U.S. & World

Early Warning Report

By Richard Maybury

www.chaostan.com

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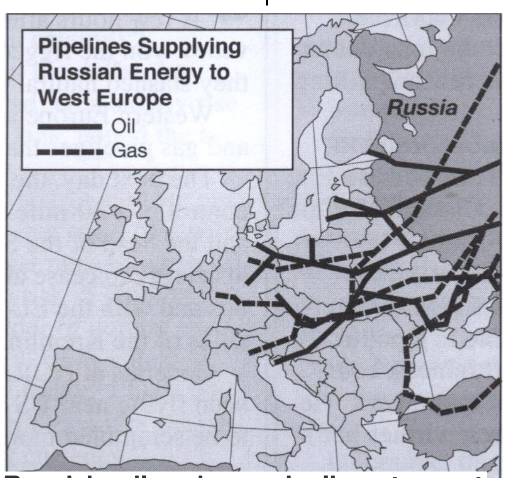
Dear Reader, April 2008

At lunch with my wife recently, I remarked that the American people don't understand the Social Security mess, the dollar crisis, or the other economic and geopolitical problems, because the mainstream press has mollycoddled them.

She replied, yes, our readers probably see *EWR* as their monthly smack upside the head.



Russia's oil and gas pipelines to west Europe are a chief weapon in the new Cold War. Lots more profits coming, see page 2.

We try to soften the blow by doing our best to make you rich (or richer). Next month I'll give an explanation of how we do that. Even if you are not an investor, you need to understand it. In one way or another, recent developments affect every aspect of your life, and forewarned is forearmed.

What, you'd rather not know what's happening?

Me, too. But I force myself to look. You are paying me to be realistic, so that's what I try to do. Unlike the mainstream, *EWR* does not follow the example of the queen in Alice in Wonderland, who was proud of her ability to believe as many as six impossible things before breakfast.

Long time readers know that beginning in 1981, I was predicting that Washington was creating a world war with Muslims, and US officials would pay for the war by printing dollars. I said, when the conflict arrived, the general strategy for investors would be to buy things that do well in wartime, and avoid those that don't.

In July 1993,1 began our periodic Ongoing Forecast, in which I said the coming war's inflation of the money supply would eventually cause raw materials to double, including driving oil to $100, platinum to $2,000, gold $2,000, and silver $50. I also said defense stocks would at least double.

Then came 9-11. Today, the war is growing worse (see last month's article about Pakistan) and platinum has hit $2,000, oil $100, and defense stocks and raw materials have more than doubled. I think this is only the beginning of a trend that will last decades, and all my original forecasts will prove to be ridiculously low. The war isn't going away.

On page 5, you will find a chart demonstrating that, to understand how to invest, you must understand the war.

However, the first rule in financial success is not, earn profits, it's, avoid losses. To pay for the war, federal officials have created such an astounding economic mess that I would not be surprised to wake up one morning and find a global deflationary panic, with the stock market down 30%. I also wouldn't be surprised to wake up to a global inflationary panic, with the dollar down 30%. In short, we are in a tug-of-war between an inflationary crisis and a deflationary one. We cannot know which will win, so how can you protect yourself against both? That's explained on pages 5 to 8.

► A quick question about the elections: can you name one person in all the thousands of years of human history who rose to the top in politics by being honest?

The question leads us to...

...Machiavelli and his disciples

Governments are a never-ending source of amusement. If you haven't done it, now is a good time to read the short book THE PRINCE by Niccolo Machiavelli.

Machiavelli was perhaps the most consciously statist writer in history, so the word Machiavellian has become a synonym for evil.

THE PRINCE is his handbook on how to run a government. It is often called satanic and depraved, probably because it tells truths about the inherent nature and behavior of government that few are willing to face.

The reason this is such a good time to read THE PRINCE is that we have on the world stage such a fine collection of Machiavellian statists: Clinton, McCain and Russia's fuhrer Vladimir Putin.

