

# INFORMATION LINE

Vol. XXV, Issue III

May/June 2007

## Perspective

The beat goes on. Since the beginning of this year, all the precious metals are up double digits. And, we barely have our toes into the second quarter.



Michael Checkan

Respectively, gold, silver, platinum and palladium have appreciated 10.5%, 11.8%, 12.6% and 13.6% since January. Few of our readers should be

surprised by this, and even less would be surprised to hear that we expect this to continue.

Now, we have heard the same things in the market as you. Some are calling for a massive correction. Others are commenting on the "toppish" or "overbought" nature of the current metals market. We have even heard folks calling for a drop in gold to \$250 per ounce **before** we will see \$750 per ounce gold.



Glen O. Kirsch

We hear these calls. We listen and pay attention to these predictions. We just don't agree with them.

Do we expect the bull market in metals to correct as it matures further? Absolutely. Can we tell you how deep that correction will go? No. Can we predict when it will happen? Not likely.

Rather than focus on the short-term noise, we have fixed our gaze squarely on long-term trends. This is where we hear the beautiful music to an investor's ears.



Rich Checkan

AS long as we hear the steady rhythms and soothing melodies generated by fundamentally strong metals markets, we are going to look for higher prices. Short-term distortion as a result of

Iranian tensions, Algerian bombings, Chinese-induced meltdowns in the Dow,

...continued on p.3

## Investment Outlook from Your Swiss Gnomes

By Robert Vrijhof

Has the correction in worldwide stock markets that started in February 2007 already run its course or is it incomplete?

We at WHVP have accumulated a cash position in Swiss Francs and Euros during the past few weeks. We have decided to stay on the sidelines and watch developments carefully in the weeks to come.

Not only do we see heightened uncertainties surrounding the home building and housing sector and as a consequence a weakening of the US economy. We also feel that corporate earnings are peaking and that therefore eventually analysts' expectations will not be met. We could easily see another bout of profit taking which might take markets lower. We feel that the correction in Global Equities is not yet complete.

May we also take this opportunity to have a closer look at the US Dollar? We saw the US Dollar fall to a low of USD/CHF 1.2020 which turned out to be a strong resistance. We will see some strength coming back to the US Dollar in the weeks ahead; it will be getting toppish at approximately \$ 1.2420. Expect severe weakness after this, we will see a test back to USD/CHF 1.1880. Should this level fail to hold, all time lows of roughly USD/CHF 1.12.80 is in the cards.

We have not changed our positive outlook on precious metals and we are still convinced that our first target of USD \$720 to USD \$730 will be reached during 2007. That leaves of course open the key question; "which markets and currencies still promise opportunities?"

We still have a positive outlook for Japanese equities, the positive outweighs the negative by far and despite the recent weakness of the Nikkei 225 as well as the Japanese YEN itself. To get into this market we suggest a well run Japanese Mutual fund on the Nikkei 225.

Another exciting investment opportunity as mentioned in the information line before is still the Turkish Lira (TRY). There are quite a few positive factors surrounding Turkey and its currency. Turkey has been able to move away from double digit inflation, they are now looking at inflation of 6% to 8% with short term interest rates on TRY at approximately 18% we would say this looks like a feast.

Currency volatility will of course play an important role in this investment. The high nominal and especially the real yields will in our eyes compensate investors. We would be looking at an investment horizon of 2 to a maximum of 3 years. □

Weber, Hartmann, Vrijhof and Partners  
Schaffhauserstrasse 418  
CH-8050 Zurich  
Tel.: 0041 44 315 77 77 /  
from the U.S: 01141 44 315 77 77  
Fax: 0041 44 315 77 78 /  
from the U. S. 01141 44 315 77 78  
Email: [info@whvp.ch](mailto:info@whvp.ch)  
Website: [www.whvp.ch](http://www.whvp.ch)

### In This Issue

- Investment Outlook from your Swiss Gnomes – p. 1
- Currency Corner – p. 2
- The Hard Stuff – p. 2
- Inside Story – p. 3
- Bits & Pieces – p. 4

# Currency Corner

## Belize

By Peter Zipper

Belize is a diverse, peaceful, English-speaking democracy, situated on the northeastern tip of Central America, bordered to the north by Mexico, south and west by Guatemala and with more than 300 miles of Caribbean coastline. The country is divided into six districts: Corozal, Orange Walk, Belize, Cayo, Stann Creek and Toledo. The north of Belize consists mostly of flat, swampy coastal plains, in places heavily forested. The south contains the low mountain range of the Maya Mountains. The Caribbean coast is lined with a coral reef and some 450 islets and islands known locally as *cayes*, pronounced "keys".



