

INFORMATION LINE

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Perspective

We have received since our last newsletter a number of calls that tend to begin in a very similar way. To paraphrase, most of our readers have been asking, "What the heck is going on with these markets?" Lacking any supply of reliable crystal balls, we cannot know for sure what the future holds. Instead, we rely on reason and experience to help us sort out the myriad of information available in this modern world.



Michael Checkan

Consider this issue's "Perspective" as an interactive one. Together, we are going to try to determine whether diversifying out of US dollars is "fool's gold" or a "window of opportunity." Current market volatility, at first blush, suggests that the "sea change" in gold, the Swiss franc and the euro over the past year or two may not be a trend. What do the fundamentals tell us? Consider the following questions.

- Within the past month, has there been any fundamentally positive news concerning the US economy?
- Within the past month, has unemployment gone down?
- Within the past month, have housing starts been better than forecast?
- Within the past month, has the trade deficit diminished?
- Within the past month, has industry begun expanding?
- Within the past month, has the national debt contracted?
- Since our last issue, have any major events been initiated that would cause the future financial obligations of the United States to decrease?

(Answers: NO to all of the above)

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"May You Live in Interesting Times" The Changing World of Offshore

By Howell W. Woltz

The incredible changes of the last few years have taken their toll on the ability for Americans to do business abroad. The OECD, FATF, and the Clinton Administration's zeal to glean every possible tax dollar from the citizenry, have collectively hurt the offshore industry without a doubt. The Patriot Act was another blow. With its constitutionality being heavily questioned, it may not be with us forever, but it is here for the moment.

Some good news, however, is that attempts at "tax harmonization" by countries through the OECD efforts have fallen on deaf ears with the new U.S. Administration (so far). Bush isn't listening to them, and has even admonished those efforts through former Secretary of The Treasury, Paul O'Neill, who stated that President Bush was for "tax competition amongst nations, not tax harmonization". Bad news for the OECD boys back in Paris, and good news for economic freedom.

Just 28 days after the World Trade Center incident, however, Congress dusted off and renamed a bill it had deemed unconstitutional in 1999, and passed it overwhelmingly as the "Patriot Act of 2001". That hasn't helped, but it still hasn't stopped legitimate international planning.

More good news, is that there are several nations that have finally begun to stand up to the bullying they've suffered over the past few years. Perhaps the first and most courageous response came from Prime Minister Owen Arthur of Barbados, who told the OECD, "Do not impose upon yourselves the right to govern the world." Within days, the OECD boys were down in tiny Barbados cutting deals with the Prime Minister and promising to keep him off their "blacklist" and leave him alone, if he would quit pointing out their illegitimacy.

Courage, has its rewards.

Meanwhile, the Prime Minister of The Bahamas, Hubert Ingraham, agreed to everything (and more) that the OECD,

FATF, and the Clinton Administration wanted. For that, his nation got nothing except a "meltdown" of its financial sector as investors fled, and have been treated like a "doormat" ever since.

Weakness, has its price.

The jury is still out on the new Bahamian Prime Minister, Perry Christie. So far, his administration is marked only by a lack of action. He's making the right noises, but for the moment, banks are continuing to leave and go to business friendly nations. The people are rumbling over the job loss, however, so there's hope he'll join the new chorus of free nations soon.

There's a small group now standing up to the G-7 tax dogs. Antigua & Barbuda have nullified their letters of intent with the OECD, and were just joined by Panama and Labuan. More to follow. With 28 of the 30 OECD member nations not in compliance themselves (and unlikely to change), it is quite difficult to take their demands seriously. It is an obvious attempt by the big countries to squash the legitimate rights of these smaller, (but sovereign) nations to determine their own way of living and doing business.

One thing that we can always rely on is that Congress will leave its wealthy contributors (and members) a few "holes" in the net. Our advice is to find the avenues that have intentionally been left in the system, while staying away from any methods that bend or break the rules. That simply isn't necessary.

The key is to always be in compliance with the law. Find good counsel, and

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Currency Corner

War & Mega Changes

By Mary Anne & Pamela Aden

Some very important major market changes have taken place over the past couple of years.

