

INFORMATION LINE

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Perspective

We live in a complex world. Advances in telecommunications and travel have drawn us all closer together. Today, we can talk to strangers a world away just as easily as we can our next-door neighbors. The result is a globe interwoven with relationships and influenced by a myriad of external factors.



Michael Checkan

Every aspect of our lives is part of a giant matrix. Simple actions by individuals have a more profound impact than they ever did in the past. And, within this framework of ever-increasing

complexity, rest the world's financial markets. Is there any wonder as to why people are perplexed by the movements in global markets and the impact that these movements have on their financial portfolios?

By the time you get done analyzing the effects of trade balances, Gross Domestic Product, interest rate differentials and interest rate biases, consumer confidence surveys, unemployment, manufacturing expansion or contraction, tax legislation, hedges, derivatives exposure, etc. . . ., most investors will find themselves so utterly entangled in confusion that they resort to the most common action of all – **inaction.**



Glen O. Kirsch

Well, here is some good news. It is time for a healthy dose of **simplicity!**

Keep your eye on the U.S. dollar. The dollar's fundamental strength or weakness will provide your direction and focus. It is that simple!

Put yourself in the shoes of an investor looking to enter the U.S. market from overseas. Ask yourself, "What compelling reason is there for me to invest in the U.S. market?" You will most likely conclude that traditional investments are anything but compelling investments. The U.S. equities market is trading sideways to somewhat higher and is still besieged by a lack of investor confidence. U.S. dollar interest rates are among the lowest

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Does A Falling Dollar Mean Profit For You?

By Dr. Erich Stoeger

Your answer should be yes - but only if you understand the economic environment and you position your investments appropriately. Then you should be able to protect the purchasing power of your investment funds and actually benefit from a depreciating dollar.

The dollar decreased in value by about 25% during the last 12 months. This erosion will possibly continue for the next six years based on the average length of the dollar cycles over the last 30 years. The dollar weakness is attributed to the ever growing US twin deficit (budget and trade). The US balance of payment deficit is now the largest the world has ever seen. During the first six months of the current fiscal year, the US amassed \$ 252.6 billion in debt. This is twice that of the first half of the preceding year.

In the past, the strength of the US dollar (despite the long prevailing balance of payment deficit) was based on huge inflows of flight capital from other economically troubled areas such as Brazil, Argentina, Mexico and South East Asia. These monies were invested in US bonds and drove US interest rates down; which improved corporate profits. Then, strong investments in US stocks created a spectacular bull market and attracted more funds from abroad. Eventually stock prices became over-valued and the bubble started to burst in 2000.

Now, you have a "boomerang effect"; foreign capital fleeing the US, because of low interest rates and a depreciating dollar. Foreign investment in the US has dropped 85% since 2000 and Americans are investing more in foreign markets than foreigners in the US.

So, what should astute American investors do now? Safe haven investments like liquid AAA international government bonds, gold and strong currencies enjoy enormous demand. For example, three month Euro ICD's yield about 2%, and three-year Euro bonds 2.7%. New Zealand dollar ICD's yield 5.6%. These currencies have the potential to appreciate against the US dollar, in addition to an already attractive yield.

If you are a novice global investor you should find a coach for assistance in investing abroad, selecting reliable partners and products, and possibly funds management.

Internationalising a portion of your investments portfolio results in risk reduction and return enhancement. The capital markets are larger outside the US and you broaden your options by including international investment vehicles. Most of these non-dollar investments can only be acquired through a bank abroad.

How do you select the right partners abroad? In Europe you have one remaining independent jurisdiction with expertise and tradition in the field of financial services. This is Switzerland, the granddaddy of private banking.

Also when internationalising your IRA, the US administrative trustee/custodian will need to employ a bank abroad for such investments. To globalise part of your retirement assets is a prudent strategy most IRA owners have never considered. Only a select few IRA trustees are familiar with this process.

Similarly, your life insurance strategy should have an international component. Swiss annuities are known for capital preservation, excellent asset protection. They can be tailor made to suit most individual needs. There are fixed and variable annuities. Fixed annuities guarantee the value and profit according to a regulated strategy. Variable annuities are linked to underlying investment funds or to a managed portfolio. Swiss policies can offer currency switch options, annuity payments for more than one life, loans of

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Currency Corner

A View From "Down Under"

By Michael Checkan

I recently spent two weeks in Perth, Kalgoorlie and Brisbane, Australia. I can report to you that things look much brighter in Australia than in the United States.

The purpose of my trip was to visit with GoldCorp Australia to view the gold, silver, platinum and palladium stored in their vaults for the Perth Mint Certificate Program. Also, I visited a friend's gold mines in the Australian "outback," and finally, I attended the Rotary International Convention in Brisbane.