Belize is home to the longest barrier reef in the western hemisphere stemming approximately 200 miles, and the second longest in the world after the Great Barrier Reef. Three of the four coral atolls in the Western hemisphere are also located off the coast of Belize. Belize is also the only Central American country without a coast to the Pacific Ocean. The climate is tropical and generally very hot and humid.

Belize achieved full independence on September 21, 1981. It is now a member of the Commonwealth, the United Nations, the Organization of American States and the newly-formed Association of Caribbean States. Diplomatic relations have been established with many countries. Belize is also a member of the Caribbean Community (CARICOM) and related institutions.

The Government of Belize is operated on the principles of Parliamentary Democracy based on the Westminster System. Her Majesty Queen Elizabeth II is the constitutional Head of State. She is represented in Belize by a Governor-General, who must be a Belizean. General elections are held at intervals of not longer than five years. Constitutional safeguards include freedom of speech, press, worship, movement, and association.

The Belize Defense Force (BDF), was established in January 1973, consist of a light infantry force of regulars and reservists along with small air and maritime wings. The BDF assumed total defense responsibility from British Forces Belize (BFB) on January 1, 1994. The United Kingdom continues to maintain the British Army Training Support Unit Belize (BATSUB) to assist in the administration of the Belize Jungle School. The BDF receives military assistance from the United States and the United Kingdom. Internal security is the domain of the Belize Police Department, currently staffed by the police officers established in all six districts.

The main industries are sugar, citrus, fisheries, bananas and more recently tourism and banking. Sugar accounts for more than 33.4% of the country's foreign exchange earnings. Belize is home to a number of growing enterprises which include, but not limited to the manufacturing of metal doors and windows, furniture, concrete blocks, boat building, soft drink bottling, brewing, cigarette manufacture, a meat packing plant, food processing operations and the

...continued on p.3

	YEAR AGO	CURRENT	
Swiss Franc	\$ .8075/Franc	\$ .8292/Franc	▲
British Pound	\$1.8262/Pound	\$2.0077/Pound	▲
Japanese Yen	\$ .008789/Yen	\$ .00843/Yen	▼
Euro	\$1.2635/Euro	\$1.3585/Euro	▲

# The Hard Stuff

## Beware the Macro Waves March 07

By Ned Naylor-Leyland

A key job for Investment Managers is to balance the provision of growth with wealth protection for their clients. For this and many other reasons I believe that Precious Metals have become an essential component of modern asset allocation strategy.

Allow me to highlight some of the obvious and some of the more hidden risks that concern me with regard to the 'macro' picture. First under the microscope is the awe-inspiring growth in liquidity/money supply that we have witnessed in developed nations since the 'New Pearl Harbour' of 2001. The result of this dramatic splurge has been wholesale asset price inflation, a great proportion of which has ended up in financial markets and the Real Estate market. It is my belief that it is Money Supply growth that is the key driver of all asset prices.

The steep growth in borrowing since 9/11 (in a low interest-rate environment) combined with the explosion of Derivative usage has driven almost all asset classes to 'It's different this time' territory. Both the derivatives market and the consumer have effectively made bets against interest rate volatility and recent market conditions have hinted at the danger inherent to this approach. Recent market wobbles reflect the partial unwinding of asset price bubbles, however I personally see no viable 'game plan' for policymakers other than to continue the current 'death by a thousand cuts' effected by the slow erosion of the purchasing power of the Dollar. As such, protection against inflation becomes the number one criterion overlaying all Investment Management strategies.

