

INFORMATION LINE

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Perspective

With the World Series in full swing, it's hard to resist an analogy to the "Fall Classic." Some of the best baseball players in the world take center stage with one goal...to win it all. Over the years, the players change, but the fundamentals remain the same. Good hitting wins games, but good pitching wins championships. The obvious lesson here is that a good defense is more important than a good offense.



Michael Checkan

But what does that have to do with the economy in general, and my portfolio in particular? Glad you asked...

Given the current state of the economy, you are probably getting inundated with get rich quick schemes, can't miss offers, and market timing strategies. While there may be some merit to the rationale behind some of these offers, you will find, oftentimes, that these strategies may produce minor "victories" for your portfolio, but they do not win you the "championship."

In this environment, the best strategies for long-term gain are more defensive, as opposed to offensive, in nature. The best opportunities in this market tend to be those that preserve or protect wealth versus those that create wealth. When all is said and done, the investors that managed not to lose money in this market will be the winners. Your success will be judged basis how much of your portfolio you were able to hold on to rather than how much wealth you were able to add to your portfolio.

*These are, without question, difficult economic times. But there are many "defensive" opportunities available to you in the way of precious metals, foreign currencies, and other commodities. This issue of *Information Line* gives you some of the best tools available to defend against these uncertain markets and these uncertain times.*

Whether you take advantage of the recent dips

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The Global Gateway to Your Offshore Nest Egg

By Adam Starchild

Although an international perspective would be in their own best financial interest, most people, wherever they may live in the world, do not have such an outlook when considering where to place investments. People are indeed, creatures of habit. They have their jobs, their homes, their pensions and virtually all of their investments in their home country, although the prudent approach would be to shop around the world economy for the best deal and the maximum protection. Knowledgeable investors realize that international exposure for long-term investment portfolios can be healthy and profitable, so much so that some financial experts suggest 20% to 50% of investment portfolios should be placed abroad.

Aside from the stability and a better return some foreign investments guarantee, there are often strong domestic reasons why a specific country's citizen should consider putting assets into some form of foreign investment, even in one or more countries.

The state of the your nation's economy is very important to you as an investor, but it is easy to be blinded by traditional faith in the value of your own currency, to have pride in your nation as a place to protect wealth based on its history. But it is critical to the success of any investor to learn from the past, but also carefully to assess the truth about your home country today. Your investments must be as safe as possible and that requires analyzing your national economy in the same dispassionate way a stock analyst would judge the reliability of any large corporation. Or look at your nation as you would a foreign country in which you are considering placing your assets or investments. After this test, the question may become not whether you should diversify by going international but, "where and how much?"

People like to think that their country is dependent upon no other country, that, if necessary, it can produce all the goods and services it needs within its borders. This belief arose during early days when the Atlantic and Pacific Oceans made trade with foreign partners slow and torturous.

Times have changed. Since World War II, the economies of individual countries have

merged into continental economies, and from there have grown into a global economy.

To limit yourself to merely investing in one country means greatly limiting your investment opportunities. International diversification provides a variety of potentially high-growth investment choices in stocks and bonds. If an investor chooses to invest only in domestic companies, he denies himself the opportunity of investing in some of the world's leading companies.

While there are many investment opportunities abroad, one of the best places to consider is Switzerland. It has already been noted that the Swiss franc has an extremely high gold backing, and that's just one reason for considering Switzerland for investment. It is a country for managing a global investment portfolio; not just a country to invest in, and Switzerland has more money under management than any other country.

For about a decade now, in my many books I've recommended the Swiss-based investment management services of Weber, Hartmann, Vrijhof, & Partners Ltd., a firm that applies strict and conservative asset management principles. In today's troubled economy, the real goal is to preserve capital, not look for a get-rich-quick stock, and WHVP is a firm that appreciates the importance of capital preservation. To request information, you may write to them at Weber, Hartmann, Vrijhof, & Partners Ltd., Attn: New Clients Department, Zurichstrasse 110B, CH-8134 Adilswil, Switzerland or use their Internet inquiry form at <http://www.cyberhaven.com/whvp/>

Information Line readers are presumably familiar with the case for investing in gold, but I advocate keeping the gold in the

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Currency Corner

The Awakening of the Golden Dragon

By Dr. Lawrence Parks

China has a long history of depreciating currencies, and Chinese people are thought to be very mindful of the benefits of owning gold. For example, when Chiang Kai-Shek fled the Chinese mainland on December 10, 1949, he took with him the central government's entire gold reserve. On the mainland, there was hyperinflation.