Let's look at the Australian dollar, a currency I have been very keen on for the past three years. While I was in Perth the Aussie dollar rose to its highest level in 3 1/2 years. The currency reached a high of (US.6652), an increase this year of 18%, the third best performing currency in the world.

This commodity based economy is growing strongly. But, the interest rate differential is still the key issue for the Aussie dollar. At the time, the Bank of Australia's Board's overnight cash rate was at 4.75%. The European Central Bank's (ECB) benchmark rate was 2.50% and the US FED rate was at a 41-year low of 1.25%. Of course, both the ECB and the FED have both just recently reduced their rates further.

Australia is the third largest gold producer in the world today. In part, the weakness of the US dollar is pushing the gold price higher. However, over the past two years, the major reason for a higher gold price has been reduced producer selling rather than strong buying.

Gold producers have been aggressively reducing their gold hedge positions and selling less gold forward. Also, European central banks have capped the liquidation of their massive holdings of gold to 400 tones a year through September 2004. All of this is very positive for gold and thus for the Aussie dollar too.

My third visit to GoldCorp and the Perth Mint since 1998 was again a very positive experience. The current Chairman and friend, Don Mackay-Coghill retired on June 30, and he is being replaced by an excellent management team of Edward Harburz, CEO and Richard Hayes, CFO. They both are very knowledgeable and have years of experience in the industry.

The Perth Mint Certificate Program (PMCP) which ASI helped create and develop continues to grow through a worldwide Approved Dealer network. The PMCP remains the only government guaranteed precious metals program in the world today.

Another good friend, Ron Manners, Chairman of Croesus Mining NL invited me to tour his gold mining operations at the Central Norseman Goldfields (CNG). Ron's CNG holds the record as Australia's longest continually operating gold mine now in its 68th year of operation. In November 2002, CNG poured its five-millionth ounce of gold and it's reserves are far from being depleted.

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	YEAR AGO	CURRENT	
Swiss Franc	.6781/Franc	.7323/Franc	▲
British Pound	\$1.5298/Pound	\$1.6305/Pound	▲
Japanese Yen	.0084/Yen	.0085/Yen	▲
Euro	.9897/Euro	\$1.1317/Euro	▲

The Hard Stuff

Backwards To Go Forward

By Glen O. Kirsch

Sometimes to see where you are going, you must look back. The current depreciation of the U.S. dollar has roots in 1995-2000. So when we are asked, "Where are the precious metals going?" or "How high will gold go?" we analyze the last 10 years to project forward.

This reflective analysis process can be difficult though. How do you synthesize the abundant relevant information into an accurate, concise projection? Do not succumb to "information overload." Keep it simple!

First, let's ask some questions. Is the dollar overvalued? Will the dollar be lower in the future?

The dollar hit its high in mid-2000, and shortly thereafter, gold bottomed at \$252/oz. Much of the dollar's appreciation between 1995 and 2000 can be attributed to foreign capital chasing Wall Street (dot.com mania). This artificial demand for dollars was significant and in unprecedented proportions. The result was a "pin waiting for a balloon." So, it should not have come as a surprise when Wall Street collapsed. There was an exodus of capital of monumental proportions. Foreigners were losing their shirts due to the plunging securities market plus the plummeting dollar.

With these ingredients in the pot, the precious metals market began to boil. Gold surged from \$252 to \$385/oz. in 24 months. The old axiom, weak dollar-higher metals prices, was reasserting itself.

Now, we are facing a media blitz that the stock market has bottomed and you should get back on the bandwagon before it's too late. But wait! Major trend reversals for the dollar don't happen everyday. These cycles have occurred 3-4 times in 20 years. This period of dollar weakness began in early 2001 and should last another 5-7 years.

Is it reasonable to expect a sustained recovery of the stock market without dollar stability? No! Foreign capital will be a necessary foundation for a stock market recovery, and current foreign capital yields favor the overseas markets. Sounds like a bear market rally, doesn't it!!

With this foundation of sand, we expect the dollar to go lower. Other problems such as Enron, the Patriot Act, balance of trade deficits and Iraqi reconstruction all point toward a continued atmosphere of dollar weakness and will only exacerbate the situation.

President Bush recently reaffirmed the administration's position favoring a strong dollar. But with an amazing 35% drop against the Euro in just 24 months, I'd hate to see a weak dollar policy!

With this atmosphere of dollar weakness and financial uncertainty, we expect the precious metal to appreciate and provide a safe harbor for investment capital. So what should you do? Many experts are saying to look for dips and buy into weakness.

Gold is currently in a trading range of \$350-\$375/oz.

Silver is currently at the low end of its recent trading range \$4.50-\$4.70/oz. and we believe silver has the least risk and highest potential percentage gain.

