

INFORMATION LINE

Vol. XIX, Issue VI

September 2001

Perspective

When a warm air mass collides with a cold air mass, the atmosphere becomes unstable. During this period of instability, there arises an opportunity for lightning to strike.

This natural phenomenon is a fairly common occurrence. Very infrequently, these natural forces come together at the right time and place to cause lightning to strike where it has already struck.



Michael Checkan

Can lightning strike twice? Given the right conditions...YES.

In January of 2000, we saw a combination of cold supply and hot demand in the Platinum market give rise to the opportunity for lightning, in the form of higher prices, to strike. Cold supply was the result of a lack of Russian shipments. When the world's number two Platinum producer stops shipping material for a year and a half, it clearly has a cooling effect on supplies. Of course, supply is fairly cool to begin with when you are talking about a metal that is 15 times rarer than gold. The hot demand was fueled largely as a result of increased consumption by automobiles and for platinum jewelry.



Glen O. Kirsch

The lightning strike took the form of \$638.00 per ounce for Platinum, the highest price level seen in 14 years. At that level, we assisted many of our clients with the sale of Platinum to capture profits. The industry experts suggested reentry into the Platinum market if the price dipped back down to the \$400.00-\$450.00 per ounce level.

Recently, due to a combination of the resumption of Russian shipments, large-scale Japanese sales onto the market, and decreased demand from the automobile sector (a result of new economy "profits"

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What to Expect When the Money Trucks Start Rolling

By Robert Vrijhof

On January 1, 2002 many Europeans will replace their francs, lire, drachma and marks for money denominated in euros. More than 50,000 trucks will be mobilized to pick up the old money from banks, businesses and automated teller machines and to distribute 16 billion euro notes and 56 billion euro coins - enough paper bills to circle the equator 50 times and enough metal to replicate 35 Eiffel Towers.

Money is primarily a game of confidence. Many economists believe that uncertainty concerning this process has caused investors to seek refuge in the dollar. Hans-Werner Sinn, head of one of Germany's most prestigious economic research institutes in Munich, said two groups in particular have moved huge amounts of European wealth into dollars: the criminal underworld and citizens of former communist regimes in Eastern Europe who have little faith in the untested euro. This reduces the amount of cash in circulation in the euro zone because many of those people are nonresidents taking their German marks and other currencies and trading them for dollars on their home turf. Poles, Czechs, East Germans and other residents of former communist nations are also getting nervous about the euro. Having gained access to Western currencies after decades of coping with nonconvertible currency in the Soviet bloc, they are worried about whether the euro can match the value standard set by the German mark, which will become obsolete. Rather than take chances, many are shifting, for now, into the dollar.

Such flight from the mark or other legacy currencies means a fall in the euro, compared with the dollar, because the values of the 12 euro-zone national currencies have been locked in relation to each other since the euro's birth in January 1999.

There are other reasons for the euro's

weakness. Many investors still believe the United States offers the safest long-term investments because of its unchallenged role as the dominant force in the global economy.

Both euros and the legacy currencies will be accepted for cash transactions in most euro-zone countries until February 28th, 2002, the day when the euro becomes the sole legal tender throughout Euroland. Banks will exchange old currencies for euros until December 31, 2002, and the national central banks will perform such exchanges at least until 2004 and perhaps, indefinitely.

The arrival of the euro as a tangible currency is already being called a psychological boost to build a United States of Europe. But the euro's persistent weakness reflects investors' skepticism about its credibility and the potential for chaos once the delivery trucks start to roll.

Wim Duisenberg, the ECB president, has been criticized for refusing to lower interest rates to counter slowing economic growth. Duisenberg insists that the bank is determined to establish the euro's reputation as a rock-solid currency. "Anchoring confidence in the euro, in particular for the general public, is a time-consuming task," said Duisenberg in the bank's annual report. "The best way to achieve it is to build a track record of low inflation." The ECB has launched a \$70 million publicity campaign featuring a jazzy Web site, television ads and a mass

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Currency Corner

Now, More Than Ever, It's Time to Trim Your Dollar Exposure

by Dr. Steve Sjoggerud

"Overall, the dollar has never looked so overvalued during 15 years of burgernomics. In the mid 1990s the dollar was cheap against most currencies; now it looks dear against all but three. The most undervalued of the rich-world currencies are the Australian and New Zealand dollars, which are both 40-45% below McParity. They need to ketchup."