Stocks, for instance, ended their 25-year bull market in 2000 and they've been declining since then. It's not a coincidence that gold hit bottom in 2001 after declining for 20 years. It's been rising ever since and it recently reached a six-year high. It's the same story for the U.S. Dollar. It's been falling since 2001.

Most important, mega trend changes have been confirmed in these markets, which is a rare event, signaling the new trends will also likely last for years. In other words, stocks and the Dollar are headed still lower and gold higher.

Last year gold shares were up 41% on average. That's in sharp contrast to stocks, which were down 25%. This is just a taste of things to come and it clearly shows that this is a very different investment environment compared to before, which is presenting tremendous opportunities.

The charts illustrate this and it's one of our favorites. They tell the story loud and clear and we urge you to view our charts in order to understand the big change that is now taking place.

Our charts are monthly and they're shown with a 20-month and 40 month moving average. Since these averages are very long-term, they identify and confirm the MEGA SUPER trends. Plus, they're not apt to give false signals since they only change direction every decade or so.

STOCKS & GOLD: Traded places

The S&P500 charts first broke below these two long-term moving averages in early 2001, which was a very bearish signal. This alone suggests the bear market in stocks is going to be a long lasting and grueling one. Interestingly, this is exactly the opposite of what the gold chart is showing. Gold broke clearly above its two long-term moving averages in late 2001, just months after the stock market's breakdown. This was a very bullish sign. Again, this strongly indicates that the bull market in gold is going to last for years and it's still in its early stages.

The bottom line is that stocks and gold generally move in opposite directions and as long as stocks stay bearish, gold's bull market is going to remain in force.

The drop in the U.S. Dollar is also one of the main reasons

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	YEAR AGO	CURRENT	
Swiss Franc	.6021/Franc	.7231/Franc	▲
British Pound	\$1.4372/Pound	\$1.5743/Pound	▲
Japanese Yen	.0076/Yen	.0083/Yen	▲
Euro	.8780/Euro	\$1.0675/Euro	▲

The Hard Stuff

"Gone Platinum....Golden Rule....Silver Lining"

By Glen O. Kirsch

Wow! After years of gold bashing, now Gold has recaptured the media and investor's attention. Gold has racked up impressive gains over the last 24 months and platinum, which (no one is talking about), is near 20-year highs.

At this time of political and economic uncertainty, we thought a re-visit of the precious metal markets in general, would be warranted.

Platinum...Trading at \$660/oz. → Near 20-year highs and has technically broken out on the upside. All time high is \$1,050/oz. in 1980. Many automotive manufacturers have switched to platinum catalytic converters due to Russian palladium supply problems. Platinum is still suffering to supply deficits and will probably trend higher with increased volatility. Consider capturing profit at these levels to reduce risk and apply proceeds to silver.

Palladium...Trading at \$210/oz. → Down from \$1,100/oz.; all time highs in 2001 and near recent lows. Market is controlled by the Russians. Still more room for further price decline, this move started at \$120/oz. Automotive manufacturers are the primary users and they are switching to platinum. Reliability of supply is more important than the economics of pricing. We would suggest that you stand aside until the price is \$200/oz. or lower.

Gold...Currently trading at \$330/oz. → Recently traded as high as \$385/oz. and as low at \$327/oz. Has technically broken out on the upside. There is very little technical resistance between \$330/oz. and \$400-\$425/oz. Extremely healthy market with a lot of interim profit taking throughout the move, starting at \$270/oz. 24 months ago. How high can it go? Use the Dollar as the benchmark. The Swiss Franc is 25% below the high of \$.91 in 1995. Adding 25% to the current gold price equates to \$415/oz. \$330/oz. was a **major resistance point**, should now be a **major support point**. This move is extremely broad based. We feel too much emphasis is being placed on Iraq war premium. It is a contributing factor, but not the only one. This moved started long before Iraq became an issue. A multitude of international and domestic issues are driving the price. Continue to accumulate and buy on dips.

