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Investment Insights from Louis Boulanger: *Prosper!*

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Issue 23 - 18 June 2008

In this Issue:

Printer Friendly

Dear [FIRSTNAME]

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All You Have Is Now

> *"There exists only the present instant... a Now which always and without end is itself new. There is no yesterday nor any tomorrow, but only Now, as it was a thousand years ago and as it will be a thousand years hence."*
>
> *- Meister Eckhart*
> *(C 1260 - 1328)*
> *German Dominican theologian and teacher*

Yes, Now. Right here, right now. That's all there is and will ever be. Better get with it and lose all those hypnotic memories, those false pretences and everything in between. This moment is perfect as it is. It does not need your interference, nor do you need to improve it in any way.

Just know yourself and dare to be who you are. Enjoy the letting go and the inevitable reward that comes with accepting what is and simply playing your part in it all, once you find out what that is.

What happens does not matter; what you do matters little; but what you intend when you act, given what happens, matters a lot. Be alert; don't slouch into illusory bliss or comfortable numbness. Be vigilant about what takes away your peace of mind. Above all, be patient and remember to forgive.

The rest will take care of itself and of you. Connect with the real stuff and enjoy! Be present and be good. There may be chaos, there may be crises, but it's all happening for a reason. Inevitably, all things must pass and the ongoing process of creation takes its course with or without you.

Who said time was linear? Maybe it's circular. Maybe we're spinning closer and closer to the centre. Are you getting dizzier and dizzier? Don't let anyone spin you around: stay focused and pay close attention to your and other people's intent behind actions.

In Seoul and Shanghai

I've just been to Seoul. This was my 3rd visit in so many years. What a place! Again, as always, the people there were expressing themselves in the street by demonstrating peacefully but in such large numbers that the central government had to take notice. Now that's democracy. There's a Republic! What were the people demonstrating against? US beef...

That's right: US beef! It was not the presence (still) of the US military in the middle of their lovely city, nor had it anything to do with North Korea or nuclear issues or rising fuel or food prices; the people protested against a deal made recently by their elected officials to reinstate the importation of US beef.

Well, that's how it started anyway. But the scale of the protest was such that it obviously goes to the core of what the people fear and dislike about the evolving relationship now between their government and that of imperial US, not unlike in the past it seems with imperial Japan; a story worth following, for sure.

After leaving Seoul, I spent the weekend in Shanghai on my way back to Auckland. I had not been in that amazing city since 2001; so I was keen to see how much the place had changed, yet again. I wasn't disappointed... But one

thing never seems to change about China and that's its people.

The Chinese are a peaceful, hardworking and easily contented people. They not only respect elders, but love children and are patient with their fellows. They never seem to look for confrontation. So it's no surprise that one easily feels welcomed, especially in public places like the People's Park; a beautiful oasis right in the centre of Shanghai's centre.

As a Kiwi (i.e. a New Zealander) travelling on a New Zealand passport, I could spend up to 48 hours in Shanghai without a visa. That seemed to be a little known privilege, as everyone else seems to be limited to 24 hours only... It must be as a result of the Free Trade Agreement that was recently concluded (the first!) between our two countries. Great stuff!

I always enjoy going to Asia and being there; it feels more and more familiar to me, as I seem to be going there more and more often (I'll be there again next month to chair a conference in Hong Kong on investment performance analysis). But, then again, it's also always nice to return home of curse.

OK, now let's get back to the money world and see what's been happening lately. Oh dear! It seems the great web of debt and delusion continues to prevail...

An Inconvenient Debt

"When you're in a hole," David Walker, former US Comptroller General said recently on CNBC's Squawk Box: *"stop digging!"* That's pretty obvious and it should be simple enough to realise, right? Well, I'm afraid that when you've been digging for so long you end up liking your own closed and nicely contained environment so much that you not only don't want to be free but are afraid of the real world because you simply can't control it. So you keep digging to the end. That is, unless of course, you pause even for only a brief moment, take a good look around and realise what surrounds you.