The US housing market at the subprime level is finally manifesting its intrinsic weakness and on the geo-economic and geopolitical front we have a myriad of nightmarish scenarios lurking in the background. Potential military action against Iran does nothing for my peace of mind, especially as the Chinese and Russians have long-term energy agreements with the Iranian authorities which we can expect to be defended should they be threatened. President Putin has even mooted the possibility of an Iranian-Russian cartel to challenge the hegemony of OPEC.

GATA – the Gold Anti-Trust Action group have been wrestling with the financial media to bring to public attention highly dubious Central Bank reserve-accounting and gold price management. This is another important underlying risk to macroeconomic stability that is being underestimated by mainstream investors. GATA discovered that many Western Central Banks are holding leased, swapped and loaned gold as part of reserves. GATA believe that these banks have half of their claimed reserves (at best) and this research is supported by Cheuvreux, the research arm of Credit Agricole. Many readers will be predisposed towards the benefits of owning

...continued on p.4

	YEAR AGO	CURRENT	
Gold	\$657.60/oz.	\$683.20/oz.	▲
Silver	\$13.92/oz.	\$13.67/oz.	▼
Platinum	\$1,160.00/oz.	\$1,300.00/oz.	▲
Palladium	\$379.00/oz.	\$378.00/oz.	▼

# INSIDE STORY

## Mining in Peru

By Michel LaPorte

The Republic of Peru ranks amongst the world's great centers of ancient civilization. Their remains fascinate travelers and archaeologists alike. Peru is located in the west central part of South America and is a country of geographical and cultural contrast. It is the 19th largest country in the world and is bordered north by Ecuador, to the south by Chile and Bolivia, to the east by Columbia and Brazil and to the west by the Pacific Ocean. Peru is a diverse country due to the climatic, natural and cultural variation of its regions, which include coast, sierra and jungle. Abundant mineral resources are found in the mountainous areas, and Peru's coastal waters provide excellent fishing grounds.

Over 28 million people, largely descendants of Spanish settlers and native Inca and pre-Inca cultures, populate Peru. It is politically organised into 25 regions and one constitutional province of whom 52% live on the coast, 37% in the Andes and 11% on the Amazonian plain. The official language is Spanish, and the native Quechua and Aymara are spoken reflecting the native Indian and Spanish roots that cultivate modern Peruvian society.

The country's terrain accomodates a diversity of metals related to various types of deposit, which are attractive to private mining companies and investors. To date, the nation has more than 70 active mining operations, more than 160 projects at different exploration levels, and 787,840 km<sup>2</sup> of potential mining areas, which represent 60% of the Peruvian territory. Futhermore, the country's mining industry is competitively positioned, globally, to maintain itself as the mining leader in Latin America.

After the 1998 crisis, the Peruvian economy grew by more than 4 percent per year during the period 2002-2005, with a stable exchange rate and low inflation. Growth till 2005 was realized by construction, investment, domestic demand and exports. Peru became one of the most liberal market economies in Latin America. Its petroleum, natural gas and power industries are expected to increase due to relatively high domestic and foreign influx of capital in the tourism, agriculture, mining, and construction sectors since 1995.

Exports were US\$ 17,350 million in 2005 (a 34.6% increase since 2004) and US\$ 23,500 million in 2006 (a growth of 35% since 2005). They are expected to reach US\$30,000 million by the end of 2007 and US\$40,000 million by the end of 2008. The government aims to reach US\$100 billion by 2012. The markets of Peru grew in all sectors (energy, construction, commerce, fishing, manufacturing, tourism, etc) in 2005 by over 6.67% (one the fastest growth rates of market economies in South America) and 7.2% in 2006. They are expected to grow 6.5% in 2007,

*"You have to choose [as a voter] between trusting to the natural stability of gold and the natural stability and intelligence of the members of the government. And with due respect to these gentlemen, I advise you, as long as the capitalist system lasts, to vote for gold."*

*George Bernard Shaw (1856 - 1950)*

making 7 consecutive years of strong growth. In 2006, unemployment was 8.5% and inflation 1.1%.

