

ABOUT MARTIN ARMSTRONG



Martin Arthur Armstrong (born November 1, 1949 in New Jersey) is the former chairman of Princeton Economics International Ltd. a former leading multinational corporate advisor with offices in Paris, London, Sydney, Hong Kong and Tokyo. He was hailed as **Economist of the Decade** themartinarmstrongcase.com and was named Hedge Fund Manager of the year in 1998 after correctly forecasting the collapse of Russia www.businessweek.com that led to the implosion of Long Term Capital Management.

His advice has been sought by numerous governments with regards to the global economy from China to even testifying before Congress scribd.com Armstrong is the developer of the **Economic Confidence Model** (based on business cycles and best known for calling the crash of 1987 to the very day: online.barrons.com

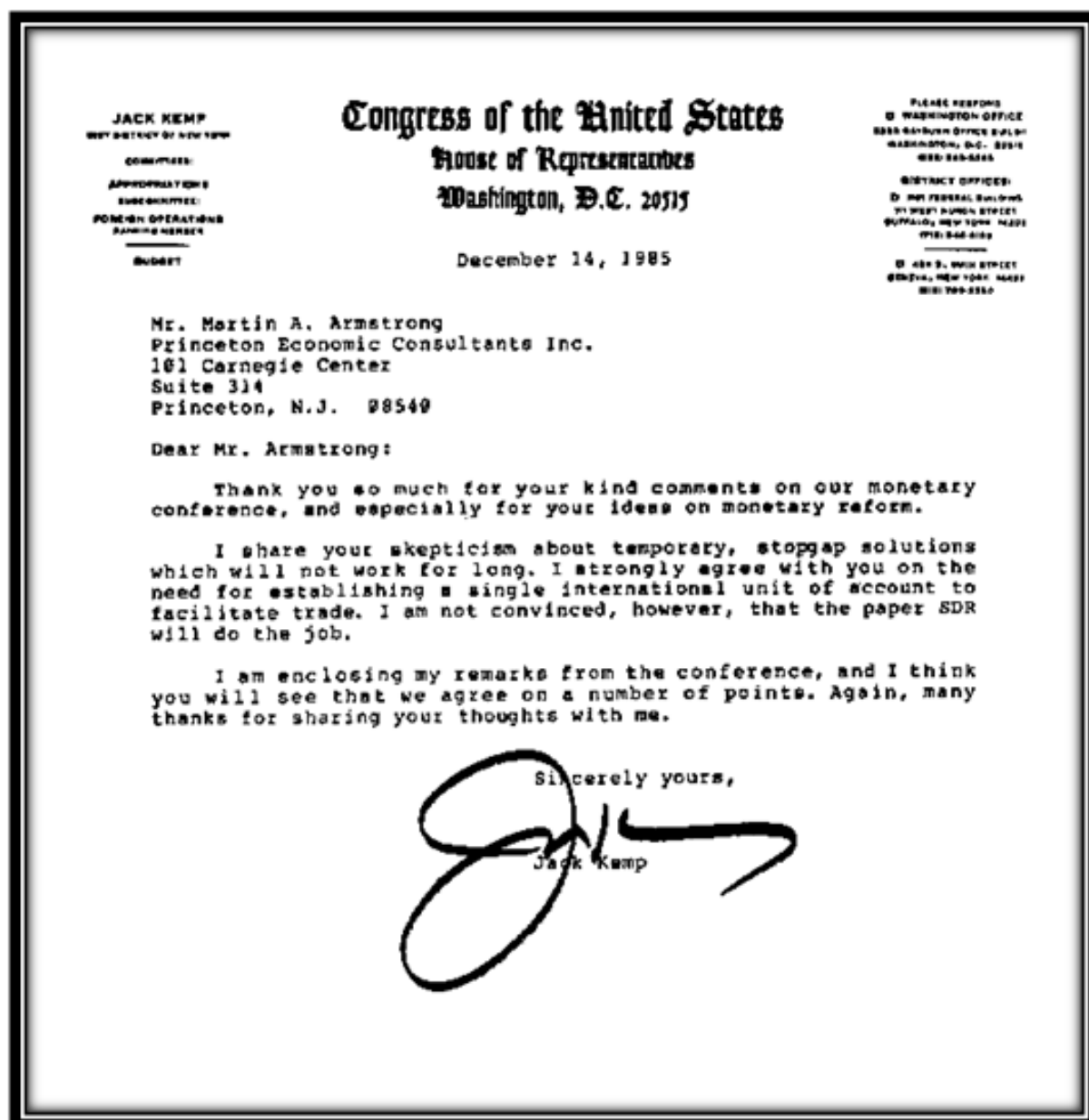
At age 13, Martin Armstrong began working at a coin and stamp dealership and **was a millionaire in 1965 at the age of 15**. After becoming the manager of his employer's store, he and a partner opened a collectors' store when he was 21. After high school, Armstrong attended the RCA Institute and audited a few courses at Princeton, but he never earned a college degree. Over time, the forecasting became his business. Much of it was rooted in cycles research for which he also traveled to London to the British Museum Newspaper Library and put together historical data on prices and exchange rates, down to the day. He constructed what he called an Economic Confidence Model (also called the "pi" cycle model), which he relied on to predict an upturn in the price of commodities in the early days of 1977 published long term forecasts which are still monitored today by the financial press howestreet.com

