

February. 27, 2006

Compliments of Bloomberg

Gold may approach a 25-year high this week as investors seek better-performing assets than stocks and bonds, a Bloomberg News survey shows.

Twelve of 28 traders, investors and analysts surveyed from Sydney to Chicago on Feb. 23 and Feb. 24 advised buying gold, which rose 1.2 percent last week to \$561.20 an ounce in New York. Six respondents said prices will fall, and 10 forecast little change.

Investors and consumers bought a record \$53.6 billion of gold last year, estimates the producer-funded World Gold Council in London. Gold prices have gained \$100 since November and in January had the biggest advance since September 1999 as concern mounted of accelerating inflation. An attack on a Saudi oil- processing plant last week renewed concern of terrorist threats.

"I don't care if I buy gold at \$510 or \$550, it's going to be a lot higher in the years ahead, and so anywhere in here is fine," said Larry Jeddelloh, chief investment officer of North Oaks, Minnesota-based TIS Group Inc., which manages about \$85 million, including shares of some gold-mining companies. "You will see better than \$1,000 before the end of the decade."

Prices are up 29 percent from a year ago and reached \$579.50 on Feb. 2, the highest since 1981.

Gold futures for April delivery rose \$6.60 last week on the Comex division of the New York Mercantile Exchange. The increase was anticipated by the majority of analysts surveyed Feb. 16 and Feb. 17. Bloomberg's survey has forecast the direction of prices accurately in 57 of 96 weeks, or 59 percent of the time.

Beating Stocks, Bonds

Gold's 18 percent gain last year outperformed the 3 percent rise in the Standard & Poor's 500 Index of stocks and a 2.8 percent return on the benchmark 10-year U.S. Treasury, according to Merrill Lynch & Co. index data.

Gold has gained 8.2 percent this year, compared with the Standard & Poor's 3.3 percent gain. Holders of 10-year Treasury notes have lost about 0.3 percent this year, the Merrill index shows.

"We regard gold as an essential barometer in the grand battle between hard and financial assets," Citigroup Inc. analyst John Hill said on Feb. 23. "Gold prices have been resilient following oil, nuclear, geopolitical jitters, lackluster earnings for broader equities and fretting global economic imbalances."

Citigroup said gold will average \$540 an ounce this year and will rise close to \$600. A drop in prices to between \$520 and \$540 should not be viewed as negative, San Francisco-based Hill said, citing eight pullbacks of \$20 or more in price from 2004 to 2005.

Inflation Hedge

The trend in prices continues to be higher, said Dennis Gartman, who trades gold and writes the daily Gartman Letter, based in Suffolk, Virginia.

``Each advance has been consolidated in near text-book fashion," he said. ``The more time spent at or near \$550, the stronger shall be the next leg upward."

Higher energy costs may spur more investors to own gold as an inflation hedge next week. Gold gained 1.9 percent on Feb. 24, the biggest climb since Feb. 9, after oil jumped 3.9 percent the same day.

The rally in crude oil, the biggest in five months, was partly due to a suicide attack on Saudi Arabia's Abqaiq processing center, which handles about 7 percent of world supply.

Oil prices are up 3.1 percent this year, after jumping 40 percent last year and reaching a record \$70.85 a barrel on Aug. 30. Oil jumped after Iran said Jan. 9 it would resume nuclear research.

Some investors buy gold in times of inflation to preserve purchasing power. The precious metal surged to \$873 an ounce in 1980, when consumer prices jumped more than 12 percent. In January 1981, gold was as high as \$612.

Selling in Japan

Some analysts said prices will fall because investors in Japan may sell gold to buy back the yen in anticipation of a rise in domestic interest rates. Gold sold in Japanese yen rose 36 percent in 2005 as hedge funds borrowed cheap yen at near-zero interest rates and bought gold.

Bank of Japan Governor Toshihiko Fukui on Feb. 24 reiterated that the central bank is nearing the end of its five-year deflation-fighting policy.

Fukui and other Japanese officials are considering changing the central bank's stance next month because of signs Japan is emerging from seven years of deflation, the Yomiuri newspaper said Feb. 24, without saying where it got the information. The Bank of Japan has held rates near zero percent since 2001.

``The Japanese won't jump onto the buying queue until they are clear about what the Bank of Japan will do and how much they are going to raise rates," said Peter Tse, a precious metals trader as ScotiaMocatta in Hong Kong. Tse said gold may fall below \$540 next week.

Gold prices tumbled 4.6 during the week ended Dec. 16 after officials at the Tokyo Commodity Exchange increased trading margins to curb speculation after a five-week rally.

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A few paragraphs from Steven Roach's latest piece via Morgan Stanley.

