

Are Gold and Silver Enough?

1st April 2008

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As we watch the credit crunch wend its toxic way across the developed world, we are seeing defensive action by some nations to lower its dependence on the U.S.A. so as to duck the recession that is now hitting there. The future of the U.S. in global trade has been damaged, with its currency's weakness providing some defense for the nation.

With Europe focusing still on price stability, the weaker economies of Europe are taking strain as the € rises. Stronger nations like Germany are doing well internationally so affected far less by a strong €, so strains within the Eurozone are rising at the same time as strains between the U.S. and Europe are heightened. With the Chinese dragon waking up with a roar many nations like Japan are penetrating that market to stem the pernicious effects of its dependence on the U.S. This was reflected in the 9% growth in Japanese exports last month, with the key feature of this growth a 15% growth in trade with China alone.

Gold and Silver have proved to be excellent havens over the last few years, moving from \$275 to over \$1,000 in gold and from \$4 to \$22 in silver, with much more to come in time. Are they still enough or is now the time to broaden one's thinking, to understand what the future holds and prepare for it?



More Government Controls on the Way?

Frequently we have pointed to the coming imposition of action to control the Capital flows that these long-term changes will inspire. This last week has seen what appears to be a long-term plan to create an environment where the full spectrum of controls both inside and outside the U.S. *can be imposed in a flash*. This environment has been established long ago in the more socialist reaches of the global economy with the huge powers vested in other nations Central Banks. The plan by Secretary Paulson is long-term and will not be seen on our screens until next year and it seems under a new government, but the wheels have begun to turn in the process.

Right now there is no doubt in our minds that should the Fed want to impose any particular control over any particular market, it would have the backing of government. These controls are primarily aimed at internal Capital Control but to effectively control capital there is usually a separation of Trade Capital from Investment Capital of all kinds internationally. Both Internal Controls are likely to be accompanied by Capital or Exchange Controls internationally and will appear before anyone has woken up, when the Fed thinks it appropriate.

But what is deeply significant in these plans and in the plans of the G-7 [internationally] to “calm irrational market moves” when necessary, is the belief that it is proper to be able to impose a will on financial markets that meets government requirements and not those of the individual. By definition this implies a diminishing of the freedom of financial markets and their inhabitants. The very tone of such global moves to control markets has changed to permit a far greater degree of governmental control, no matter which way one looks at it.

On the good side this will lead to markets looking healthy despite the unseen props holding them up. And why not, the good of the nation stands above that of its individual citizens? This is accepted in most nations of the world where a considerably higher degree of government presence in the lives of individuals has been the case throughout their lives. Such controls, while restricting individuals tremendously can benefit markets too.

In Europe and the States the impression persists that any such control is for the benefit of the individual and the financial markets. The moves now being made both inside the States and outside are changing this climate to one where the government interests are being given greater space than previously seen, justified by the growing emergencies. Like the increasing weight of the air before a storm, so this proposed increase in control warns us that lightning could strike soon and clouds will burst. Government feels the need to control the barometer [but can it control the underlying storm?] and empower itself to act quickly to “stabilize” markets. Surely, that is warning enough for us all?

Actions to Take.

What does one do in that environment? Clearly one must place oneself in a position to stand away from the storm and the coming controls if possible. But far more than that, one needs to be able to position oneself to enjoy the multitude of opportunities that such controls throw up. Sitting in hard assets, such as gold and silver [as the prices fall in the global de-leveraging process] is an excellent way to go, even with them overseas in solid bullion vaults.

One has to be, not only outside the storm, but also in an ideal position to jump into the many great opportunities that will appear at any time. Then one can reap the benefits and subsequently retreat to gold and silver again. But is this sufficient? We feel that much more is required to protect yourself and fully benefit from the situation, because the monetary authorities are more than capable of putting the reins on its citizens, no matter where they hold their assets.

Just as government and the Fed are preparing the way for the coming storms - are you? To do so calls for a new approach, which is based on what lies ahead. It calls for proper positioning, proper structuring so as to avoid the negative impact of controls and reap any benefits that come up. Such preparations turn one from a victim to a reaper.

You may well say how can one do that ahead of knowing the measures to be taken? By realizing what will be involved in “stabilizing markets” or “calming irrational market moves” by individual government action and concerted G-7 government actions. One does not have to know the details of government actions, just the principles involved. Then one places oneself in the correct environment [subscribers contact us for direction on this]. This means being completely outside the web of the controls that can be imposed.

- The first step to take is to accept the principles that the governments are espousing now and realizing that they will affect you.
- The second step is to act to re-structure yourself so as to be positioned correctly to enjoy the controls that lie ahead.

It is a new way of thinking and one that the entire population of the U.S.A. is unfamiliar with [only 10 million out of 300 million Americans have passports] as they have never faced these types of crises before. Europeans of more mature years are familiar with this thinking, but appear to be lulled by the last few decades of success enjoyed in the European Union into believing that such controls will hit the U.S.A. but not them?

With the changes in the global economy, we do not believe that Europe can remain isolated from their effects. Our call is to all who read this **wherever they live** to prepare themselves for the future that is now rushing at us.

“Prepare yourself for the future that is now rushing at us!”

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