Armstrong progressed from gold coin investments to following commodity prices and collected gold coins and antiquities. Armstrong was a frequent contributor to academic journals and often was sought for comment on financial topics. He was also chairman of the Foundation for the Study of Cycles: cyclescelebrities.com an international research and educational institution, established in 1941 as a nonprofit corporation by economist Edward R. Dewey and dedicated to the interdisciplinary study of finding and analyzing recurring patterns. foundationforthestudyofcycles.org | cycleslibrary.org

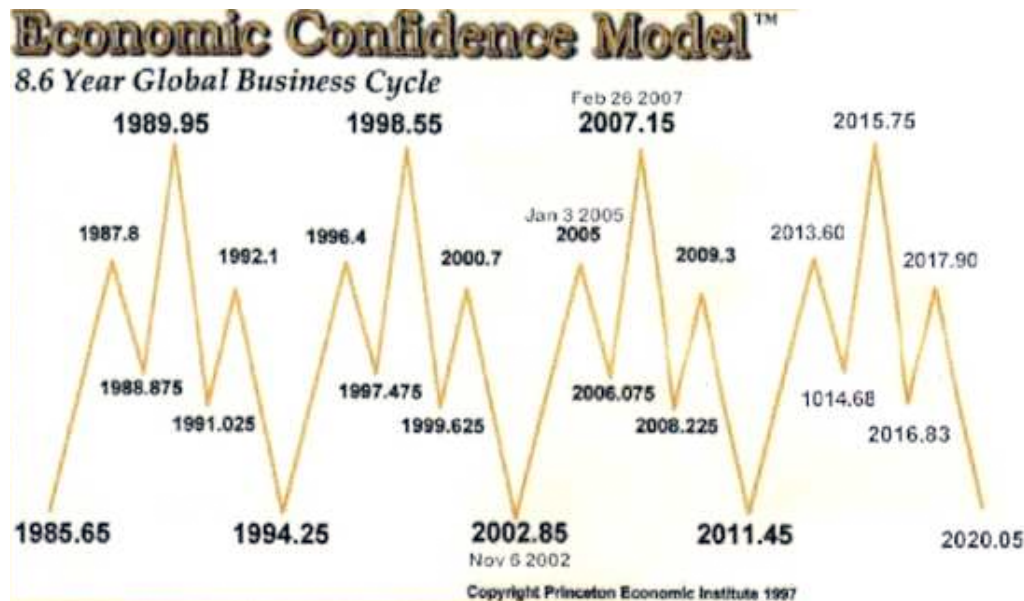
In 1983 Armstrong began accepting and fulfilling paid subscriptions for a commodity market forecast newsletter. He formed three corporations for the provision of commodity services: **Princeton Economic Consultants, Inc. ("PEC")**, Economic Consultants of Princeton, Inc. ("ECP") and Armstrong Report, Inc. These corporations provided consulting services, seminar programs, written reports, telephone and telex messages, and account management services. In the nineties, Armstrong wrote a heavily researched but quixotically told two-volume account of the Great Depression called "The Greatest Bull Market in History."