Silver...Currently trading at \$4.45/oz. → Down from recent high of \$5.15/oz. and recent low of \$4.40/oz. Technically, silver has not yet broken out. Will probably set its own course

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	YEAR AGO	CURRENT	
Gold	\$303.40/oz.	\$330.00/oz.	▲
Silver	\$4.72/oz.	\$4.41/oz.	▼
Platinum	\$530.00/oz.	\$660.00/oz.	▲
Palladium	\$399.00/oz.	\$205.00/oz.	▼

INSIDE STORY

Life Outside the Competition

By Mike Cobb

Imagine being able to turn back the hands of time. Would you invest in Microsoft for \$1.00 per share? Would you be a whole lot wealthier today? Chances are you would be. If only we could go back in time.

Well now you can. Really. In fact, I'm using a time machine right now.

"Bologna," you say? Well, I've been called crazy before, and so have some of my very wealthy friends. But when they heard I was moving to Nicaragua with my wife and 2-year-old daughter, they all wanted to know why so they could get in on the action with me.

Others, less pioneering, also wanted to know why I was moving to Nicaragua. "Aren't you afraid of getting killed? Isn't there a civil war going on there? Don't you worry about the Government taking your land? The answer to all three was a resounding, "No."

But facts don't always carry the day for investment decision making. Emotions sometimes do, and fear is especially powerful. But for those of you who do care about facts, the civil war ended 15 years ago, the Harvard Business School INCAE rated Nicaragua the most peaceful country in Latin America, and property owned by foreigners has never been expropriated.

Nicaragua is a democratic, free market success story. Forward thinking companies like Liz Claiborne, Payless Shoes, Xerox,

Pizza Hut, Holiday Inn, Osh Kosh by Gosh, TCBY, and Mercedes Benz are profiting for being early to market.

(I wrote an article about risk vs. the perception of risk. The real money is in the "perception gap." E-mail me for a copy)

Some folks at home think I have been banished to the next thing closest to hell. The reality couldn't be further from the truth. We live in a nice house in the suburbs of Managua. We have full time help to clean the house, cook, tend to the yard, and run errands.

We eat out a few times a week and I often choose the chicken wings at TGI Fridays. My daughter likes the air-conditioned playgrounds at the several McDonalds and Burger Kings around town. My wife enjoys elegant dining at the many French, Italian, and seafood restaurants. We work off any extra pounds at one of the many modern gyms.

But why did we come here in the first place? It's the incredible opportunity to turn back the hands of time and make investments into sectors that have exploded in every other developing country. Can we be sure the same thing will happen here? No, of course not, but there is a reasonable expectation that development will follow a similar path and pace. History has taught us that lesson. Capitalizing on that lesson is where the big money is.

Next issue I will tell you about the specific opportunity that brought us here. And, for those of you who can't wait and need a "heads up" on this opportunity, you can reach me or my family at mcobb@granpacific.com or 011-505-886-0888.□

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above \$5.25/oz. Probably has the lowest risk and the highest potential percentage gain...best buy! What are the best methods of ownership? For core holdings; physical possession 90% junk silver bags or 100 ounce silver bars, core holdings with geographic distribution the Perth Mint Certificate Program (PMCP). Don't forget! You can place PMCP's in an IRA and a Profit Sharing Plan. You can actually buy silver bullion in a PMCP **cheaper** than you can purchase physical silver for possession. Ownership of a silver PMCP is the perfect method of ownership.

Summary...Sell platinum, hold off on palladium, buy gold and silver. Call 800-831-0007 or 301-881-8600 for assistance!□

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All the news about the economy has been negative. Consumer confidence is continually waning. We are fighting a war that we cannot afford, and we are going to foot the bill for 90% of the costs of waging it and rebuilding after it concludes. Yet, the dollar has been surging. The echoes of phone calls resound once again... "What the heck is going on with these markets?"

We believe that the market has been driven recently by news events with all the emotion and volatility you would expect. These short-term drivers of our markets, however, in the long run, are not very important to overall trends. Fundamentals lead to the formation of long-term trends, and fundamentals are what you should look to for direction in your financial decisions.

