency movements, particularly brief rises in the US Dollar (especially because of the need for Dollars following stock market losses), before 2012 triggered a 30% decline in the US currency.

As a reminder, here are the previous GEAB $ Index rates (and the Dollar Index in red):

December 2010: -19% (-9%)
February 2011: -20% (-12%)
April 2011: -23% (-15%)
October 2011: -21% (-15%)

Once again, may we remind you that our advice is not for the purposes of short term speculation, nor aiming to make more money, but rather to lose less (or even none at all) because in the midst of a systemic global crisis, it is the only realistic objective.

Attention: This reminder is even truer for the coming months!

. Banks: How to avoid being trapped in the decimation of Western banks?

Depending on your situation, several approaches are available to you to avoid being trapped in the decimation of Western banks these coming quarters.

First, a reminder of the common-sense advice we have given since 2007:

1. Have accounts in at least two or three different banks, preferably at least one state or nationalized bank
2. Have an account in another country
3. Keep as much liquidity as possible in order not to be « stuck" if the bank goes bankrupt. This means a priori refusing your banker's numerous proposals on this point!
4. Avoid exceeding the maximum guaranteed amount in the event of bankruptcy (for example 100,000€ in the EU and $250,000 in the United States) and check current national laws (including the European Union) to avoid nasty surprises. ExpatForum.com carried a very good article on this subject in February 2011
5. Be wary of offshore banks and other institutions in countries where regulation isn't clear.

Then closely follow the news because bank failure announcements, if they are sudden and are usually after exchange closing hours (Friday evening is the favorite time for the US FDIC because it leaves it a weekend to organize itself), they are still preceded by numerous warning signs. Nevertheless, it's necessary to distinguish these signals from the rumors that only aim to benefit speculation. Among the relevant criteria to monitor the bank's health are:

. the increase in the bank's credit risk cost
. the increase in litigation between the bank and its clients/partners/regulators
. its heavy involvement in the US risk markets and on Wall Street or the City
. its degree of exposure to countries classed as a major or significant risk on LEAP/E2020's country-risk list
. the relative weakness (or even non-existence) of its retail banking

Finally, if you still choose to trust your bank, now demand at least 5% net to make them a term loan with your money. In the coming months, a target of 5% to 10% should even be entirely achievable. Your money is now worth a lot to your banker. Don't hesitate! And of course, insist on a fixed income, not related to the performance of such and such a financial product.
Last but not least, si vous avez des doutes croissants sur la fiabilité de votre banque, transférez rapidement vos fonds ailleurs. Nous entrons dans une période où l'indécision peut coûter très cher.

This advice applies equally to hedge funds*!*

. Gold – Currencies: A new inflexion point coming up

We think we are approaching the end of the first shock favourable to the US Dollar, whose exchange rate has been supported by massive sales of all kinds of assets (including gold) to generate the funds necessary to cover losses resulting from the stock market crash the previous quarter. In November 2011 the "perfect storm" for the US will begin, which we described in the last GEAB issue and which will be particularly painful for the US Dollar.

. Commercial real estate: The moment of truth comes closer

The relapse of the world into recession will generate two very negative events for commercial real estate values, for all global real estate markets:
. first, this will once again weaken demand for this type of asset and, therefore, pressure prices (including Asia)
. secondly, by showing that the crisis is persisting and there is no recovery in sight, banks and insurance companies (seeking liquidity) will have to start to increase the number of assets they put on the market (whilst they've "held" them for three years in the hope of a recovery in prices). And they will do so at rock-bottom prices.

4- The GlobalEurometre[66]