I have nothing but the deepest admiration for David Walker. He has recently resigned from his official US federal government role as the head accounting watchdog of the country's financial position to be able to speak more freely and openly about the virtually bankrupt state of the US in the hope that good people will listen and act accordingly before it is too late. The recent interview with him (now CEO of Peter G. Peterson Foundation) is here.

His is a message the whole world needs to hear, not just Americans.

A Convenient Lie

One convenient lie that passes for an inconvenient truth these days (thanks to Al Gore and his sponsors) is that not only this wonderful garden we live on is getting warmer, but it's our fault and we should all be terrified about it. Never mind that the sun is doing its thing and that there may be things going on which are beyond our comprehension. Never mind that the US military complex is playing god with our planet's atmosphere, magnetic fields and weather (just Google 'HAARP' if you dare and see what you find...).

But another big lie, it seems, is the recent jawboning of Good Ol' Ben Bernanke about wanting a strong US dollar (hey, that's the US Secretary of Treasury's job, not yours!) and promising to start containing inflation. Yeah, right!

My view, shared by many, but not widely reported, is that if the Fed were

serious about raising rates to curtail the massive hyperinflation winding its way through the system; it would have backed up its recent jawboning with an actual surprise rate hike by now. It looks to me like the financial markets have been (borrowing from someone else, whose name I can't remember at the moment) *"mentally molested by a Fed Chairman and Treasury Secretary who are preaching from wheelchairs..."* Well said!

If the Fed truly wanted to get serious about inflation and signal the start of an interest rate hiking cycle, it would also begin to reduce the growth of the money supply and set a date for the end of the "temporary auction facility" it created where it trades 100s of billions worth of toxic waste for US treasuries just to keep the illusion that 'all is well' on Wall Street alive a little longer.

But don't count on it. There is a Presidential election this year in the US; the necessary and inevitable action to save the US dollar from total collapse will be delayed until after that event takes place, I expect, because it would bring too painful economic consequences at the 'wrong time' politically.

Wall Street Says -2 + -2 = 4

Now, you don't need advanced maths to know 2 + 2 = 4 and -2 + -2 = -4. But Wall Street, with the complicity of the accounting profession, seems to have forgot this most basis fact or at least seems intent in bending the inconvenient truth into a convenient lie. What do I mean?

Well, Merrill Lynch & Co., Citigroup Inc. and four other US financial companies have used an accounting rule adopted last year to book almost US$12 billion of *revenue* after a decline in prices of their own bonds… Black is white and white is black now (in the financial world) it seems. The accounting rule, intended to expand the 'marked-to-market' accounting principle used to record profits or losses on trading assets, allows financial statements to report *gains* when market prices for their liabilities fall! The new math, while legal, defies common sense (and reason, it goes without saying).

Merrill, the third-biggest US securities firm, added US$4 billion of revenue during the past three quarters as the market value of its debt fell. That was the result of higher yields demanded by investors spooked by the New York-based company's US$37 billion of write-downs from assets hurt by the collapse of the subprime mortgage market… The illusion keeps expanding virtually unchallenged, it seems. But there is still hope, as some people have managed to keep themselves free form prevailing mind control.

"They can post substantial gains as a result of a decline in their own creditworthiness," said James Cataldo, a former director of treasury risk management for the Federal Home Loan Bank of Boston and now an assistant professor of accounting at Suffolk University in Boston. *"It's completely legitimate, but it doesn't make sense by any way we currently have of thinking of net income."* Read the full article here.

That's pretty amazing, eh? You just can't make this stuff up. It just happens.

Smells Like Trouble to Me

The Bank for International Settlements (BIS), the organisation that fosters cooperation between central banks, has warned that the credit crisis could lead world economies into a crash on a scale not seen since the 1930s… *"In its latest quarterly report, the body points out that the Great Depression of the 1930s was not foreseen and that commentators on the financial turmoil,*

instigated by the US sub-prime mortgage crisis, may not have grasped the level of exposure that lies at its heart."

According to the BIS, complex credit instruments, a strong appetite for risk, rising levels of household debt and long-term imbalances in the world currency system, all form part of the loose monetarist policy that could result in another Great Depression. Hummm… sounds much like what I've been writing for the past year or two in ***Prosper!*** But, this time, it's the BIS saying so!