These days, it is mostly thought that by not allowing the yuan, a.k.a. the renminbi, to "float" and trade internationally, the Chinese are keeping the currency artificially depressed. Their supposed motivation is to continue to spur imports to the U.S. But while the yuan may look solid from this side of the ocean, there are disturbing reports of another genre. In an article dated September 12, 2003 entitled "Talk of a Revalued Yuan is Starting to Worry Chinese Depositors" in the Wall Street Journal, Jane Lanhee Lee reports, "Weijian Shan, a partner of the U.S. private-equity firm Newbridge Capital, said the upward pressure on the yuan is partly an illusion caused by China's tight capital controls. The yuan would be under tremendous downward pressure if Chinese citizens were permitted to buy dollars at will."

The article makes the point that many Chinese don't trust their currency and are holding dollars as a store of value. Because there is a possibility that the Chinese will attempt to revalue the yuan upwards to mollify U.S. interests, Chinese people are reportedly unloading dollars. Given their innate distrust of paper money, especially in light of the very low interest rates, a renewed interest in gold is likely. More importantly, this comes on the heels of increased liberalization of the gold market in China.

China.org reports, "Last year China relaxed its control of the gold jewelry market. It was the final move after the central People's Bank of China established a weekly quotation system for domestic gold prices, which adjusts the prices in line with international fluctuations. Observers expect the official launch of the Shanghai Gold Exchange will bring China's gold industry into a market system as opposed to a planned one. It will abolish the role of the central bank as a gold trading middleman and provide a direct trading platform for domestic buyers and sellers. Thus the prices in the market will fluctuate with international changes, Chen said."

The bottom line is that because of the massive trade imbalances between China and the U.S., and because of the uncertainties about the currencies of the two countries, along with a liberalization of the gold market in China, there is a potential for tremendous gold off take in China. Taking into account the continued short positions of several large gold producers, along with even larger short positions by central banks, there is the possibility of an explosive increase in the price of gold.

Editors note: Larry is a gold specialist and a good friend of the

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	YEAR AGO	CURRENT	
Swiss Franc	.6698/Franc	.7483/Franc	▲
British Pound	\$1.5521/Pound	\$1.6739/Pound	▲
Japanese Yen	.0081/Yen	.0091/Yen	▲
Euro	.9786/Euro	\$1.1610/Euro	▲

The Hard Stuff

LIMITed Volatility

By Rich Checkan

To date, 2003 has provided some of the most volatile precious metals markets we have seen in a many years. While this can be a source of consternation for some, it need not be. As long as you keep in mind that short-term volatility is less important than the long-term trend, you can keep the sleepless nights to a minimum. Let's first look at each of the precious metals' performance, then, we will consider how to protect against sharp swings in metals prices.

GOLD – After testing the highs of the past five years near \$400 per ounce, gold had a bit of a sell-off down to about \$370 per ounce triggered by the first good news the U.S. dollar had seen in awhile in the form of positive employment figures. Consider some of the comments about Chinese gold in Larry Park's article in this issue before you elect to throw in the golden towel. We agree with many experts that, as a result of this pullback, "opportunity" can be spelled "g-o-l-d."

SILVER – Much like gold, silver experienced a similar sell-off from the highs near \$5.40 per ounce down to the mid \$4.80's. The fundamentals remain strong on this unique metal. Look to the summary report of the [2003 Silver Survey](#), which can be accessed at www.silverinstitute.org, for some background on this metal's supply and demand statistics for 2002. Many industry experts feel that silver may provide the least downside and greatest upside potential of all the precious metals.

PLATINUM – This high-flying industrial metal has recently reached its highest price levels in 25 years! Benefiting from a substitution out of Palladium, increased automotive sales due to zero percent financing and large cash-back incentives, and the realization that supply will fall short of forecasted production levels, platinum is feeling fairly comfortable above \$700 per ounce. A reallocation to Gold and Silver may be in order.

PALLADIUM – It's hard to believe that this metal, just a couple of years ago, was trading at \$1,100 per ounce. The effects of Russian shipments resuming, and the move back into Platinum by automobile manufacturers fearful of being at the mercy of this Russian-controlled market have taken their toll. Palladium remains fairly constant and comfortable in the vicinity of \$220 per ounce.

Because of the volatility we have seen lately, many of our clients are taking advantage of a LIMIT ORDER when making purchases of precious metals. While this can be a powerful tool, especially for **Perth Mint Certificate** transactions, misused, it can actually cost money. A number of clients have placed LIMIT ORDERS just below the current market level of the metal they wish to purchase. Unfortunately, in this overall rising market, many times the market continues upward and never comes back down to touch the LIMIT set by the client. After chasing the price upward, the client settles for a MARKET ORDER \$20 or so above the levels where the LIMIT was initially placed.