— The Economist Magazine

Over the last six years I've been bullish on the dollar. This was because money flows where it's treated best. And capital has been treated best in the States – U.S. interest rates have been significantly higher than European rates, luring money out of Europe, and business return on capital has been higher in the States than anywhere else.

But both of these conditions have now changed, and I now believe that any upside in the dollar is limited at best.

For the first time since the mid-1980s, the dollar is significantly overvalued on a purchasing power basis versus the euro (deutsche mark) and the Swiss franc. In doing my Ph.D. work on currencies, I found that only two things affect the value of industrialized country currencies in the long run – purchasing power and interest rate differentials. The Economist magazine has come with a simple way to see the concept of purchasing power parity – the idea that a dollar should buy about the same amount everywhere – it's the Economist Big Mac Index.

When the euro came out in 1999, everybody predicted it would rise against the dollar. Everyone that is, except the McDonald's Big Mac. The price of a Big Mac in Europe was significantly higher than the price of a Big Mac back then in the U.S. But times have changed quickly.

In the latest Economist "burgernomics" study, a Big Mac is now 11% cheaper in Europe than in the States. My more scientific results show that the dollar is just over 25% overvalued versus the euro. This is up from 25% undervalued in 1992.

There are many other reasons for concern about the dollar. Since stock prices have been falling and interest rates are lower, it's no longer true that capital is treated best in the U.S. right now.

And looking at the charts, the uptrend in the dollar versus the euro is clearly running out of steam and is potentially reversing. Additionally, the long-running bullish sentiment toward the dollar is starting to run out of steam, as well.

After rising for so many years, we've now reached a point where, outside of the "safe-haven" status, we're hard pressed

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	YEAR AGO	CURRENT	
Swiss Franc	.5921/Franc	.6011/Franc	▲
British Pound	\$1.4971/Pound	\$1.4507/Pound	▼
Japanese Yen	.0092/Yen	.0083/Yen	▼
Euro	.9199/Euro	.9151/Euro	▼

The Hard Stuff

Mired in the Muck!

by Glen O. Kirsch

Many analysts are scratching their heads trying to make sense of the precious metals markets in 2001.

How can you explain that with all the negative news surrounding **gold**, Central Bank sales, producer-forward selling, earthquakes in India, etc., the gold price remained solidly above the 20-year low of \$252/oz.

Why is it that silver continues to erode to a current price of \$4.15/oz., which is near 8-year lows? Yet, demand has been outstripping mining production for ten years, warehouse stocks of silver have declined below the magic 100 million-ounce threshold, and the U.S. government stockpile has finally been depleted.

Then, look at Platinum and Palladium, the stellar performers of the precious metals complex for 2001...each hitting their highs early in the year of \$638.00 and \$1,130.00 per ounce, respectively, only to set 2-year lows by August of \$450/oz.

Talk about conflicting signals! When logic says the metals prices should go up, they go down, and when the fundamentals say down, the prices go up! Is there any way to make sense out of these markets? Is there any logic buried beneath this mountain of analytical mish-mash?

Sometimes, we get mired in the muck of information...information overload! So, let's try to clear our thoughts and focus on some relevant facts.

Are there any seasonal patterns to these markets? Yes!

Historical price charts will reveal that the lows for precious metals are generally seen (12 out of the last 15 years) during the summer months. This year, so far, is no exception!

Does the traditional theory of a strong Dollar translate into weaker precious metal prices and vice versa? Maybe! This year the Dollar remained strong despite a tumbling NASDAQ and falling interest rates; yet, platinum and palladium hit their recent and all time highs, respectively.

However, we believe the axiom is more often true than not and especially from a long-term perspective.

Remember, precious metals are denominated in U.S. Dollars worldwide. A strong Dollar translates into **higher** precious metals prices for a foreign investor and can actually encourage foreign liquidations and producer-forward selling. So, when analyzing the precious metals markets to determine their future direction, you must factor into the equation the relative strength or weakness of the Dollar. Is it high or is it low? Using this criteria, we can then get a clearer picture of future price direction.

Many authorities believe the Dollar is overvalued. Even the

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	YEAR AGO	CURRENT	
Gold	\$277.50/oz.	\$276.75/oz.	▼
Silver	\$4.90/oz.	\$4.21/oz.	▼
Platinum	\$592.00/oz.	\$444.00/oz.	▼
Palladium	\$823.00/oz.	\$450.00/oz.	▼

INSIDE STORY

Should You Incorporate?

