

INFORMATION LINE

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Perspective

Here we are again at the end of a year. For ASI, as we begin our 20th year in business and our 19th year of publishing this newsletter, our thoughts turn to you with heartfelt gratitude. We thank you, during this Holiday Season, for the trust and support you have given us over the past 2 decades. All of us at ASI wish to extend our best wishes for the Holidays and a Happy New Year.



Michael Checkan

As we look back on the past year, we look to a world that has been forever changed by the actions of a handful of cowards. One year ago, the world news was dominated by "hanging" or "pregnant" chads. As the controversy over the election of our 43rd President was resolved, we began to focus on how this new, disputed President would lead and how well we would follow. That all seems like ancient history now.

September 11th has cast a shadow over the rest of the events of 2001 so as to make them all seem unimportant and insignificant. Americans lost their lives in an unprecedented attack on American soil that continues to this day in the form of Anthrax poisoning. Clearly, our response to these threats will define the future of this country and the world in which we live.

The effects of this tragedy and its aftermath on the precious metals and foreign currency markets have been as expected. Immediately, we saw an upward spike in the metals prices and downward pressure on the U.S. Dollar. Of course, as you may recall from our last newsletter, we anticipated this trend anyway. The terrorist attacks only served to accelerate the process in the near term. As the rest of the markets digest the effects

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In Search of International Financial Security and Growth

by Michael Checkan

Now, more than ever, the current economic and geo-political conditions call for additional safeguarding of your investment nest-egg. Economies worldwide were headed for a recession long before September 11th. The U.S. economy, in particular, was hanging by a very thin thread. After the terrorists attacked the WTC and the Pentagon, that thread was torn apart. The implications are severe.

Let me list only a few factors to illustrate:

- U.S. companies and consumers are drowning in debt. Years of "carefree spending" beyond the capacity of their wallets are now taking their toll.
- The U.S. financial system is facing a major crisis as loan defaults are surging rapidly.
- Asia, with Japan in the lead, is melting down. The Nikkei is more than 75% off its high and Japanese banks are in deep trouble.
- Latin America, with Argentina lighting the fire, and Brazil as the first primary victim, is burning up in debt. Other countries, including Mexico, will follow soon.
- Foreign selling of U.S. securities has begun. The pressure on the U.S. dollar is growing. A correction is imminent.
- Consumer confidence, the last stronghold, has tumbled in the aftermath of the terrorist attacks.

Acknowledging the impending crisis is critical to your overall wealth preservation strategy. Your savings are exposed to a considerable amount of RISK that needs to be managed. I expect a severe recession and a continuation of the stock market meltdown in 2002. It is time that you insulate your savings and your family from the problems ahead and take the necessary steps now to preserve your nest-egg.

Today, a key element of any such precau-

tionary measures is international diversification with a substantial part of your wealth. This means diversification of your assets out of the U.S. dollar and the U.S. economy. In order to do so effectively you need a trusted and efficient partner overseas.

For the past two years, I have been looking for an international organization that provides independent, high-quality advisory and transactional assistance services that makes establishing and operating international investment affairs smooth and easy. In the process, I found **EurAxxess AG** in Switzerland, a young and most promising company headed by Dr. Erich Stoeger, former Chairman and CEO of Royal Trust Bank of Austria.

Dr. Stoeger, whom you may recognize from numerous contributions to Information Line, is an expert in international finance and asset management. Here is how Dr. Stoeger summarizes the purpose and scope of **EurAxxess**:

"EurAxxess AG functions as 'your partner for international financial security and growth'. EurAxxess provides convenient assistance in the selection process and then access to a full spectrum of top quality financial advisory, investment and custodial services provided by top financial product providers: Plus, bank accounts with and without asset management options. The philosophy of EurAxxess is to focus on low-risk, wealth preservation investment strategies that provide

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Currency Corner

Post September 11th Outlook for the US Dollar

by Michael Checkan

The US currency is higher than where it was against the Euro, the English Pound and the Japanese Yen before September 11th. The Dollar, although still weaker, has recovered against the strong Swiss Franc.

In less than two months since the attacks, the US has declared War on Terrorism and began bombing Afghanistan, Americans have grown fearful of bio-terrorism, and the US economy is in recession.

The American stock markets shut down the week of the attacks, but after a post-reopening plunge, they have rebounded to pre-September 11th levels.

The economic dislocation has been severe throughout the US economy, yet the Dollar has dramatically recovered. Why is this and will it continue?

The primary reason for the recovery of the Dollar is due to the intervention of the Federal Reserve and other central banks. These central banks' liquidity infusions have helped to restore global capital flows, and that has supported the Dollar.

History has taught us that central banks can **influence** foreign exchange markets in the short-term. However, they cannot **dictate** the long-term direction of the markets. The fundamentals of one economy versus those of another, along with perception, will ultimately dictate the real value of a currency.

I am not bullish on the fundamentals of the US economy.

For example, when the President was inaugurated about 10 months ago, budget officials predicted a \$313 billion surplus for 2002. In his first budget message, Bush announced plans to cut taxes deeply and still retire \$1 trillion in debt in just four years.