Platinum is at the high end of its recent trading range \$650-\$680/oz. The risk here dictates some profit taking with proceeds allocated to gold and silver. Repurchase, if prices fall to \$550/oz. or lower.

For safety, flexibility and cost effectiveness, you can't beat a Perth Mint Certificate.☐

	YEAR AGO	CURRENT	
Gold	\$314.40/oz.	\$344.50/oz.	▲
Silver	\$4.87/oz.	\$4.77/oz.	▼
Platinum	\$539.00/oz.	\$680.00/oz.	▲
Palladium	\$320.00/oz.	\$181.00/oz.	▼

INSIDE STORY

Exploring the World for Opportunities!

By Pierre Dagenais

Much of the new world we have today was discovered as a result of explorers seeking opportunities. For some, it was the quest for wealth. For some, it was religious freedom. For others, it was simply knowing “what was on the other side”.

Now that my children are grown and self-sufficient, I am able to do my own exploring. My wanderlust was motivated by similar reasons as the ancient medieval and colonial explorers – change, new environment, weather, challenge, and job. But the bottom line is that I had the itch.

After hours of research and considerable travel, my quest ended with the exceptional Central American country of Costa Rica. Basically, it is a biological bridge between North and South America with twelve ecologically distinct zones. The topography varies from cloud dripping mountain rain forests to picturesque white sandy Caribbean beaches. The vegetation is lush and varied. Five percent of all the species known to mankind inhabit the area, while 25% of the land is protected territory. The weather is typically tropical, with sporadic showers, and the temperature is so pleasant that you can keep your windows open day and night.

Costa Rica boasts over 100 years of democratic tradition, and the citizens are well-known for their peaceful nature. A testimony to this stability is the presence of many large international corporations and organizations, such as Intel, Abbott, American Court of Human Rights and the U.N. University for Peace.

My interest in relocating from Montreal, Canada to Costa Rica was spurred by another reason. About 2 years ago, I became a consultant and eventually a Vice President for a company named **New Shore**. I traveled internationally for **New Shore** as a speaker and recruiter of experts for its seminars. **New Shore's** headquarters is located in Costa Rica. So, when its CEO,

Michel Laporte, requested I work with him in Costa Rica, how could I refuse? Working in paradise! My odyssey began last September, and the rest is history!

What was so compelling about **New Shore** to cause me to make this life-altering decision to relocate to Costa Rica? Well, the Montreal winters were a contributing factor, but **New Shore's** mission was what intrigued me. I have always felt the need to create a healthier and broader environment for all. **New Shore's** mission is to create a reliable educational platform where knowledge, through a dynamic relationship between its students and educators, is the primary long-term channel toward achieving successful results. Hence, its slogan is “Growing to Make a Difference”.

New Shore offers three levels of educational services:

- Access 100 – Developing seven different areas of living toward a fulfilling and balance life.
- Access 101 – An internet-based Academy online where knowledge and its applications are at the tip of your fingers.
- Access 102 – International seminars where students and educators meet and interact.

Later this year, Asset Strategies International's President, Michael Checkan, will be visiting Costa Rica and **New Shore's** offices. Michael will be able to report first-hand on how successful we are at “making that difference” in our members' lives. In the meantime, if you visit Costa Rica, do not hesitate to contact me. It would be my pleasure to answer any question about Costa Rica or **New Shore's** educational services.

You may reach me at the following coordinates: Pierre Dagenais, New Shore, Parque Empresarial Forum, Edificio E, Planta Baja, Apartado Postal 87-6155, Santa Ana, Costa Rica, Telephone #: 506-204-7521, Ext. 3, Fax #: 1-805-980-5156, Email: pdagenais@new-shore.com, Website: www.new-shore.com.□

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up to 80% of the value and many more things. They come with full asset protection, low fees, tax advantages and a reasonable yield. Swiss annuities are permitted in IRA accounts.

Another method to protect yourself against a falling dollar is to invest in gold. Usually when the dollar goes down gold goes up. With stock markets very vulnerable, interest rates low and persistent economic weakness, gold is safe and a promising alternative to other traditional investments. One of the easiest ways to own physical gold, with a government guarantee, and with the advantage of free storage safely abroad is the Perth Mint Certificate from Australia

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offered worldwide. The real estate market appears to be a “balloon looking for a pin,” which means an end to real estate expansion. And, holding U.S. dollars has cost investors 20-30% over the past 1 1/2 years, depending on your currency outside the U.S. dollar.

Until there is a significant attraction for foreign investment, there will not be a massive influx of foreign capital, there will not be an increase in demand for dollars, and non-dollar correlated investments will continue to thrive.