These are turbulent times, dear reader; times of high deception, of ongoing fabrication and of controlled expectations. After all, there is a global war raging on, remember? Moral hazard is raging on too, in financial markets, thanks to some central bankers' irresponsible ongoing money creation. Times of crisis call for crisis investment strategies.

It's high time for you to take notice and at least preserve your accumulated wealth accordingly. *"Far from normal"* were the very words used by Ben Bernanke himself recently, when he described the state of global financial markets. It's hard to predict how long the large financial institutions at the heart of US economic activity can linger in the so-called "far from normal" limbo of pretending that what still passes for money has not by now been defaulted out of existence.

Yes, there is unquestionably a great wish for things to return to business-as-usual, but evidently events are still well out of hand...

> *"The hottest places in hell are reserved for those who remain neutral in time of great moral crisis."*
>
> *- Dante Alighieri*
> *(1265-1321)*
> *Italian poet, whose central work was 'The Divine Comedy', also known as simply Dante*

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Scapegoats for the Ongoing Systemic Crisis

> *"Believe nothing just because a so-called wise person said it. Believe nothing just because a belief is generally held. Believe nothing just because it is said in ancient books. Believe nothing just because it is said to be of divine origin. Believe nothing just because someone else believes it. Believe only what you, yourself, test and judge to be true."*
>
> *- Buddha*

The Inflation Genie Is Now Well and Truly Out of the Bottle

Wherever you care to look these days, there you find inflation. Despite the best efforts of the illusionists to hide it, there it is. Of course, this should come as no surprise to you, dear reader, as you had been warned repeatedly that this

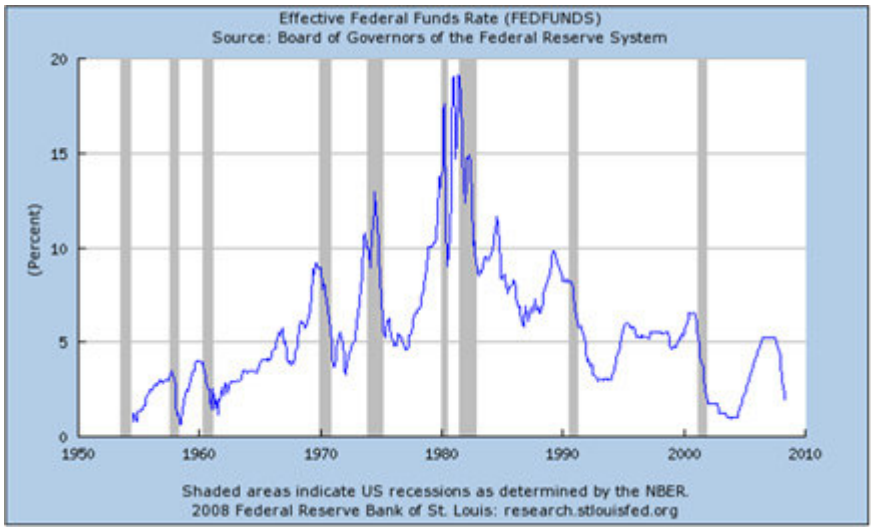
would happen in earlier issues of ***Prosper!***

The fast increasing rate of inflation, even the most suspect sort foisted on an increasingly sceptical public by officials, paints a dim picture for anyone who hasn't taken steps to protect themselves and/or profit from this most pernicious situation. A quick flipping through various sources reveals both the seriousness and the extent of the beast emerging from under our beds...

In China, inflation is now up 8.5% (though probably more like 10% plus); in India, it's up 7.6%, officially; in Russia, it's up 14%; in the Arab countries it's 10% or more; in Vietnam, it's up 25%; etc., etc. Inflation in the 15-country Euro zone was revised upward to an annualized 3.7% in May, the highest level in 16 years. In the US, the latest official inflation rate reported is 4.2%. But, according to ShadowStats, the annual inflation rate is now running in the US at 11.8%...