Today, the surplus is expected to disappear in 2002 and no one is talking about retiring debt. The latest congressional projections expect the government to drain almost all of the Social Security surplus to operate at current levels through 2011, imperiling the retirements of the baby-boomer generation.

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	YEAR AGO	CURRENT	
Swiss Franc	.5556/Franc	.6109/Franc	▲
British Pound	\$1.4588/Pound	\$1.4493/Pound	▼
Japanese Yen	.0092/Yen	.0082/Yen	▼
Euro	.8576/Euro	.9009/Euro	▲

The Hard Stuff

Aurora Revisited

by Jon Nadler

The chemical symbol for gold, AU, originates from the Latin word for "shining dawn." Today, we stand at the threshold of a "shining dawn" for gold, as all of the conditions necessary for its acceptance and popularity have finally converged.

There comes a time in the investment cycle when an individual's concern for the preservation of assets takes precedence over the desire for huge returns. Even gold's most fervent detractors agree that no basket of assets should be without it. Gold did *not* build its historical reputation by constantly fluctuating, but by being *extremely stable* - the anchor for the world's wealth over the centuries. We should not focus solely on the *price* performance of gold as most of what we know about it is the result of less than a century of market data. Making assumptions based on this short and unreliable recent past is sure to prove one wrong.

To comprehend where we stand today, I will enumerate just a few basic facts, which will underscore the necessity for the presence of gold in your own portfolio:

Grant's Interest rate Observer notes that for the first time in *twenty-five years*, all of the world's major economies are in recession together. To lift them out of it, governments will opt for inflating the money supply, thereby enabling gold to re-assume its role of a proxy currency.

Lower interest rates and bearish equities reduce the opportunity cost of, and increase the strategic reasons for, holding gold. The precious metal no longer has to compete for attention with conventional paper assets.

According to World Gold Council research, gold is a particularly effective portfolio diversifier in periods of financial stress. Gold's portfolio advantages are especially relevant in these turbulent times.

Central bank sales do not pose a threat to gold. With an annual sales level of 400 tons, these actions will amount to no more than a 6% reduction of their total holdings. As the primary function of central banks is to be the repositories of public trust, they will continue to hold 1/3 of the above ground supplies of gold.

The deficit between gold demand and supply has continued

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	YEAR AGO	CURRENT	
Gold	\$265.70/oz.	\$279.30/oz.	▲
Silver	\$4.74/oz.	\$4.25/oz.	▼
Platinum	\$589.00/oz.	\$441.00/oz.	▼
Palladium	\$779.00/oz.	\$357.00/oz.	▼

INSIDE STORY

A Culture of Gold

by Michael Checkan

Gold is safe. Gold is timeless. Gold is good.

After about 25 years of legal gold ownership in the US, most Americans still do not have an appreciation of gold. This is not true in most other parts of the world, especially Asia.

Americans buy gold as an investment for logical reasons. For example, gold was stable and held value during the post September 11th period. Gold will continue to gradually appreciate due to a lower dollar, record demand and slowing production.

Asians buy gold for emotional and cultural reasons. They wear their wealth in the form of jewelry and pass it down from generation to generation. Many have owned gold and been spared the ravages of political, economic and social instability.

I personally experienced the importance of gold ownership in May 1975 with the Vietnamese refugees. Vietnam fell to the Communists and thousands fled to the US, entering mainstream America through military facilities.

Gold is portable and I bought from these refugees jewelry and gold tael (pure 24K sheet gold weighing 1.2 ounces) at Eglin Air Force Base in Florida and these prudent individuals were able to begin a new life in a new country.

I traveled to India on two occasions in the past five years and hope to return again next year. I saw average men,

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Now, we are at War, and it will be a long War against terrorism. There will be severe dislocation in the US since this War is to be fought not only in Afghanistan but against terrorism here in the US.

The outlook for the US Dollar in the medium to long term does not look bright based on the fundamentals. The responsible thing to do is to diversify assets into other currencies such as the Euro and the Swiss Franc. No prudent individual would place all his or her assets into one stock or one investment. Likewise, no prudent individual should place all assets into one currency.

Clearly, the action to take is to diversify assets into different currencies and to different parts of the world. However, some may say this is unpatriotic. I disagree. It is prudent and patriotic to be currency diversified.

Is it unpatriotic to invest in IBM because they are diversified internationally and most of their income originates from outside the US? Of course not. This is a global world and investing abroad is not unpatriotic but simply the prudent thing to do.□

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women and children wearing their wealth in the form of jewelry. There is a culture of gold in India, a country that is the biggest importer of gold in the world. India is the most sophisticated country in the developing world when it comes to the "new economy" Internet business. Yet, they continue to hold onto the oldest, "old economy" investment in the world.

The Mainland Chinese and the South Koreans have a cultural appreciation of gold. The Chinese, as they embrace their own form of capitalism, place their wealth into gold as a store of value against their manipulated currency. Many nationalistic Koreans, during the 1997-1998 developing world crisis in Asia, volunteered to give up their gold jewelry to help their country during this difficult period.

