

To receive email from Guild Investment Management,
add guild@guildinvestment.com to your safe sender list.

[View as Web Page](#)

[Subscribe](#)

[Send to a Friend](#)

[Guild Investment Management, Inc.](#)



GUILD INVESTMENT MANAGEMENT INC.

Guild Investment Global Market Commentary

Written: February 17, 2010

“He who asks is a fool for five minutes, but he who does not ask remains a fool forever.”

-Chinese Proverb

DEBT LEVELS IN G-7 COUNTRIES

We continue to be positive on Asia. One of the major reasons we currently favor Asia is the fact that public debt in the G-7 nations (U.S., Britain, France, Canada, Germany, Japan, and Italy) is expected to be over 119% of their combined GDP in 2014; a stunning figure.

Imagine owning a business with gross revenues of \$1 million, outstanding debts of \$1.19 million, and cash flow from your business to service the debt of about 5% of gross revenues. This means the company has only \$50,000 per year to service the outstanding debt. If the average interest rate on the company's debt is 5%, the debt load on your company would be increasing your debt each year. Your repayment of \$50,000 would be less than your interest expense about \$59,500.

ABOUT THE AUTHORS



Monty Guild
CEO

Mr. Guild founded Guild Investment Management in 1971. Mr. Guild is a recognized expert in the areas of international investing and economics. He has been a writer and speaker on economic issues for 30 plus years and has been widely quoted in the world media. Mr. Guild supervises the investment and research functions at Guild Investment Management. He holds a BA in economics and an MBA with highest honors.

Imagine further that you forgo using the cash from the business for debt payment, and choose to borrow more to keep your debt payments current. Bankruptcy would seem to be only a matter of time for the company. At some point, finding suckers (lenders) will be difficult.

DEBT LEVELS IN EMERGING ASIA

By 2014, emerging Asia is expected to see their debt burden decline from 35% of GDP to 32% of GDP.

THE CRISIS OF THE EUROPEAN SOCIALIST MODEL

Greece's problems have been widely reported. It is rumored and expected that Ireland, Spain, Portugal, and Italy may soon join them in asking for handouts from their neighboring European countries.

The problems stem from the countries' highly-paid government employees and the long-term promises made to government employees. Relative to the private sector, public sector employment does little to generate GDP growth. The European welfare states handed out politically-expedient gifts to large public employee unions, and now the countries are facing bankruptcy as a result.

In a recent *London Telegraph* article by Ambrose Evens-Pritchard, the author captures German sentiment by quoting an article in a German newspaper, the *Frankfurter Allgemeine*. The German paper asked why taxpayers should bail out the debts of a country that thinks it an outrage to raise the retirement age to 63. "Should Germans have to work in the future until 69 instead of 67 so that Greeks can enjoy early retirement?"



Anthony Danaher
PRESIDENT

Anthony Danaher joined Guild in 1990. Mr. Danaher supervises the client service, accounting, and administration function. Mr. Danaher holds a BA in Business Administration, with an emphasis in accounting and an MBA.

[HOME](#)

[MISSION & PHILOSOPHY](#)

[INVESTMENT PROCESS](#)

[OUR SERVICES](#)

[BECOME A CLIENT](#)

[COMMENTARY ARCHIVE](#)

[CONTACT US](#)

Evans-Pritchard goes on to say, “Europe’s leaders still refuse to face the awful truth: that monetary union is unworkable as constructed. That different labour markets, different sensitivities to interest rates, different economic structures, have caused the gap between north and south to grow ever wider; that a chunk of Europe...is on the cusp of a debt deflation spiral.”

This spells big belt-tightening in the aforementioned five heavily indebted European countries. It also puts the entire Euro community in danger of losing its common currency over time; it is possible that several countries will have to leave the Euro and reestablish their own currencies at devalued levels.

Below is a link to an important *New York Times* article about how global investment banks helped Greece and other countries hide the truth about their finances for many years.

To Read Article Click [Here](#).

OUR MARKET VIEWS

GOLD AND CURRENCIES

We believe the current and ongoing European crisis gives gold an impetus to move higher. We have been adding to our gold positions at current levels and will continue to buy if prices fall.

Yesterday’s transparent attempt by the IMF to scare the gold market down by announcing a sale of gold by European IMF contributors has been a failure. This reminds us very much of the situation in the 1970’s when the IMF gold sale was met with strong demand. When the markets recognized that there was strong demand in spite of the IMF sales, gold moved much higher within a few months.

Today, it is clear that there is large demand for gold from central banks. China, India, Sri Lanka, and Russia have been buyers at these price levels, and we are sure there are others. Many nations have openly discussed their intention to expand the gold component of their reserves. Technically, gold look remarkably strong in the face of attempted downward manipulation.

The Australian and Canadian dollars appear to be building technical bases and will resume their rise. On the other hand, we remain bearish on the Euro and prefer the U.S. dollar to that currency.

GLOBAL STOCKS

On dips, we are gradually accumulating Chinese, Thai, Malaysian, Indonesian, and other undervalued foreign stocks.

Within the developed world, we are focusing on Canadian and Australian energy and precious metals companies, and a few U.S. technology companies which are fast-growing and selling at low valuations.

OIL

We are buying oil related companies which we believe will make substantial new discoveries in coming months.

SUMMARY

In general, we prefer to be conservative; making purchases on market weakness to capitalize on the current volatile, and often irrational, markets. After China finishes raising interest rates to reign in run-away real estate prices, and rising food prices, we expect the faster growing countries'

stock markets will resume their rising pattern.

Thanks for listening.

These articles are for informational purposes only and are not intended to be a solicitation, offering or recommendation of any security. Guild Investment Management does not represent that the securities, products, or services discussed in this web site are suitable or appropriate for all investors. Any market analysis constitutes an opinion that may not be correct. Readers must make their own independent investment decisions.

The information in this article is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation, or which would subject Guild Investment Management to any registration requirement within such jurisdiction or country.

Any opinions expressed herein, are subject to change without notice. In addition, there are many market, currency, economic, political, business, technological and other risks that are beyond our control. We make reasonable efforts to provide accurate content in these articles; however, some content and some of the assumptions, formulas, algorithms and other data that impact the content may be inaccurate, outdated, or otherwise inappropriate. In addition, we may have conflicts of interest with respect to any investments mentioned. Our principals and our clients may hold positions in investments mentioned on the site or we may take positions contrary to investments mentioned.

Guild's current and past market commentaries are protected by copyright. Apart from any use permitted under the Copyright Act, you must not copy, frame, modify, transmit or distribute the market commentaries, without seeking the prior consent of Guild.

Guild Investment Management, Inc. • 12400 Wilshire Blvd. Suite 1080 • Los Angeles, CA 90025



[Subscribe](#) | [Unsubscribe](#) | [Preferences](#) | [Send to a Friend](#) | [Report Spam](#)

[Having problems receiving commentary? Please visit this link.](#)