Of course, there is only one way to deal with rising inflation (or currency devaluation) and that is to raise interest rates. This is a fact. Its reality is well documented throughout the entire monetary history of central bank interventions. Paul Volcker, who preceded Alan Greenspan as Fed chairman (from 1979 to 1986) and who is widely credited with ending the stagflation of the 1970s, demonstrated this most fundamental tenet convincingly nearly thirty years ago.

I remember this vividly, because I had just graduated from university (in 1977) and my salary virtually doubled in the space of less than three years! Volcker raised interest rates relentlessly to their highest level ever (see chart below), which was enough at the time to convince the markets that he was serious about preventing a total collapse of the US dollar. But Helicopter Ben (Bernanke) seems intent on taking a different course this time...



Those in charge now are trying to change monetary history by ignoring this most basic principle of central banking. Rather than raise US dollar interest rates, the Fed chairman, the US Secretary of the Treasury and even the President himself are instead just jawboning... Well, it's simply not going to work. Not this time. Without significant increases in US interest rates, sooner or later, the US dollar is toast!

So, the pressure is building for the US money masters to reach for the interest rate lever. But that won't happen just yet, for reasons mentioned earlier. So they'll be wishfully hoping that 'talking the talk' will be sufficient and that their words will have enough effect to avoid having to take the necessary but painful

action. After all, let's not forget that the US economy is already in pretty bad shape and not showing any sign of a quick recovery yet.

Red Alert: Stop the Index Speculators!

With the price of crude oil and food rising as fast as it has been over the past few weeks, something or someone had to be blamed other than the true cause or culprits, of course... It's the speculators! Let's pass some legislation under urgency to prevent speculation on the commodities markets... That ought to fix the problem, for sure!!

Oh, and I suppose that index speculation in the share markets and credit markets (including all that toxic stuff related to mortgagers and default swaps) is OK, right? That can continue forever, of course, because it does not affect consumer prices. And what about the massive amounts of new money that the central banks keep flooding into the markets? That's OK too, right? It can't possibly have any effect on prices, right? Dear, oh dear... What have we come to?

They just don't want you to make any money. They also want to keep all the profits from investing in commodities to themselves, of course, by convincing you that it's a bubble and not the right time for you to invest in commodities. Hummm... Was it not just announced that, while just about everyone has lost confidence in financial assets, Goldman Sachs Group Inc. and Morgan Stanley are actually making money the old-fashioned way: by buying and selling commodities?!

> *"Goldman Sachs and Morgan Stanley are expected by analysts to report the best second-quarter earnings of the world's biggest securities firms this week, having limited their losses from the collapsing credit market. They also lead Wall Street in commodities trading, where crude oil futures doubled in the past year and the price of products from gold to corn soared to record highs."* See the full article here.

Of course, these guys are whiter than white and that's why what they do in the financial markets or their footprint is so transparently reported...

> *"Goldman Sachs and Morgan Stanley, the two largest US securities firms by market value, don't report commodity revenue separately; lumping it instead into the same line as fixed-income and currency trading. That makes it difficult to assess just how much commodity revenue has cushioned earnings."*

Now, that's real helpful. Thanks guys.

Is Correlation Causation?

John Mauldin's *Thoughts from the Frontline Weekly Newsletter* of 23 May had an interesting piece on the allegation that oil and food price increases are caused by speculators. Yes, there is no doubt that the rise in the investment in commodity indices and the rise in prices correlate significantly. But here's the key question to ask: does correlation necessarily mean that there is a direct cause and effect? Of course, opinions on this will vary greatly as everything else tends to do when it comes to things financial.

What an index fund does is buy futures contracts for a given basket of commodities when money is first invested. Say those contracts are six months

out. When the contracts are one month from expiration or delivery, the index fund sells the contracts and buys another set of contracts six months out. **They sell before the contract could have an effect on the cash price of the physical commodity.**

The cash price is determined by supply and demand. So let's look at supply now. Yes, index funds are building up a large *futures* position. But that is not the same as a large *physical* position. Bob Greer, executive vice president at PIMCO, argues that index funds do not affect commodity prices but may contribute to volatility. Aha! John Mauldin is kind enough to share with us Greer's paper on this:

> *"Some market observers have tried to tie the level of inventories to index investment, most notably in crude oil. Their arguments take one of two forms:*
>
> > *1. The indexer's act of selling the nearby and buying the distant contract forces the futures curve to be upward sloping (future price is higher than nearby price). This creates an incentive to own inventories and earn the "return to storage" represented by the slope of the futures curve. The act of increasing inventory keeps the commodity off the market, thus decreasing supply.*
> >
> > *2. A variation of the above argument is that the short seller, who takes the other side of the indexer's purchase, needs to protect their position by buying and holding the physical commodity.*
>
> *It would be nice if either of these arguments were true, in which case, the developed world would not be hostage to the Organization of the Petroleum Exporting Countries (OPEC). Any time we needed to increase crude inventories, we need merely to bring in more indexers, and the inventory would appear. In fact, the explanation for inventory levels of any commodity is much simpler. If, in the cash markets, production exceeds demand, inventories will rise. Otherwise they will fall. That is why, in six of the last eight years, global wheat inventories fell, regardless of index investment (USDA). That is why from 2006 to 2008; crude oil inventories declined and the crude oil curve went from upward sloping to downward sloping, in spite of increasing index investment (EIA). Furthermore, the second argument above breaks down when applied to non-storable commodities such as live cattle."*

Further, Greer shows a chart from Deutsche Bank which highlights the fact that many commodities which are not in the index fund portfolios have risen higher than exchange-traded commodities (rice, for instance). Take a look at the chart below:

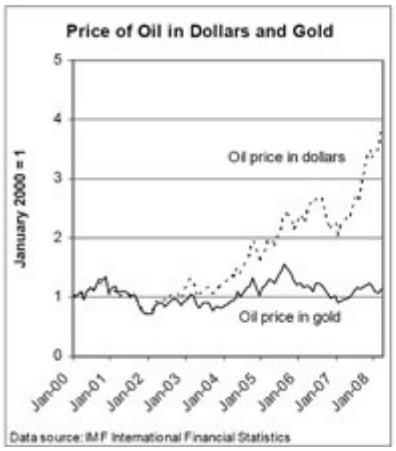
Greer concludes with these very important points, when it comes to understanding the fundamental difference between real stuff and financial stuff (the emphasis added is all mine):

> *"Regarding intrinsic value, commodity futures prices converge to cash prices, and cash prices are set by the level of demand to consume physical goods such as steak, gasoline, and Wheaties. The price setting mechanism is not based on possibly erroneous assessment of a financial statement, nor on irrational exuberance. In commodities there is an outside measure of intrinsic value--the cash market--that is not dominant in equity, real estate, or tulip bulb markets. As actual commodity prices go higher or lower, they reflect consumption requirements for actual products, many of which are not very storable.*
>
> *This is a sharp contrast from internet stocks or vacation condos, which are subject to speculative bubbles. Unfortunately, our conventional wisdom regarding factors that create bubbles is rooted in asset classes like stocks and real estate, asset classes that have fundamentally different characteristics than physical and futures markets.*
>
> ***Coincidence is not the same thing as causality. It is a coincidence that commodity index investment has increased in the last few years just as commodity prices have increased.*** *If there is any causality, it is the other way around. Rising commodity prices have caused an increased interest in commodity investment. And it is certainly causality that fundamental supply, demand and inventory factors have driven commodity prices in many markets higher, whether or not those are markets in which index investors participate. This is the same causality that has driven commodity prices both higher and lower for many decades."*

And if that was not enough to convince you, dear reader, that it's NOT the so-called financial speculation in the commodities markets that is causing the sharp price increases, here's another authoritative source that not only supports that view, but actually touches on the REAL problem or bubble...

Dr. Benn Steil, Director of International Economics at the Council on Foreign Relations, recently made a presentation before the Committee on Homeland Security and Governmental Affairs of the US Senate on this very sensitive subject. Here are some extracts of the views he presented. For his full statement, please click here.