On Jun 27, 1983, The Wall Street Journal featured in an article "For \$33.50, You Can Have a Minute With this Commodities Advisor" pqasb.pqarchiver.com (Article) how highly paid his advise was regarded.

On November 8, 1985, The Chairman of the Council of Economic Advisor (US) Mr. Jack Kemp answered in a letter the concerns Armstrong addressed regarding intervention into foreign exchange markets.



In fall 1987, Armstrong was invited by the Brady Commission to share his views on the 1987 market crash themartinarmstrongcase.com which he predicted to the precise day using his computer models. The target date of 1987.8 was precisely October 19th, 1987 the day of the low.



In June 1989, The Australian Financial Review published an article about Armstrong and his view on interest rates.

THE FINANCIAL AUSTRALIAN

Why our interest rates should tumble

Mr Martin Armstrong, of Princeton Economics International, offers a surprisingly optimistic outlook on our economy. RICHARD GLUYAS reports

IT is the economic equivalent of Mission Impossible, we are told — a pointless solution to Australia's burgeoning foreign debt problem.

The Hawke Government claims to have the answer — tight monetary policy and high interest rates — but very few would describe the experience as pleasant.

And the monthly current account deficit figures — a recurring nightmare for the Treasurer — are worsening.

So perhaps it's time for a change. Why not deliberately lower interest rates and stop what happens?

As ludicrous as this may sound to the Treasury, there is one pocket of economic wisdom that seriously advocates such "heresy".

It comes from Princeton Economics International Ltd, a think-tank and international economic advisory unit based in New Jersey in the United States.

The record includes forecasting the record 1987 sharemarket crash in August of that year. Princeton recommended full hedge positions in August and outright short positions for those enjoying a punt.

Other to home, it forecast the decline in the dollar to US\$6 in 1986 a year in advance and its recent surge to US\$8.

It was also called in by the Brady Commission — headed by the now US Secretary of the Treasury, Mr Nicholas Brady — which investigated the causes of the sharemarket crash.

Mr Armstrong, an economist who has argued for centuries over what money is, is an example of the group's dedication to gathering information and sharing it.

partners and citing the Low budget, which already costs \$200,000 in Australia compared with \$120,000 in the US.

"What would another 3 per cent on top of that achieve?" he asks. "I've only seen one of them in Australia in three years anyway."

Ignoring its distortions, the current account by itself was a relatively meaningless figure.

"Australia's obsession with it is as misguided as it was for the US in 1907," Mr Armstrong said.

"The deficit hasn't changed much since then but the US dollar has risen 40 per cent. So no one tends to look at the current account anymore. These things tend to be faithless."

And with gross domestic product (GDP) in the United States at \$434.8 trillion (\$100 billion a trade deficit of \$151.6 billion does not appear as important. And we have a trade deficit with Japan of \$155 billion, Big deal."

A more accurate representation of an economy's health was its debt-servicing abilities, in particular the proportion of government expenditure used to pay off debt.

This was becoming an increasingly important matter, for example, in the US with 30-year government bonds yielding 3 per cent being rolled over into instruments now yielding 8 per cent.

In Canada, the debt service figure is 99 per cent, which falls to 23 per cent for Japan, an average of more than 20 per cent for Europe, 13.4 per cent for the US, and only 10 per cent for Australia.

Here — and elsewhere — lies a large degree, although not so much with oil now."