By Jacques Luben

**If you are serious about your business (and privacy)....
Incorporate!**

The need to protect your financial assets has never been greater. This need for legal asset protection can easily be converted into a major opportunity for you and your family.

The Editors of Information Line frequently mention the need to hedge financial risk through portfolio diversification. For example, the ownership of foreign currencies and precious metals play an integral part in this solid global investment approach.

What about the protection of your U.S. assets, which represents most of your hard earned money?

Is it currently protected from frivolous lawsuits? Are you (and your business interests) judgment proof? Can the government, with its vast legal powers, confiscate your family's assets?

In many cases, the contents of a bank safe deposit box can be confiscated by tax collectors without the prior consent or knowledge of its owners. How can you prevent this type of financial catastrophe? Every day, Identity Theft on the Internet results in massive credit card theft by computer pirates. Is there a way to maintain your critically needed privacy in Cyberspace?

A Delaware or Nevada corporation is a powerful tool that can provide you with financial peace of mind. Every year, tens of thousands of corporate entities are formed by private individuals and businesses who understand the financial risks of the U. S. legal system.

Inc. Plan (USA) can help take the mystery out of establishing the proper type of corporation that is right for each individual client. Since 1994, Asset Strategies International has been referring their clients to **Inc. Plan (USA)**. They know that incorporation is important in both asset protection and wealth building.

In future editions of Information Line, I will discuss the different tax benefits that result from a properly structured corporate entity. In this context, I will review some of the important basic tax treatment differences that exist between 'C' and 'S' corporations. The "pros and cons" of Limited Liability Companies (LLCs) will also be discussed from a tax perspective. You will also learn why many **Inc. Plan (USA)** clients choose to open corporate investment accounts with Delaware financial institutions.

Please call toll free 800-831-0007 to receive a **FREE** Special Report that answers the "**Most Frequently Asked Questions About Incorporating.**"

Inc. Plan (USA) is a Delaware corporation located at Trolley Square, Suite 26-C, Wilmington, Delaware 19806. Telephone # 800-462-4622.□

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mailing of 200 million leaflets to inform Europeans about the changes to come in January, 2002. The ECB, as well as many governments, are worried that companies and citizens may be unprepared. Similarly, as many as 90% of individual Europeans still keep their assets listed in national currencies rather than euros. Pedro Solbes, the European Union commissioner in charge of the euro project, fears that people may not realize how dramatically life will change January 1, 2002.

"Only cash exchanges will benefit from a transition period. Bank accounts, tax returns, invoices and all accounting systems will have to be made in euros after January 1st." Despite the obstacles, Romano Prodi, president of the European Union's executive commission, said he believes the transition will be conducted smoothly. Prodi said his greatest fear is not that people will continue to flee from the euro, but rather that so many investors will jump back into the euro once E-Day passes with relative tranquillity. "The markets do not like any kind of volatility, whether the direction is up or down," Prodi said in an interview. "The real concern may turn out to be a sudden rise in the value of the euro - along with an equally sudden decline in the dollar - that could be seen as a threat to monetary stability."

For more information about our preparation and our strategy, please contact us for a consultation.

**Weber Hartmann Vrijhof & Partners Ltd. (WHVP),
Zurichstrasse 110b, CH-8134 Adliswil, Switzerland, Tel:
011-41-1-709-1115, Fax: 011-41-1-709-1113, email:
whvp@dial.uunet.ch or whvp@active.ch.□**

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evaporating), Platinum prices dipped under \$450.00 per ounce.

As always, the fundamentals for this rarest of precious metals remain strong. Heavy industrial usage, sustained jewelry demand, and promising breakthroughs in the way of fuel cell research as an answer to fossil fuel dependency all point to hot demand for some time to come. All that is lacking for lightning to strike again is the cooling off of supply.

The last time lightning struck, the Russian's provided the freeze on supply. What will cause the next supply chill? Time will tell, but the fact remains that the Platinum market, always hovering near equilibrium between supply and demand, is now poised for lightning to strike again. If you are in a position to take advantage of it when the strike occurs, you will certainly be pleased with the results.□

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current Bush administration has questioned its "strong Dollar" position. The record U.S. trade deficit of last year reinforces that belief. Some economists believe that by lowering the Dollar we can kickstart the world economy and spur economic growth.