> *"The sharp recent rises in global commodities prices, particularly in the energy and agricultural sectors, are undoubtedly causing hardship for many Americans, and are indeed threatening the health of many millions in developing countries. There is also no doubt that these price rises have been accompanied by a corresponding rise in interest from institutional investors in commodities as an asset class."*
>
> *"Certainly, much of this inflow is "speculative," in the sense that it is anticipating future supply constraints and robust demand. Both have been very much in evidence in recent years, and to the extent that speculation is driven by such factors it is playing a proper and indeed important role; that is, signalling the need to expand investment in production capacity, and providing liquidity to hedgers."*
>
> *"If this inflow is "manipulative," on the other hand, it should be a matter of immediate regulatory concern. But there is very little evidence that it is. Low and declining levels of inventory for major food crops, for example, indicate no potentially manipulative hoarding going on in that sector. In the crude oil futures market, the evidence suggests that changes in speculative positions follow the reactions of commercial traders to relevant news, so that* ***commercial rather than speculative position changes are driving price changes."***
>
> *"Many have (...) asserted that we are experiencing a "commodities bubble." This conclusion, however, presumes that the US dollar, which the world uses to price and trade commodities, is a fixed unit of measurement, like an inch or an ounce. Yet it is not, and, worryingly, it has become less so in recent years.* ***Whereas the prices of oil and wheat measured in dollars have soared*** *over the course of this decade,* ***they have, on the other hand, been remarkably stable when measured in terms of gold*** *– gold having been the foundation of the world's monetary system until 1971."*
>
> ***"It is therefore reasonable to conclude not that we are experiencing a commodities bubble, but rather the end of what might usefully be termed a "currency bubble."***



Hey, that's the second guy from the CFR in recent months, as far as I am aware and can recall, who is coming out of the closet about the currency crisis and the importance of gold! Hummm...

Here Comes the First Quadrillion

A quadrillion is 1,000,000,000,000,000 or a million billion or a thousand trillion. That's 15 zeros after the '1'... or 1015! Well, we've made it: there is now more than US$1 quadrillion worth of derivatives in the global financial world. The risk of a systemic meltdown continues to increase, not reduce, in my opinion.

The total value of all derivatives outstanding now exceeds US$1 quadrillion, nearly doubling since the last Bank for International Settlements (BIS) report! The value of listed derivatives is now about US$548 trillion and that of over-the-counter (OTC) derivatives is US$596 trillion, as of December 2007, for a total notional value of over US$1,000 trillion.

Remember that derivatives markdowns and failures are at the core of several ongoing financial crises, including the credit market freeze-up and the mortgage crisis. If any major counterparty/ies to these huge derivatives contracts fail(s), that could bring the entire "paper domino" derivatives edifice (and thus the entire financial system) crashing down as well...

As a result, whatever funds (taxpayer guaranteed or provided, ultimately, of course) are necessary to rescue major financial institutions at risk of failure will continue to be provided by central banks like the Fed. Since derivatives markdowns or defaults are increasing dramatically, this requires central banks to provide a veritable flood of paper money, a flood which has obviously already begun. Of course, this dramatic monetary inflation is beginning to inevitably manifest itself as escalating price inflation.

The Fed's irresponsible and accelerating printing of US Dollars (with M3 increasing at an annualized rate of 16%, according to shadowstats.com) is far in excess of GDP growth and so, it has made it ever more likely that a deepening recession or even depression may be on the way, if not inevitable.

Credit Default Swaps (CDS) Revisited

CDSs are intended to cover losses to banks and bondholders if and when companies that have issued debt are unable to pay it back. CDSs are derivatives and form part of the OTC total mentioned above. The global growth of the notional value of such contracts grew by 81 per cent last year to reach a value of $US 62.2 trillion! Eight years ago in 2000 when CDSs first emerged, their total notional value was $US 0.9 trillion... CDSs have effectively doubled

every year since 2000.

Any time a particular market goes parabolic or exponential in its ascent; there is an assured shakeout ahead. Right behind this coming shakeout stands the main commercial banks (they funded the money debauchery). Don't be caught in the booby trap being set up in the global bond markets!

Indeed, an ominous development (that is not getting the publicity it deserves) is the recent downgrade of bond insurers MBIA and Ambac by two notches to AA. This will have very serious consequences for US states and municipalities. The bottom line is that the stimulus provided by massive public works projects financed by various state and local governments will simply be greatly diminished, because from now on those projects will be much more difficult to finance.