October 2011 GlobalEurometre 2011 - RESULTS

GlobalEurometre 10-2011	Yes %	No %	Don't know/ Irrelevant %
1. Do you think that Euroland economic governance is currently being established?	48	48 (46)	4
2. Do you think that common European answers to the crisis are more efficient than national ones?	66 (75)[67]	22	12
3. Do you think that anti-democratic forces are on the rise in the European Union?	66 (91)	29	5
4. In the coming months, would you change your Euros for one of these currencies: US Dollar, Japanese Yen or British Pound?	8	92 (98)	0
5. In the coming months would you change your Euros for gold?	52 (43)	35	13
6. Do you think that private creditors will be increasingly asked to pay for the bailing out of European public debts?	87 (84)	12	1
7. Do you think inflation is back in your country?	65 (70)	37	8
8. Are you afraid of losing your job in the coming six months due to the global crisis?	31	45 (56)	24
9. Are you afraid of losing money in the coming six months due to the global crisis?	78 (83)	13	9
10. Do you think that the US Dollar will collapse against all major world currencies in the coming six months?	51 (77)	21	28
11. Do you think that, in the coming months, the US can shape a political agreement significantly reducing its public debt?	4	93 (84)	3
12. Do you think that some major banks may go bankrupt in your country before the end of 2012?	75 (69)	17	8
13. Do you think that the UK is going to face more riots and public unrest in the coming months?	80 (85)	4	16
14. Do you see concrete signs of economic improvement in your country?	12	86 (73)	2
15. Are you afraid of social and political unrest in your country?	49 (71)	44	7

[66] Each month, the GEAB team polls 200 leaders of European opinion for you.
[67] Last month's results in blue.

EU Governance: Continuing uncertainty about the exact state of Euroland governance / Fall in the large majority believing that common European answers to the crisis are more effective than national ones / Decline in the large majority believing that anti-democratic forces are gaining strength in the EU / Rise in the very large majority believing that private creditors will be increasingly called upon to finance European public debts / Continuing fall in the majority believing that inflation has returned to their country / Ongoing weakening in the majority who don't fear losing their jobs because of the crisis / Slight fall in the large majority who fear losing money because of the global systemic crisis / Increase in the large majority believing that their country's major banks may go bankrupt before the end of 2012 / Strengthening of the large majority noting the lack of improvement in their country's economic situation / Heavy fall in the large majority worried about social and political unrest in their country / Slight fall in large majority convinced that the United Kingdom will face further riots in the coming months

We note a continuation of the major uncertainty over the exact state of Euroland governance progress. This month opinion is split (48%), still showing the clash between the laborious, but real, putting in place of this governance with the solid message showing the opposite. This should strongly ask questions of European leaders because, in spite of a slight fall (66% versus 75% in September) we find, once again, a large majority believing that common European answers to the crisis are more effective than national ones.

We see a fall in the majority considering that anti-democratic forces are gaining strength in the EU (66% versus 91% in September)

We see a strengthening in the very large majority (87% versus 84% last month) considering that private creditors will be increasingly called upon to finance European public debts

As regards inflation, we see an ongoing fall in the majority believing that inflation has returned (65% versus 70% in September)

This month the fear of losing one's job has climbed again since now only 45% aren't worried (versus 56% in September). Fear of losing money due to the crisis has, on the other hand, fallen slightly, to 78% versus 83% in September.

The large majority of respondents considering that their countries' major banks could go bankrupt by the end of 2012 has strengthened, rising from 69% in September to 75% this month.

The recovery continues to remain invisible to a growing majority of Europeans 86% versus 73% in September). We also note a continuing fall in the majority concerning political and social unrest in their country: now 49% (versus 71% last month) fear this will happen. We see a slight fall in the very strong majority convinced that the United Kingdom will face further riots in the coming months (80% versus 85% in September).

EU/Rest of the world relations: Slight fall in the vast majority preferring to keep their Euros instead of $, ¥ et £ / Increase in the majority of respondents wishing to change their € for gold / Fall in the majority expecting a US Dollar collapse in the coming months / Almost everyone doubts the ability of the United States to reach an agreement in the near future to significantly reduce its deficits

At 92% (versus 98% in September) we note a slight fall in the near unanimity of Europeans continuing to prefer the Euro instead of the US Dollar, Japanese yen and British pound, refusing to think of changing their Euros for these currencies. This clear confidence in the Euro compared to other paper currencies is still tempered by the emergence of a new situation characterized by the rise in a majority of respondents planning to change their Euros for gold (52% this month versus 43% last September). With 51% of respondents (versus 77% in September) expecting a US dollar collapse in the coming months, we see a significant fall in the majority of negative opinion on the future of the US currency. On the other hand we see (and the future will prove that these two views are contradictory) near unanimity (93% versus 84% in September) on the United States' inability to reach an agreement in the near future to significantly reduce its deficits.