So, a lower Dollar is desirable and expected and translates into higher precious metals prices. What better time could there be to purchase! The Dollar is near 10-year highs against the Swiss Franc and all time highs against the Euro. Gold is near 20-year lows, Silver near 8-year lows and Platinum and Palladium near 2-year lows!

It doesn't take a rocket scientist to figure this one out!□

BITS & PIECES

It's Better in The Bahamas & The Turks & Caicos Islands too.

by Michael Checkan

There are two upcoming investment conferences you should consider attending in October and November 2001. I will be speaking at both events about the foreign exchange and precious metals markets.

The Hermitage Forum 2001 Financial Symposium is at the exclusive Ocean Club West, The Turks & Caicos Islands, October 3-7, 2001.

This year's theme is Privacy, Profit and Protection. Other confirmed presenters besides myself are keynote speaker, Harry Browne, plus, Steve Sjuggerud, Porter Stansberry, Joel Nagel and Barry Strudwick.

For further information, call The Oxford Club's Member Services at 1-800-992-0205.

The Wealth Masters International (WMI) Financial Seminar is at the Radisson Cable Beach Resort, Nassau, The Bahamas, November 1-4, 2001.

This seminar will provide the knowledge and the means with which to accomplish your financial planning goals. This forum is designed for you to come in with a dream and leave with a plan.

Expert speakers will discuss the where and how of international private banking and the do's and don'ts of onshore and offshore asset protection, plus an insider's view on traditional and alternative investments, retirement options, tax planning, and reporting methods and privacy issues.

For more detailed information, see the separate insert contained with Information Line and call Wealth Masters at 1-800-318-9787, Ext. 1500. **A special \$1,000.00 discount will be given for early registration, so contact WMI today.**□

Wiring Instructions

Please note, our bank of twenty years, Grand Bank, has recently been acquired by Century National Bank. Therefore, our bank's wiring instructions for U.S. Dollars have changed.

Wiring Instructions

Century National Bank
1875 Eye Street, NW
Washington, DC 20006
ABA #: 054-001-534
Account: Asset Strategies International, Inc.
Account #: 10-077-85
Remitter: **Your name or your company name**

It is always a good practice to alert ASI, by telephone, when you are wiring funds and to tell us the Dollar amount being sent. We will call you when the monies arrive.□

You Asked For It!

In the fall of 1999, we introduced our readers to "The Bullion Collection"... a stunning ensemble of 24K gold necklaces brought to you by our affiliated company, First Collectors Guild (FCG).

The two necklace styles, Baht and Chain Link, were available in 18" and 24" lengths, and handmade by Asian craftsmen to FCG's .9999 gold specifications. No two pieces were exactly the same.

The pricing was also unique. The necklaces were less expensive than 14K or 18K jewelry, selling at a small premium to the spot price of gold, similar to bullion coins.

As if the unique handmade beauty, 24K pure gold and competitive pricing wasn't enough, **The Bullion Collection** also offered the gold buyer a practical way of enjoying their gold...wearing it... instead of relegating it to a safe deposit box.

Even those gold owners with government confiscation concerns will rest easy with **The Bullion Collection**...gold jewelry was never confiscated in 1933.

Our reader response to **The Bullion Collection** was truly amazing. Many clients purchased for themselves and other clients purchased gifts for their loved ones. Some clients even purchased the necklaces as "core holdings" due to the volume discounts available.

The only negative comment we've received about **The Bullion Collection** was the limited selection available!

In response to your requests, FCG has decided to expand the styles of necklaces available from two to five. We also decided to offer matching bracelets in 7½", 8" and 8½" lengths. In addition, FCG now offers a website (www.firstcollectorsguild.com) for your viewing pleasure with close-up color photos of all of the 24K jewelry styles.

Call 800-831-0007 with any questions or to place orders...It's not too early to think about holiday shopping, especially with the price of gold near 20-year lows.□

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to come up with any sound reason for holding money in dollars based on any historical precedent.

Remember, this bearish message on the dollar is coming from someone who's been consistently bullish (and correct) on the dollar – someone who believes that now, more than ever, it's time to trim your exposure to the U.S. dollar.

Dr. Steve Sjuggerud is a long-time friend of ours who writes an investment newsletter and manages a hedge fund. You can reach him at steve@sjuggerud.com.□

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