The situation is similar in Australia, which Mr Armstrong sees as having unparalleled growth opportunities like the US in the early days.

He sees the Japanese economy — without a self-sufficient domestic economy — as naturally prone to volatility.

The money it makes from trade is pouring out of the country into Queensland and New York real estate, reflecting the dearth of local investment opportunities.

This should not be of any concern to Australians or Americans he says, because if the experience of the Organisation of Petroleum Exporting Countries and its petrodollars is any indication, the Japanese will buy at the top of the market and sell at the bottom, losing a lot of money in the process.

So Australia, relatively self-sufficient and resource-rich, should not seek to mimic Japan and West Germany and become obsessed with trade, according to Mr Armstrong.

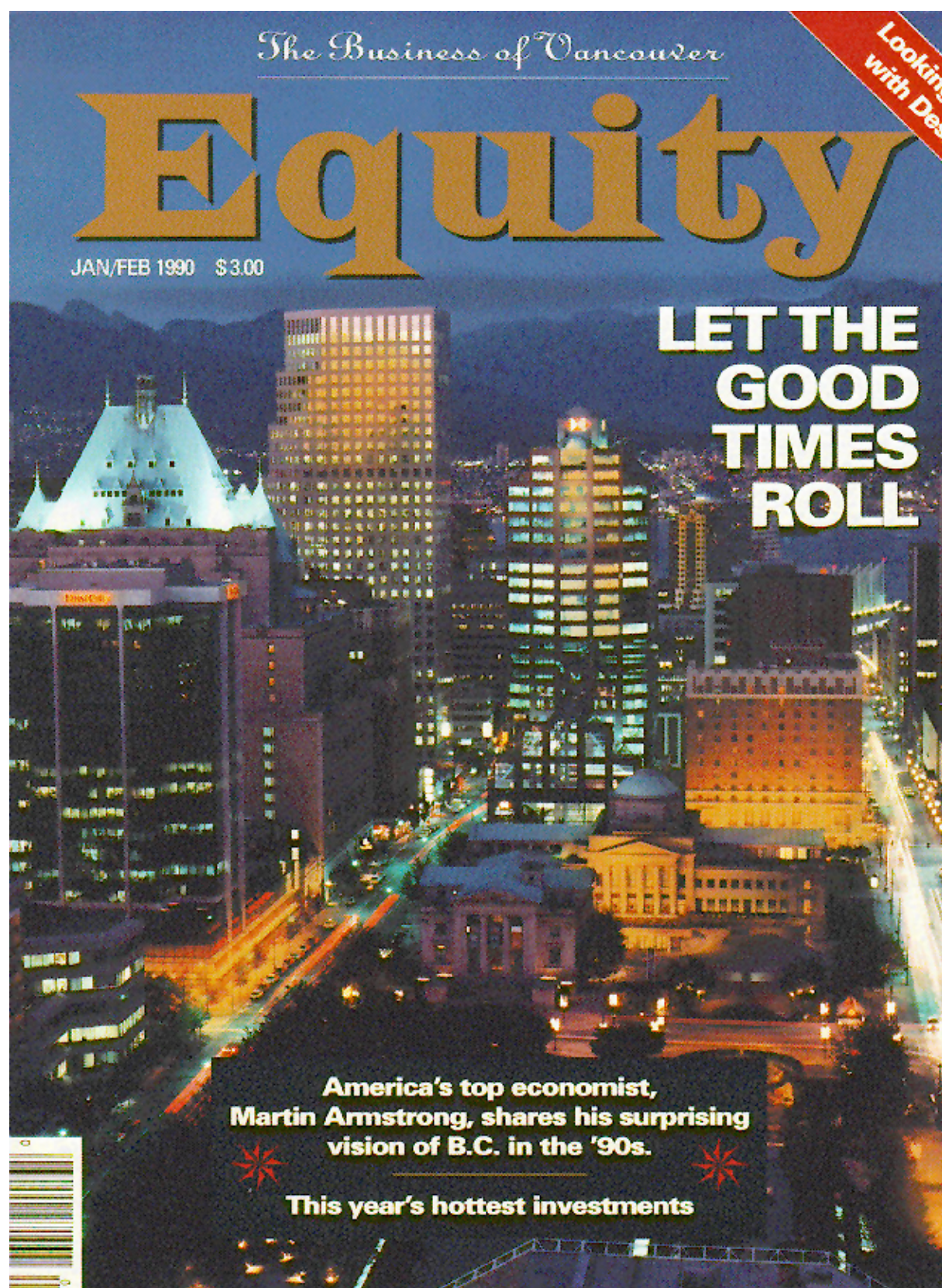
Both these economies are heavily dependent on a healthy US economy for their exports — 40 per cent of West Germany's gross national product is export related — and both experience significant deficits if there is a relatively minor lull in US demand.

