

THE BEECH ISLAND FINANCIAL JOURNAL

March 2007 GFLS and Commodity News

March 31, 2007

Commodities

We began following commodities in the early nineties, thanks to some tips and insights from Barron's. We began to recognize the men who spoke with real understanding, men who anticipated the flow of money. Our attention began to focus on the commodities and especially precious metals. A twenty year bear market created a rare opportunity. Underinvestment and falling production in commodities spelled trouble on the supply side. Growth in Asia increased pressure on the demand side. At odds with our brokers and with Wall Street, we pursued our own investment philosophy. We waited patiently for markets to change. In the year 2000 markets began to validate our thinking. Our investments, which also includes some real estate (lake front), for the ten year period ending in 2006 are up five hundred and sixty eight percent, 56.8%/yr, using the process of ©Financial Landscaping. Commodities have had a great run, and here are the reasons why we think they will still outperform, once we move through the Federal Reserve induced downturn.

- Pressure on natural resources will continue for at least the next twenty years.
- An abundant supply of liquidity (money) created by the Federal Reserve is inflationary, and the first things to be affected is commodities.
- The increased speculation into new financial vehicles with no real underlying value (derivatives) is creating risk in financial markets that even central bankers can no longer calculate. Investors are beginning to shift to more tangible assets.
- Central Banks worldwide are diversifying out of the Dollar, increasing inflationary pressures
- Demand from Asia is outstripping supplies

March 2007 Global Financial Landscape

GDP for last the quarter of 2006, along with data for January indicate the downturn may be worse than originally predicted by the Federal Reserve. The evidence is not conclusive but enough to spook markets worldwide. Greenspan's comments were no inadvertent gaffe. His words were premeditated and calculated to force market indices downward in an attempt to get the correction over with and to get the economic downturn over with before the 2008 elections. Here is what Greenspan was looking at.

- New home construction down 19.1% in last quarter of 2006.
- New home construction down 14.3% in January, down 37% in the west.
- Existing home sales fell in 40 states and prices dropped in 49% of metro areas surveyed by the National Assoc of Realtors.
- Home prices have fallen 2.1% from a year ago. The largest drop in 13 years and still heading downward.

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- Corrected GDP figures for last quarter show 2.2% growth instead of the originally reported 3.5%
- Business activity in the Midwest slumped in February for the second straight month.
- Durable goods orders fell 7.8% in January, the largest monthly fall ever recorded.
- February makes the eighth consecutive month of an inverted yield curve.