Today, we have reached a situation where the "value" of literally hundreds of trillions worth of derivatives is actually unknown and unknowable. These derivatives, prominent amongst them the CDSs featured above, loom over the whole financial system like a gigantic dead weight.

The financial powers that be are desperately scheming and "legislating" to make sure that this financial concoction never sees the economic light of day by being traded and therefore valued in any type of open market. The bankers cannot afford this "stuff" to come out of the mist they have created to hide it (i.e. either kept 'off balance sheet' or categorised as 'Level 3' – also known as marked-to myth – assets).

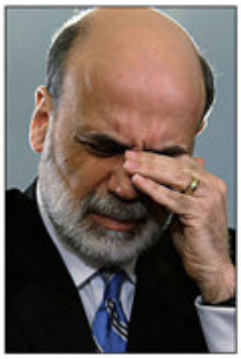
We may not be able to diagnose the causes of currency debauchery, but you and I can certainly diagnose the consequences. The problem today is that the longer the commercial and central bankers, especially in the US, successfully hide behind the mist, the worse the consequences will be when the inevitable finally blows away. Speaking of blowing up...

Update on Iran and the War

Iran has withdrawn around US$75 billion from Europe to prevent their assets from being blocked under threatened new sanctions over their disputed nuclear ambitions, an Iranian weekly said. For the full article, click here.

"Part of Iran's assets in European banks has been converted to gold and shares and another part has been transferred to Asian banks," Mohsen Talaie, deputy foreign minister in charge of economic affairs, was quoted as saying. Hummm... interesting.

Can you smell war? I can. *"The clash between the European Central Bank and the US Federal Reserve over monetary strategy is causing serious strains in the global financial system and could lead to a replay of Europe's exchange rate crisis in the 1990s, a team of bankers has warned."* For the full article, click here.



Is Jean-Claude Trichet going to be Ben Bernanke's nemesis? I suspect that we'll soon find out...

So we now come full circle back to the core issue of this issue: the unfolding systemic monetary crisis, which is caused by ongoing irresponsible monetary policy and the total failure of regulators in supervising the creative innovations of large (principally US based) financial institutions. The US dollar is in distress and, mainly because it's still the global reserve currency in which most commodities including oil must be bought and sold, strong and decisive action is needed.

Simply jawboning just won't cut it anymore, I'm afraid.

> *"Bernanke, Paulson and Bush bark but the USD will not deviate one iota from EUR 1 = USD 1.75 at the end of 2008, according to LEAP/E2020's forecasts. Since 2006, our predictions proved true, contrary to those of the main financial operators (banks, specialised media, governments and international institutions), despite many attempts on the part of players heavily involved in USD to make us believe in rebounds and other trend reversals. This so-called "return to a strong Dollar" is no different from before: each time, it resulted in a new slump of the US currency against all other major currencies. According to the researchers of LEAP/E2020, the declarations repeated by US leaders, and in particular by the US Federal Reserve's chairman Ben Bernanke, reflect the desperate situation of the Dollar more than a renewed will to give back some strength to their currency.*
>
> *US Treasury Secretary Hank Paulson's recent visits to Gulf countries and Asia, as well as G. W. Bush's tour in Saudi Arabia, have enabled the two leaders to realise the size of the problem looming on the horizon of the end of the year: the largest USD holders (Gulf countries, Japan and China) no longer believe a word of the what the US administration has kept repeating for years about the fact that the Dollar was always strong and would soon recover. At some point in this sequence will come the final break where the US Dollar loses its reserve currency status altogether. That will be seen when sellers of goods and services to the US demand that the US buyers make payment not in US Dollars but in Yen or Yuan or Euro. When that happens, it will mean that as a buyer, the US will FIRST have to buy the currency of the nation offering goods for sale before it can buy. No reserve currency nation has to do that."*
>
> *- Extract from page 3 of 31 of the most recent GlobalEurope Anticipation Bulletin (Issue 26; 16 June 2008). For more on GEAB,*

please visit www.leap2020.eu.

Your freethinking investment strategist, knowing that it matters what you think is money and wealth and hoping you do too!

Louis Boulanger, CFA
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