But who is really to blame in all this? At the end of the day, America's saving shortfall -- the origin of destabilizing capital and trade flows -- is a by-product of conscious choices made by the US body politic. The Federal budget deficit, which has accounted for the bulk of the plunge in national saving over the past six years, is made in Washington -- not in Beijing. The negative personal saving rate is an outgrowth of pro-consumption tax policies -- again made in Washington. US politicians are the source of resistance to tax reforms, such as a consumption tax, that might address the deficiencies of private saving. Of course, politicians never want to admit that they are the problem. Instead, they prefer to pin the blame on others -- in this case, China and Dubai.

Washington needs to be very careful what it wishes for. In effect, the UAE is being told that it is fine to re-cycle its petro-dollars into Treasuries -- just don't buy American ports. China is getting the same message -- curtail your exports to the US but don't dare stop gobbling up dollar-based financial assets. Meanwhile, the United States does next to nothing to address the macro root of the problem -- a staggering shortfall of domestic saving. The longer the US avoids the heavy lifting of fixing its saving shortfall, the greater the risks that America's current-account funding problem will end in tears. In the end, the answer to the question posed above is "no" -- the US cannot carefully select its lenders as well as dictate the terms of its massive external financing program. The harder the protectionist push, the greater the risks of a financial market backlash that hits the dollar and US real interest rates.

February 28, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 27, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 25-26, 2006

Compliments of The Daily Reckoning - Weekend Edition
Baltimore, Maryland
By Kate Incontrera

MARKET REVIEW: BEGGARS CAN'T BE CHOOSERS

Dominating the news this week was the deal made to sell London-based Peninsular & Oriental Navigation Company to the United Arab Emirates controlled Dubai Ports World. 'How can we be making a deal like this in our post-9/11 world?' wonder both Republicans and Democrats, whipping the media frenzy into high gear.

There are a few details the media is glazing over. First, it is not uncommon for foreign countries to operate U.S. shipping terminals; in fact, China already runs a terminal at the Port of Los Angeles and Singapore runs terminals in Oakland. Second, Dubai Ports World will not be running security at the five East Coast ports that have been acquired in this deal – that will continue to be up to U.S. Customs and the U.S. Coast Guard. And third – and this is the part that you haven't been hearing much of in the news – "America no longer has the internal wherewithal to fund the rapid growth of its economy," as Morgan Stanley's Stephen Roach puts it.

In other words, since our net national savings rate fell to -1.3 percent for the first time since the Great Depression, we are spending more than we are consuming – and then some. This leaves us open to external funding and production, which is where our involvement with Dubai and China comes in.

"Faced with a shortfall of domestic saving, countries basically have two choices -- to curtail economic growth or borrow from the rest of the world," continues Roach.

"The first option just doesn't cut it in the land of abundance. America, in general, and its consumers, in particular, treat rapid economic growth as an entitlement. That leaves the United States with little choice other than to pursue the second option - drawing heavily on the pool of surplus global saving as the means to fund economic growth."

The United States is clearly relying on the kindness of foreign strangers – in 2005, we had a balance of approximately \$200 billion of cheap, high quality Chinese goods, which expanded the purchasing power of the American consumer. Despite this, the pundits in Washington are still pushing these protectionist measures, doing their best to squash the deal with Dubai and trying to stop trade with China by imposing high tariffs or forcing a Chinese currency revaluation.

What good will these measures do for the United States? Our deficit reached an all-time high in 2005, we are in over our heads in debt, we aren't saving anything and incomes have actually decreased – if we don't get help from China or Dubai, we're going to have to get it from another foreign country.

"It is short-sighted protectionist measures – like the ones being pursued by members of Congress – that helped precipitate the Great Depression," says Capital and Crisis' Chris Mayer. "The more difficult politicians make it to do business in the United States, the more they risk triggering global depression and economic stagnation."

February 25, 2006

Compliments of Barron's...
UP AND DOWN WALL STREET
The Real Risk to Our Ports by MICHAEL SANTOLI

February 23, 2006

Probabilities of Recession by John Mauldin

February 23, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 22, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 21, 2006

Thanks to Ed and compliments of The Rude Awakening...

"Do you recall our discussion several years ago when GM issued about \$16 billion bonds to shore up under funded pension fund? Dumb move by the Company then and worse for the buyers ever since."

Vehicular Bond Slaughter by Eric J. Fry

February 21, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 20, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 21, 2006

Compliments of GlobeandMail.com

YPG chief rips 'massive transfer' of trust wealth

Speculation about tax status caused shift from individuals to institutions
BY BERTRAND MAROTTE

February 20, 2006

This should encourage us to pause for thought...

Compliments of Barron's

Interview With Walter Deemer, Publisher and Principal of Technical Analysis, DTR
Loaded for Bear - Part One and Part Two by Sandra Ward

February 18, 2006

Compliments of Barron's

Current Yield: **Singing On Key at the Fed** by Tom Sullivan

February 18, 2006

The Conundrum of Risk by John Mauldin

February 17, 2006

A must read...