I live in the Washington, DC area which today has the 6th largest Asian population in the US. The Indians, Chinese, Koreans, Vietnamese and others from Asia continue to buy and hold gold in the form of jewelry. This emotional attachment to gold by these "new" Americans continues to live on.

The "old" Americans should start to think with their heart and not just with their head. You don't become a "gold bug" by just thinking smart. But, there are worse things, like investing only in stocks and becoming a "paper worm."

Action to take: Consider purchasing gold in the form of coins and bars. Also, consider buying gold in the form of pure gold jewelry. Both are logical and emotionally correct.□

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for a decade. It averages 700 tons per year, or about 22% of the total annual mine supply. The likelihood of mine supply increases is slim.

U.S. Eagle gold coin sales levels experiencing a near 300% increase over those in 2000 mean that investors have returned to the market.

As Information Line has repeatedly stated, the time to have run out and bought your gold was *not* on September 12, 2001, but probably sometime in August of 1999, when gold was at a low of \$255 per ounce, and other markets were topping out. Does this mean it is too late now? My own golden rule is: "When you buy gold for the *right reasons* there is no such thing as the *wrong price*." Make it yours, too.

Jon Nadler, Private Client Specialist Consultant to the World Gold Council & Gold Corporation Australia, Email: Auboy@AOL.com.□

BITS & PIECES

24K Solution

By Glen O. Kirsch, President
First Collectors Guild, Inc.

We heard you!

The response to First Collectors Guild's (FCG) "Bullion Collection" 24K jewelry has been overwhelming. Comments such as, "Beautiful," "I love the necklace," "What a great idea," "Such a great value," are often received. In fact, since we launched the "Bullion Collection" four years ago, we have not had one necklace returned!

The only negative comment we have received has been the limited style selection available.

As a result, FCG has expanded the "Bullion Collection" to now include eight different styles of necklaces and five different style bracelets (see enclosed flier).

These stunning hand-crafted necklaces and bracelets are still priced less than 14K or 18K machine made jewelry. Necklaces are available in 18" and 24" lengths and the bracelets in 7", 7 1/2", 8" and 8 1/2" lengths. The weights available can be 1, 2, 3, 4 or 5 ounces. All of this jewelry is pure 24K .9999 fine gold.

So don't delay and be disappointed. Place your order now by calling (800) 831-0007. Remember, these unique necklaces and bracelets are handmade to order and delivery will take approximately three weeks.

We cannot guarantee holiday delivery for orders placed after December 1st. All of this jewelry can be viewed on the FCG website www.firstcollectorsguild.com.

"Gold opens all locks, no lock will hold
against the power of gold."

George Herbert (1593-1633)

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of September 11th, we expect precious metals and foreign currency markets to strengthen. Many of you are already taking advantage of this opportunity to purchase metals and currencies at currently attractive levels.

Our advice to you is to take advantage of these opportunities as they present themselves. The terrorists tried to cripple our economy with their actions. What better way to defeat them than to prosper despite adversity?□

Hear Ye! Hear Ye!

By Michael Checkan

I am pleased to announce that I have accepted an appointment to the advisory board of Trafalgar Capital Management, a newly established fund management firm in the United Kingdom. I join the Rt. Hon. Lord Strathclyde PC, leader of the opposition in the UK's House of Lords; The Hon. Andrew Peacock, former Australian Ambassador to the US and Andrew Fisher, CEO of Coutts Bank, the UK's preeminent private bank, among others on the board. Trafalgar Capital Management will offer a hedge fund product with a global mandate. Investors will be able to invest in US Dollars, Euros and British Pounds.□

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adequate levels of growth and capital gain. **EurAxxess'** primary service objective is to make it easy for clients to implement an effective global investment strategy that satisfies their goals regarding asset protection and privacy.

EurAxxess cooperates with several of the best European banks, insurance companies and offshore financial experts in Switzerland, Austria, Liechtenstein, Luxembourg and other important financial centers. The company is not tied or obligated to any single institution but can select with the client the services and products which best serve a stated goal and then establish and maintain such relationships. **Euraxxess'** obligations are limited to clients and members only."

Whatever your view on current markets may be, international diversification in your portfolio is a necessity. **EurAxxess** will enable you to define, select and implement such a diversification strategy safely and efficiently. **Euraxxess** will make it easy to establish and maintain your nest-egg abroad.

Furthermore, the Editors of Information Line have mentioned repeatedly the merits of internationalizing your self-directed IRA funds. After my review and examination of the **EurAxxess'** concept, coupled with the excellent abilities of Erich Stoeger, I can recommend this company to serve as your access point for any and all international investments you intend to acquire for your self-directed IRA — tax deferred, completely legal and now - with **EurAxxess** — most conveniently!

To learn more about how you may employ the services of EurAxxess in order to internationalize your investment portfolio, please contact ASI at (800) 831-0007...

or you may get in touch with EurAxxess directly by sending them an e-mail to info@euraxxess.com.□

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