We should instead strive for greater self-sufficiency and broaden our economic base.

"Everyone I speak to overseas says Australia is a great place," Mr Armstrong said.

"Australia is going to be one

In the Jan/Feb 1990 issue of "EQUITY" magazine he was named "America's top economist".



In July 1996, he was invited by the United States House Committee on Ways and Means for a testimony regarding global capital flows: www.scribd.com (Doc)
(Armstrong-Testimony-to-Congress-1996-1)

On May 20, 1997, Armstrong reminded the United States Department of the Treasury Robert Rubin that their policy would increase volatility and provided insider favoritism.
www.martinarmstrong.org (PDF)

United States Department of the Treasury Senior Deputy Assistant Secretary Timothy Geithner responded in a letter **on June 4, 1997**, that the United States Department of the Treasury felt comfortable with their policy.

Also in 1997, Armstrong was invited to advise the People's Bank of China during the Asian Currency Crisis.

In the April 1998 issue of the Journal "Share International" he was forecasting the destabilizing effect of European Union on the world economy.

„How the cookie crumbles -the insight of economist Martin Armstrong“ by Diana Holland

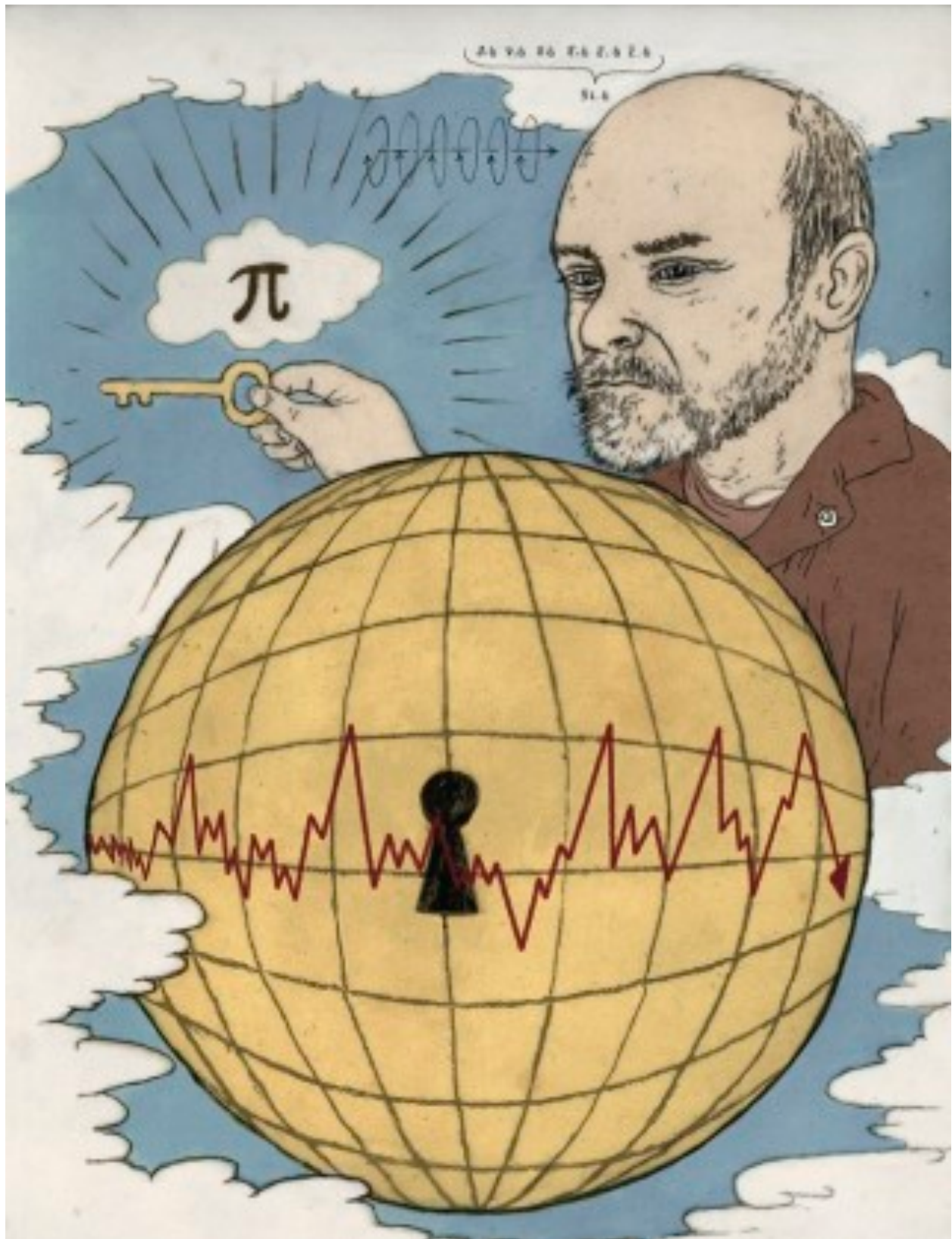
www.share-international.org (Archiv)