Do You Have Faith In Your FIAT? by Eric Sprott, CA and Sasha Solunac, CFA

February 17, 2006

Compliments of The Hindu Business Line...

Are Chinese purchases moving gold market? by G. Chandrashekhar

February 17, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 16, 2006

Compliments of The Daily Reckoning...

Words of Wisdom From the World's Last True Macroeconomist by Rick Barnard

February 16, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 15, 2006

With thanks to Dr. Bob...JB, as discussed, a very good piece:

HON. RON PAUL OF TEXAS
Before the U.S. House of Representatives

The End of Dollar Hegemony

February 15, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 14, 2006

U.S. investors go with the flow by J. David Mason

February 14, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 13, 2006

Compliments of Barron's...

Is It Crunch Time for Housing? by Howard R. Gold

February 13, 2006

Compliments of Barron's...

Ibbotson: Small Caps Still Have Big Bang by John Kimelman

February 13, 2006

Gold's Correction: How Should We React? by Adrian Day

February 10, 2006

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

February 6, 2006

MANCHESTER, Conn.--(BUSINESS WIRE)--Feb. 2, 2006--Cheuvreux, the equity brokerage house of Credit Agricole, the huge French bank, this week distributed a 56-page report that completely endorses in detail the findings of the Gold Anti-Trust Action Committee that the price of gold has been surreptitiously suppressed by Western central banks and that those banks do not have the gold they claim to have.

The report, written by Cheuvreux's mining sector analyst in London, Paul Mylchreest, is titled "Remonetization of Gold: Start Hoarding." It repeatedly cites GATA by name and foresees an "unprecedented" rise in the gold price, possibly accompanied by a spike to as much as USD2,000.

The report's executive summary says:

"We are raising our mid-cycle gold price estimate to USD900/oz from USD750/oz and see the possibility of a spike to USD2,000, or higher. Covert selling (via central bank lending) has artificially depressed the price for a decade.

"Central banks have 10,000-15,000 tonnes of gold less than their officially reported

reserves of 31,000. This gold has been lent to bullion banks and their counterparties and has already been sold for jewelry, etc. Non-gold producers account for most and may be unable to cover shorts without causing a spike in the gold price.

"There is a supply deficit in the gold market of around 1,300 tonnes per year before any central bank selling and perhaps 700 tonnes per year after 'official' sales but before covert selling. This compares with world gold mine output of only 2,500 tonnes per year. Some central banks, notably Russia, are starting to buy gold.

"Gold acts as an early warning of potential crisis such rising inflationary/deflationary pressures and general confidence in paper currency, especially the U.S. dollar.

A strongly rising gold price could have severe consequences for U.S. monetary policy and the U.S. dollar. History suggests that gold always wins against an inflating paper currency (that is, one subject to excessive supply growth).

"Gold and gold mining stocks are poised for an unprecedented rise in prices and profile. Investors in UK/European equities need to assess the implications for their portfolios. ..."

The Cheuvreux/Credit Agricole report details GATA's findings in Chapter IV, "Analysis of the Gold Market," and concurs in them as "broadly correct."

"No financial house in Europe could be more part of the establishment than Credit Agricole," GATA Chairman Bill Murphy said today, "and now its endorsement of GATA is circulating among other big financial houses in Europe and around the world.

"This evokes what Adam Fleming, former chairman of Harmony Gold, now chairman of Wits Gold, said at GATA's Gold Rush 21 conference in Dawson City, Yukon Territory, Canada, last August, just hours before the current sharp rally in gold began: that just a little investment demand could take the central banks out of their gold 'in the blink of an eye.'

"A LITTLE investment demand? Credit Agricole's brokerage house has just declared: Start hoarding!"

Gold Rush 21, Murphy said, "was truly historic and decisive. It gathered the world's top experts on gold to spell out, explain, and publicize the gold price suppression scheme, and the conference issued the Dawson Declaration, an appeal for free markets in the precious metals as a matter of basic human rights."

A two-DVD set of the proceedings of the Gold Rush 21 conference, including a dramatic 25-minute video summarizing the conference, produced by the brilliant Vancouver videographer Trevor Johnston, can be obtained through this Internet link: <http://www.goldrush21.com/>

The Cheuvreux report on the gold market can be obtained at GATA's main Internet site here:

**Remonetisation of gold: Start hoarding...
Cheuvreux Report on Metals & Mining**

"As for gold itself," Murphy said, "you can get some from coin and bullion dealers, but as the Cheuvreux report gets around, there may not be much left."

February 6, 2006

Compliments of **Gata.org**

**GOLD DERIVATIVE
BANKING CRISIS**

February 6, 2006

Thanks to Dr. Bob and compliments of Barron's

An Asset-Class Act

February 6, 2006

Compliments of John Mauldin

Contrarian Bandwagons by John P. Hussman, Ph.D.

February 1, 2006

GMO Quarterly Letter...

The End of an Era by Jeremy Grantham