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	YEAR AGO	CURRENT	
Gold	\$320.20/oz.	\$372.10/oz.	▲
Silver	\$4.36/oz.	\$4.97/oz.	▲
Platinum	\$588.00/oz.	\$741.00/oz.	▲
Palladium	\$331.00/oz.	\$201.00/oz.	▼

INSIDE STORY

Bullish on Canada and Palladium

By Eric N. Roseman

Some of the best values for commodities now are in Toronto. With a strong Canadian dollar emerging since earlier this year combined with a surge in raw materials, Canada is home to some great investments.

There's a stealth bull market going on in the metals, but don't tell Wall Street!

Want proof? Check this out...

Over the last 12 months, platinum has surged 25%; copper has risen 17%; aluminum prices are up 11%; nickel has soared 40%; tin is up 28%; lead up 14%; silver has gained 10% and my overall favorite, gold, has climbed 20% since October 2002.

Anyone still thinking that commodities are stuck in a bear market are not looking at the facts and figures. What's developing is a massive bull market, already underway and just in its infancy. Several key commodity indexes continue to hit new all-time highs or multi-year highs, including the Rogers Commodity Index, the CRB Index and the Goldman Sachs Commodity Index.

Rising inflation is also in the cards. It might not be the kind of inflation we saw in the 1970s, but it will resurface very soon. The Federal Reserve has staked its existence to fighting the new battle: Killing deflation.

And when central banks worldwide want to create inflation, things like gold and other raw materials are sensitive to escalating price pressures. That's exactly why gold is rising along with most other hard assets today. What's also key to note is that gold is now outpacing the Euro and the yen vis-à-vis the U.S. dollar. Over the last 12 months, gold has gained 20% while the Euro is up 18%.

But from the above list of precious and base metals, only ONE metal has actually declined year-over-year – palladium. Over the last 12 months, the spot palladium price has tanked 34% to \$211 per ounce from \$320 last October 1st. That's a crash in my books.

The key questions to ask are, "Why has palladium plunged?" and "What catalyst will turn the price around for big gains?"

First of all, Russia and South Africa, two of the world's largest palladium producers, have been dumping excess production like mad onto global markets since 2002. When you have too much supply and not enough demand, boom, it's lights out for that trend. Unlike other base metals and precious metals, there is a supply-glut right now for palladium.

Palladium is heavily used in the auto industry to control car emissions in catalytic converters. Every car has one. It is also consumed by the dental industry, electronics, jewelry and chemicals. It is perhaps the least used of all base and precious metals. That's the case because many auto manufacturers are switching to alternative by-products for catalytic converters.

The way I look at it, palladium prices should double over the next 3-5 years as the bull market in gold, silver and other base metals really takes off. And the way to play that trend is through Canada's largest palladium company, **North American Palladium** (Toronto-symbol **PDL**).

North American Palladium is Canada's only primary producer of palladium, through its mega Lac des Iles mine. There is a huge

source of mineral wealth in Lac des Iles, including mostly palladium, platinum, gold, copper and nickel. When you buy **PDL**, you're buying mostly a palladium producer, but with a little kick in other metals, too.

PDL is making money. Second quarter earnings per share were C\$0.37 versus C\$0.27 cents per share a year earlier. And that's at a time when palladium has crashed! Why? Because **PDL** has correctly sold some of its palladium production forward at over \$300 an ounce versus \$200 today.

As palladium eventually turns around, forward selling will draw to a conclusion. Most companies operate this way, including Canada's largest gold company, Barrick Gold. As gold started to turn around last year, Barrick lifted its forward sales.

North American Palladium has a good stock chart. The stock is up 10% in 2003 in Canadian dollars, or 24% when converted back into U.S. dollars as the Loonie rallies. **PDL** should be a \$15-\$20 stock over the next 24-36 months as palladium and other base metals in its inventory accelerate their bull market momentum. This is a great small company with superb upside, offering a basket of base metals and some gold. **BUY PDL** up to C\$7.

Check for real-time pricing at The Toronto Stock Exchange. Type <http://www.tsx.ca>

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Perth Mint Certificate Program (PMCP) so that it becomes internationally diversified gold, based in Australia. This doesn't change the market value, but it does help keep your assets in more than one country. PCMP isn't just for gold, although the certificate program evolved from the Perth Mint's involvement in gold. Today, other precious metals - particularly silver - are available through the program. From the viewpoint of diversification, not only are the metals stored in Australia, but delivery may be taken in major world markets such as London, Singapore, or Zurich. It has been six years since I recommended PMCP and Asset Strategies International in my book **Portable Wealth: A Guide to Precious Metals Investing**, and I still recommend them today.