Some great examples of products that we expect to thrive in this U.S. dollar-weakening environment can be found throughout this month's issue. Our lead article features Dr. Erich Stoeger, Chairman of Euraxxess, AG and his assessment of the current economic landscape along with some concrete suggestions on how you can profit from the U.S. dollar's fall. Our “Hard Stuff” and “Currency Corner” articles highlight the promise of gold, silver, and the Australian dollar. Michael's recent trip “Down Under” resulted in some observations about the Australian currency that resonate with other commodity-based currencies as well.

Keep it simple. And remember, in this current economic environment, holding U.S. dollars just doesn't make “cents”!□

BITS & PIECES

Where's Michael?

By Michael Checkan

I returned to the office for a few days after my five week around the world "walk about" before departing for Canada and the Northeastern US.

In Toronto, I met to discuss alternative investing and the international diversification of assets with an exclusive group of Canadians at the University Club. I will be doing more of these types of meetings with M&L Consulting. The next one is scheduled for early August in Austin, Texas.

From **July 30 until August 3**, I will be at the **American Numismatic Association's** annual meeting held this year in Baltimore, Maryland. This event enables me to meet many old friends in the precious metals industry.

In **mid-August**, you will find me at the annual Libertarian oriented **Eris Society Meeting** in Snow Mass, Colorado. This event, founded by Doug Casey more than 20 years ago, brings together very bright and interesting people in a picturesque setting.

Afterwards, I return to Europe for the **Jyske Bank Investment Conference** in Copenhagen, Denmark (**August 20-24**) followed by a small group of friends from the conference traveling with me to Norway for five days. Then, it's on to Switzerland to meet the "Gnomes of Zurich" again and back home in mid-September.

I invite the readers of [Information Line](#) to contact me if you would like to meet with me at any of these locations. I enjoy getting to know our readers better and sharing with you my thoughts on the international markets. □

Welcome to the 21st Century

The time has come at last! Although we have been threatening to take this step for a couple of years, at last we can. We have received enough of a response to Kathy's pleas for e-mail addresses that we can finally begin sending our newsletter via email.

Beginning with the September issue, those of you who have provided us with your email will receive E-Letters. Initially, we will continue to send the hard copy of [Information Line](#) through the postal service. After a month or two, assuming there are no problems with our email delivery system, you will only receive the E-Letter.

Keep in mind that the e-version of our newsletter will deliver our information to you more quickly, and it might save a tree or two over time. If you have not already done so, please contact Kathy Cansler either toll free at (800) 831-0007 or via her email at kcansler@assetstrategies.com to request your E-Letter. □

Unique Collectibles from "OZ"

While on his recent "walkabout" in the land of emus, koalas and kangaroos, Michael uncovered a few interesting "nuggets" he thought might be of interest - from the Perth Mint in Western Australia. With the help of our affiliate, First Collectors Guild, Inc. (FCG) in conjunction with The Perth Mint, we have put together a catalogue of representative collectibles that we thought might interest you.

As a means of testing the waters, we have included the catalogue with this month's newsletter on a random basis. Depending upon how well it is received, you may see periodic full mailings of these catalogues courtesy of our Australian friends at the Perth Mint.

If you did not receive a copy of the catalogue with [Information Line](#), but are steeped in curiosity, call us toll free at (800) 831-0007 to request your copy. We have a limited number of additional copies for this purpose. Also, please feel free to visit the Perth Mint's web site at www.perthmint.com.au/asi.

The Perth Mint is renowned worldwide for its innovation, design and superior craftsmanship in precious metal collectibles. See for yourself today! □

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I will be telling you more about Ron Manners and his gold mines in an upcoming article. In short, I spent an intense day touring his Phoenix Mill, the Daisy, Golden Dragon/Gladstone Open Pit Mines; plus, I went 650 meters into the Harlequin Underground Mine. To say the least, it was fascinating seeing tons of ore being mined in order to get a few ounces of gold out of the ground.

Western Australia, where Perth and Kalgoorlie are located, is growing. Robust growth in business investment is a key component of economic activity. However, there is much activity going on in Brisbane, Eastern Australia on their "Gold Coast."

Eastern Australia is less reliant on natural resources and more dependent on tourism. There has been no outbreak of SARS in Australia but tourism has still been effected. However, any slowdown has not been seen in the housing market. Like the US, the Aussies are experiencing a boom in their real estate markets.

Indeed, all is well "down under." In fact, they are even benefiting from joining the "willing alliance" with the US for its campaign in Iraqi. President Bush invited the Aussie Prime Minister recently to his home in Crawford, Texas and promised economic benefits.

I plan to brief you further this fall about my views on my most recent "walk about." So, look for my comments on ways you can continue to grow and protect your wealth through alternative investing and diversifying assets internationally. □

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