In 1998, he started to manage a hedge fund on behalf of Magnum Global Investments. Using his theory that boom-bust cycles occur like clockwork every 8.6 years, he correctly called Russia's financial collapse in 1998 and also pointed to a peak just before the Japanese stock market Nikkei 225 crashed in 1989.

www.businessweek.com (Article)

In the United Kingdom, a popular financial magazine MoneyWeek published an article on **Martin Armstrong on March 27, 2007**, titled "The strange case of the jailed market genius". In that article they highlighted the model had predicted a major top in financial markets for February 27, 2007, with the next major bottom being June 18, 2011.

On October 12, 2009, the magazine "The New Yorker" published an extensive article on Martin Armstrong, titled "The Secret Cycle - Is the financier Martin Armstrong a con man, a crank, or a genius?"



newyorker.com (Article)
online.barrons.com (article)

THE LEGAL CASE -- SUMMARY

Armstrong was indicted on **September 29, 1999** in the United States District Court for the Southern District of New York for an alleged fraud where he was claimed to have conspired with employees of Republic New York bank involving Japanese investors.

In **November 1999**, several Japanese investors such as the Amada Corporation, Japan's largest manufacturer of metalworking machinery, and one of Armstrong's clients, filed a lawsuit against Republic New York and two officers, accusing them of fraud:

[nytimes.com](https://www.nytimes.com) (Article)

In court papers filed, Amada sought recovery of at least \$123 million plus punitive damages. The complaint made accusations of securities fraud against Republic New York, two subsidiaries and two officers. One officer was immediately suspended and one was replaced.

Republic New York at first tried to claim its employees, who were illegally trading in accounts belonging to Armstrong had conspired with Armstrong to hide their losses from the Japanese. However, after it became clear that the accounts did not belong to the Japanese investors but to Armstrong as they had simply swapped their depreciated Japanese portfolios for low yielding Princeton Notes and not involving any funds management), Republic New York plead guilty on **December 17, 2001**, to fraud in federal court in connection with the fraud.