For the next five years (until 2010) the government has registered more than US\$ 10,000 million in private investment (both domestic and foreign) in the mining and energy sectors, and US\$ 15,000 million in other sectors such as industry, commerce, tourism, construction, seafood and agriculture, which will keep the economy growing annually at strong levels of 6% or more. The government has an intense sub-contracting policy and has signed agreements with many international oil and gas companies to explore oil reserves. It is expected that Peru will become a net energy exporter in 2009, when the Camisea gas project is fully developed and new oil and gas reservoirs are put in production.□

**Michel G. Laporte is the President of World Asset Management. As an asset manager, Michel travels the world in search of the best opportunities for his clients. He has lived in Costa Rica since 2001 with his wife and son. Contact him at [mgl@wam-online.com](mailto:mgl@wam-online.com).**

---

*continued from PERSPECTIVE - p. 1...*

*and sub-prime lending economic shock is fleeting.*

*As long as metals remain in demand, and the supply lines fail to meet that demand, we expect the price of these commodities to steadily march upward. They lose their footing from time to time, but the march continues...and the beat goes on.*

*And, as we march forward, we caution you not to fall asleep on foreign currencies. Thus far this year, the Swiss franc and British pound are both up 2%, and the euro is up nearly 4% versus the U.S. dollar. Clearly, the currencies have lagged the metals, but most of this appreciation has taken place in the past month.*

*In this issue, our friends at Weber, Hartmann, Vrijhof & Partners (WHVP) share their current outlook for the global economy. In addition, Ned Naylor-Leyland of Smith & Williamson in the UK shares some insights into the value of including precious metals in your portfolio. Lastly, as a result of some of Michael's recent travels, we will introduce you to a couple of locations of which we will talk more about in the future – Belize and Peru.*

*We hope you enjoy the newsletter. We also hope you enjoy the music as these well-established trends continue their march and continue to make beautiful music for those that care to listen.□*

---

*continued from CURRENCY CORNER - p. 2...*

manufacture of rolled steel bars for the construction industry and a host of other manufacturing activities.

Courtesy is important to most Belizeans. It is not uncommon for Belizeans to greet each other on the street even if they have never seen each other before, or for acquaintances to spend minutes at a time chatting, oblivious to what is happening around them. Belize has retained an old charm long lost in other countries.

**Peter Zipper is the President of Caye International Bank, Ltd., based in Belize. He has been involved in private banking for 25 years, and is an authority on offshore banking and investment centers. You may contact him at [cibl@btl.net](mailto:cibl@btl.net) if you would like further information.□**

# BITS & PIECES

## Where's Michael?

By Michael Checkan

"To travel is to live"...and the beat goes on.

Here are a few places that you could travel to get together with me to discuss precious metals and foreign currencies. The sponsors of these investment events have organized excellent speakers in wonderful locations throughout the world. Consider traveling to learn about investment and business opportunities and just for the fun of it. I hope to see you at one or more of the following:

- \* A "Gathering at Del Pacifico" in Esterillos, Costa Rica, June 21 to 25. Come visit with me at this unique Costa Rican village by the sea. This is a sun and fun experience with like minded individuals interested in investing, living and retiring abroad. Call Leslie at 866-466-5623 or visit [www.delpacifico.net](http://www.delpacifico.net).
- \* Mark Skousen's Freedom Fest, July 5-7 at Bally's/Paris Resort in Las Vegas, Nevada. You will not get a sun tan in Vegas but you may get a moon tan. Come join me with Mark "The Producer" Skousen at his renaissance festival. There will be seven sessions going on simultaneously, including discussions and debates about philosophy and history, arts and entertainment, public policy and geopolitics, science and technology, economics and finance, and law and religion. For more information or to register, call Tami Holland, conference coordinator, at toll free 866-266-5101. Or you can email her at [tami@freedomfest.com](mailto:tami@freedomfest.com) or register on line at <http://www.freedomfest.com/index1.html>.
- \* The "Pioneering for Profits" Alaskan cruise, July 15-22. Cruise the "inside passage" and while sightseeing, eating gourmet food, and on board entertainment; you will hear from me and other financial specialists about investments, planning strategies and a multitude of ideas in an intimate cruise setting that you won't hear anywhere else. Who said you can't have fun while making money? For more information, contact Mary Alderson at [cayetravel@aol.com](mailto:cayetravel@aol.com).
- \* Jyske Bank Private Banking Investment Seminar at the five star Radisson SAS Royal Hotel in Copenhagen, Denmark, August 22 to 26. Join me and other highly recognized international speakers who will speak about the world economy, finance and what to invest in and what not. Another interesting topic is new trends in the future. Combined with sightseeing trips to a few of Denmark's famous sights, expect an exclusive gala dinner and the good company at this intriguing event. You can extend your stay with a two day trip to Jyske Bank's Head Office in Silkeborg. Visit [www.jbpb.com](http://www.jbpb.com), download the brochure and learn more