Stay the course. Resist the temptation to get caught-up in the emotion of the volatility in the markets. If the fundamentals show no signs of changing, we would suggest that a dip in the price of dollar alternatives, such as gold and Swiss francs, is better characterized as a "window of opportunity" than a purchase of "fool's gold."□

BITS & PIECES

Where's Michael?

By Michael Checkan

I just learned that the **Zurich Conference, May 4-9** and the **British Isles Investment Cruise, June 16-28** have been canceled. It appears that Americans will not travel abroad due to the current threat of War and fear of Terrorism. I do not agree and will not allow my travel plans and lifestyle to be dictated by those from abroad. Therefore, due to these cancellations, I will instead during May and June be on an around the world business trip to London, Madrid, Geneva, Zurich, Vienna, Singapore, Perth, Brisbane and San Francisco. I look forward to visiting with some of the IL readers at these stops.

Still scheduled for later in the summer is the Jyske Bank Investment Conference to be held in Copenhagen, Denmark from August 20-24. Also, still on is the 4th Annual Anglo Irish Global Investment Seminar to be held in Vienna, Austria scheduled from September 7-13. For more information about these investment conferences, email me at rcheckan@assetstrategies.com. □

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stay away from the "promoters". Any lawyer that tells you "that's all illegal" is also wrong. Just ask him why the IRS has a Form 3520 (Reporting of income from foreign trusts and gifts). He obviously hasn't taken the time to learn or seek what the law allows. Keep looking. Find another lawyer that has done his homework. It doesn't have to cost a fortune, either. Some of the "offshore" attorneys have made a good living out of overcharging U.S. clients, just to turn around and have licensed Trust companies do all the work for a reasonable fee, while keeping the difference.

A proper, legal, IRS compliant Foreign Trust structure, including a corporation, and all legal fees, should be about \$15,000.00, if you're dealing directly with a reputable, licensed company. Trust companies make a living on annual fees and company management, not on selling Trusts. The hucksters make it on scaring the "bejeezus" out of people, and then telling them, "I know a way.....but it will cost you!"

Use (only) what the law allows, but don't stop till you find it. As long as government spending is going up, so will taxes. As long as lawyers run Congress, frivolous lawsuits that could decimate your wealth will also remain. Protect yourself, but do it by the book.

Howell W. Woltz, Sterling ACS, Ltd. (Bahamas), 1-242-325-7574, Sterling Trust (Anguilla), Ltd. 1-264-497-2189, hwoltz@sterlinggroup.bsp

I Need Your Help!!

By Kathy Cansler

I received dozens of emails with positive comments to my request in the Feb/Mar IL for your email addresses. I really appreciate your response and would like to share with you just a few of the emails.

Dear Kathy:

"I am responding to your 'I Need Your Help' article in the latest issue of Information Line. I don't mind receiving Information Line in .pdf format through email; however, I want to know if you will be including the inserts, such as the two included in the February/March issue, in future mailings. If not, I would prefer having Information Line mailed to me."

Indeed, the inserts would be included through email too.

"I have been receiving Information Line on a regular basis, and I think it is very helpful. I would like to receive it through my email. My address is...."

"I am all for it. This is good information and like all good information it must be timely. I hope you go to email soon."

Again, thanks to all. Please do keep those emails coming to me at kcansler@assetstrategies.com or call me at 1 800 831 0007. □

"Gold gives an appearance of beauty even to ugliness."

Boileau (1636-1711)

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why gold is rising and the Dollar has further to go on the downside. The threat of war, uncertainty, low interest rates, record deficits, a sluggish economy, inflationary pressures and bearish stocks are just some of the reasons why, and these are unlikely to disappear soon, which are good for gold.

Basically, the current world situation is coinciding with these mega changes and as Bush continues beating the war drums, it's going to intensify these trends. As we've seen this year, stocks and the Dollar do not like war, but gold does since it rises on uncertainty, and these are indeed uncertain times.

Mary Anne & Pamela Aden are Editors of The Aden Forecast. For more information visit their website at <http://www.adenforecast.com>. □

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