Republic New York agreed-upon a restitution order on **January 9, 2002** to pay \$606 million in a civil settlement with 57 Japanese Note holders to fully settle their claims and its executives received immunity provided they returned all the money.

[nytimes.com](https://www.nytimes.com) (Article)

Republic New York's new parent company HSBC then applied for a lifetime gag order on Armstrong to prevent him from assisting the Japanese in lawsuits against them and to prevent Armstrong from revealing his version of the case. The U.S. Securities and Exchange Commission's Armstrong case file was lost when the **September 11 terrorist attack** obliterated its offices, in 7 World Trade Center.

themartinarmstrongcase.com (Doc)

While Armstrong was in detention while awaiting trial, the court appointed receiver Tancred Schiavoni tried to get hold of the uncompiled model source code (p.4)

themartinarmstrongcase.com (Doc) which was Armstrong's key to make all the accurate market predictions in the past but Armstrong refused to turn this code over.

As Armstrong did not produce the assets, as well as documents (source code) [nytimes.com](https://www.nytimes.com) (Article) that were requested by the government, Judge Richard Owen ordered him jailed. While in most such cases, a person is held for contempt for 18 months at most, Judge Owen repeatedly reimposed the jail time, demanding the production of the materials. He was removed from the case by a panel of the United States Court of Appeals for the Second Circuit after justices decided the case needed "a fresh look by a different pair of eyes."

Armstrong pressed for a speedy trial to be released, as there was no money missing after Republic New York paid the money back they had stolen. To prevent that, the government disgorged all of Armstrong's lawyers highbeam.com (Doc)

and had him stripped of counsel as well as of the company. This took place in an extraordinary closed court proceeding where the government had the press illegally removed from the courtroom **on April 24, 2000**. The Associated Press reported the incident and posed the question **on April 26, 2000** "wondering if the New Jersey market forecaster can get a fair trial".

apnewsarchive.com (Article)

he government then created a civil contempt and despite the statute limiting such contempt to 18 months nytimes.com (Article) he was kept in prison on contempt without lawyers, trial, or charges, for over 7 years the longest federal civil contempt of court in American history.

Unable to move to trial for such a long time as there is no right to a jury trial in a civil contempt law.justia.com (Article) which the Wall Street Journal mentioned in their **January 8, 2009** issue saying: "No Charge: In Civil-Contempt Cases, Jail Time Can Stretch On for Years", <http://online.wsj.com> (Article) he didn't see another way but to plead guilty. nytimes.com (Article) For apparently destroying prison property, he was being suddenly moved into solitary confinement (the "hole") for 12 consecutive days and being removed from his legal defense material that was critical for his trial.

<http://www.themartinarmstrongcase.com/wp-content/uploads/2012/09/BloombergHole.pdf>

In a bargain plea, the government agreed to drop 23 of the 24 criminal counts if he was pleading guilty on **August 17, 2006** to one count of conspiracy "for merging/commingling investors' accounts with his own trading accounts by Republic Bank's suggestion but without informing the investors" (p.21) themartinarmstrongcase.com (PDF) despite the fact that Republic New York confirmed in a letter in late 2001 replying to Japanese investors (who filed a complaint against them) "that Armstrong and his Princeton entities were contractually allowed to merge/commingle funds" as all accounts at Republic New York related to Armstrong or his Princeton entities were fully controlled by Armstrong (p.7)

themartinarmstrongcase.com (PDF)

By ignoring these facts the judge sentenced **Armstrong on April 10, 2007**, to an additional five years in prison nytimes.com (Article)

He was released from prison on **September 2, 2011**.

On April 18, 2012, Armstrong wrote an open letter to the former U.S. Securities and Exchange Commission receiver Mr. Tancred Schiavoni

<http://www.themartinarmstrongcase.com/wp-content/uploads/2012/09/Open-Letter-to-SEC-Receiver-Schiavoni.pdf>

Armstrong provides an overview of his version of the case.