For those who have heard this global diversification message for a long time now, please remember that there is a certain degree of comparison to fire insurance. Just because your house has not burned down is not a reason to cancel your fire insurance policy. Diversification can be seen as an analogy for your investment portfolio.

Over the past 24 years, Adam Starchild has been the author of over two dozen books, and hundreds of magazine articles, primarily on business and finance. His articles have appeared in a wide range of publications around the world. Now semi-retired, his website is at www.adamstarchild.com. □

BITS & PIECES

Where's Michael?

By Michael Checkan

My trip to speak at the Jyske Bank Investment Conference in Copenhagen and to the "Gnomes of Zurich" went very well. In fact, if you wish to review some of my observations about European markets, simply visit **Michael's Corner** on the ASI web site, www.assetstrategies.com. Now, I depart for another investment conference and business meetings in Panama, Costa Rica and Nicaragua from October 6-22.

I hope to meet IL readers on upcoming trips to the [New Orleans Investment Conference, October 29-November 2](#). You can review their web site, www.neworleansconference.com or call 1 800 648 8411. Also, the [New Shore Seminar in Cancun, Mexico](#) from November 30-December 6. Review their web site, www.new-shore.com or call 1 800 342 9554. The New Year opens up with the [Belize Investment & Retirement Conference, January 14-18](#). Review their web site, QRP@bt.net or call Mike Cobb at 011 505 223 3569.

I invite the readers of IL to contact my assistant, Erica Beckner (1 800 831 0007) 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 about precious metals and foreign currencies. □

*"Water is best. But gold shines like fire
blazing in the night, supreme of
lordly wealth."
Pindar (522-443 B.C.)*

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Although this doesn't happen in every case, it occurs enough that we thought it worthwhile to offer an alternative approach after consulting with a number of experts in the industry. Since the LIMIT ORDER is meant to protect against short-term spikes in prices, consider setting the LIMIT \$5 to \$10 above current market price. This protects against a spike on execution, but does not prevent the order from being filled. Alternatively, set a lower LIMIT if you are inclined to do so, but set an upper LIMIT simultaneously. Whichever LIMIT is breached first gets executed. This allows you to seek a lower entry price, but it also ensures that you get into the market before it gets away from you. These simple techniques can ultimately save you money and grief.

Volatility can unnerve even the most savvy investor. In the end, keeping focused on the long-term trend will alleviate most concerns. Keep focused on the fact that, despite volatility, the new lows and the new highs for precious metals prices are subsequently higher than the previous lows and highs. That describes a market on the rise. □

Go For The Gold!

We are all guilty of it...procrastination! When it comes to gift-giving, it becomes even more paramount. It's probably because it requires time and a decision to select that "perfect" gift.

First Collectors Guild, Inc. (FCG), our affiliated company, has removed the pain from the gift-giving dilemma.

Nowhere else can you find 24K (.9999) handmade gold necklaces and matching bracelets. This stunning jewelry is custom made for FCG and manufactured to order. And, what better gift could you give to a loved one than gold!

FCG has eight unique style necklaces (18" and 24" length) with five matching bracelets (7" - 8" length).

Simply visit our website (www.firstcollectorsguild.com) or request a catalogue by mail. To place an order, call (1-800-831-0007). Allow approximately three weeks for delivery.

FCG has also collaborated with The Perth Mint to create a catalogue of some very unusual (gold and silver coins & jewelry). There is something for even the most discriminating precious metals buyer...authentic Australian gold nugget jewelry, Zodiac coinage and more. Some [Information Line](#) readers received this catalogue with the July/August 2003 issue. For anyone who would like to receive this brochure, call us at 1-800-831-0007. You can also see these beautiful gift items by visiting The Perth Mint website (www.perthmint.com.au/asi). Ordering from The Perth Mint catalogue is simple on-line and you can use Visa and MasterCard.

FCG can save you time and help with that gift giving decision. Long after the flowers have wilted and the chocolates have been eaten, your special gift of gold will endure!

There are approximately forty-five Holiday shopping days left! □

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Editors for many years. His company, Systematic Asset Management Corporation in New York City services as a gold stock asset manager for a limited number of high net wealth individuals. Larry believes as do the Editors that investors should allocate at least a portion of their portfolios to the most efficient and historically the safest refuge, gold and gold related investments. Larry can be contacted at LarryParks@rcn.com. □

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in the gold and silver prices, avail yourself of the opportunities in mining equities, or choose to acquire overseas asset management expertise with foreign currency diversification, you can build a strong defense against the falling value of the U.S. dollar.

Remember, in this market, he who loses the least wins! □

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