about this exciting seminar. To register or for further information contact Lonni Olin at 011 45 89 89 62 34 or email her at [lonniolin@jyskebank.dk](mailto:lonniolin@jyskebank.dk).

**I look forward to seeing you somewhere in the world. If you prefer, come and visit me at ASI's offices in Rockville, Maryland. Contact Elena Keller at ASI for an appointment call toll free (US/Canada) 800-831-0007.□**

---

*continued from HARD STUFF - p. 2...*

Precious Metals but I urge readers to visit [www.gata.org](http://www.gata.org) to weigh up the evidence that GATA have gathered. I have been a supporter for many years and in my judgement the evidence leads to the conclusion that physical ownership of metal is qualitatively different to holding Precious Metals mining shares....when push comes to shove, physical gold and silver is in such restricted supply (especially in terms of the paper money circulating against it) that I feel it is inevitable that at some point investors will be paying a very substantial premium for 'a coin in the hand'.

The conclusion that I come to after all this doom-mongering is that there are many asymmetric risks lurking beneath the polished veneer of financial markets. As such, I believe that a 'flight-to-safety' tangibles portfolio with an asset-backed equity weighting (alongside a significant position in physical Precious Metals) represents an enlightened asset allocation for 2007.

**Ned Naylor-Leyland**  
**Investment Manager**  
**Smith & Williamson Investment Management**  
**+44 20 7131 4000 or**  
**[ned.naylor-leyland@smith.williamson.co.uk](mailto:ned.naylor-leyland@smith.williamson.co.uk) □**

#### Disclaimer

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents of this article. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication. Details correct at time of writing.

#### Note to readers

Smith & Williamson is an independent professional and financial services group employing over 1,300 people. The group is a leading provider of investment management, financial advisory and accountancy services to private clients, professional practices and mid-to-large corporates. The group operates from offices in London, Belfast, Bristol, Glasgow, Guildford, Maidstone, North London, Salisbury, Southampton and Worcester.

Smith & Williamson Investment Management is part of the Smith & Williamson group.

#### Smith & Williamson Limited

Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International, a worldwide network of independent accounting firms.

#### Smith & Williamson Investment Management

A trading name of

#### NCL Investments Limited

Member of the London Stock Exchange  
Authorised and regulated by the Financial Services Authority  
and of

#### Smith & Williamson Investment Management Limited

Authorised and regulated by the Financial Services Authority

*Information Line* has been published since 1983 as a service to regular clients. The subscription rate for non-clients is \$24 per year. Copyright 2007 by Asset Strategies International, Inc. Quotation is allowed if credit is given. Although every care has been taken in the preparation of *Information Line*, Asset Strategies International Inc. does not guarantee and cannot be held responsible for the accuracy of any statistic, statement or representation made. We recommend that you consult qualified professional advisors to determine applicability of this information and opinion. The publisher is not a registered investment advisor. Subscribers should not view *Information Line* as offering personalized legal or investment-related advice. Published at least quarterly with periodic special reports by Asset Strategies International, Inc. (formerly International Financial Consultants, Inc.). Michael Checkan and Glen O. Kirsch are specialists in the areas of foreign currencies, precious metals, and overseas asset protection. Asset Strategies International, Inc., 1700 Rockville Pike, Suite 400, Rockville, Maryland 20852-1631 telephone (301) 881-8600; (800) 831-0007; e-mail [assetsi@assetstrategies.com](mailto:assetsi@assetstrategies.com); fax number (301) 881-1936; website [www.assetstrategies.com](http://www.assetstrategies.com).