One of my favorite chapters in THE PRINCE is number 15, in which Machiavelli lists the characteristics generally thought to be desirable in a political leader: generosity, compassion, faithfulness, courage, purity, flexibility, religiousness, and others. He explains that the leader must fake these virtues but cannot actually have them, because they would "ruin him."

Says Machiavelli, "I have thought it proper to represent things as they are in real truth, rather than as they are imagined."

This being an election year, here are two more of Machiavelli's observations about political power: "A prince is always compelled to injure those who have made him the new ruler," and "men must be either pampered or crushed."

In short, Machiavelli's message is, if we insist on having a government, then we'd better be realistic about what government is.

A remark generally attributed to George Washington says it all: "Government is not reason, it is not eloquence, it is force; like fire, it is a dangerous servant and a fearful master."

I don't know McCain or Clinton personally, but I've been watching their decisions and public antics long enough to believe both have gone over to the dark side. They want to be the fearful master.

Russia's Putin, I believe, is Clinton and McCain times a hundred. This man is so skilled at tyranny that I honestly believe he is the most Machiavellian leader in history, worse than Stalin or Hitler. Stalin and Hitler were stumbling through their roles, making things up as they went. Putin has turned tyranny into a science, he's just getting started.

If you want to shine a bright light on what's happening in the world today, read the short classic written five centuries ago, THE PRINCE.4

► A few hours after Putin and his protege Medvedev won the rigged March 2nd Russian election, they slashed natural gas supplies to Ukraine.

Western Europe is heavily dependent on the oil and gas pipelines that run through Ukraine.

The next day, the government of Serbia reclaimed control of a 30-mile stretch of rail line in Kosovo, and the head of the Serbian Orthodox Church ordered his clergy to cease all contact with Kosovo authorities and with the EU mission to Kosovo. Serbs are allies of the Kremlin.

Generals at NORAD say Russian bombers have been flying near US airspace, causing US fighter jets to be scrambled more frequently than at any time __________, since the Cold War.[1]

Bush has responded by promising Poland's government that the US will help modernize Poland's armed forces, and install missile systems there.[2]

I think we can safely assume now that the Cold War, and Cold War military spending, is returning, and US officials will print more dollars to pay for it. The profits we've seen so far in defense stocks and non-dollar assets will pale beside what's coming. ♦

► If you thought I was exaggerating last month when I wrote about the hidden agenda of environmental leaders — to wipe out the human race — please Google "Human Extinction Movement." These environmentalists claim extermination of the

[1] "Russian bombers...," Denver Post, 11 Mar 08.
[2] "Bush Links US Aid...," L.A. Times, 11 Mar 08.

human species should be voluntary. If you believe that, I have a bridge you'll want to buy. ♦

The Bernanke Bomb

Someone should put a muzzle on Federal Reserve chairman Ben Bernanke, lock him in his office, and never let him out in public again.

Every time he is asked about the dollar, this inflationist makes some spineless comment such as, "We obviously watch the dollar very carefully."[3]

Watch the dollar do what?

Watch it fall.

How can these weaseling remarks strengthen confidence in the dollar? How can they possibly build the trust of Sovereign Wealth Funds and other foreign holders of dollars so that they don't rush for the exits, triggering a global financial calamity?

When Bernanke is asked about the dollar, he should sit fully upright, stern faced, then slowly rise to his feet, point into the camera lens, pound the table, and in a low, rumbling voice say, "The dollar is the finest currency ever in world history and we plan to do whatever it takes to keep it that way. We will do anything. We will raise interest rates to whatever levels are necessary. There is no risk in holding dollars. I repeat, no risk. Every holder of dollars can be fully confident his greenbacks will be as valuable thirty years from now as they are today. I have all my money in dollars, and wouldn't dream of taking the risk of switching to any other currency."

But, you might say, he'd be lying, and you'd be right. So I'll be blunt.

Bernanke is in charge of a fiat currency.

Fiat currencies are frauds.

The Federal Reserve is an inherently crooked organization, and its Chairman's primary duty is to deceive. If Bernanke wants to be a boy scout, he took the wrong job. He should either quit, or grow up and face the fact that he cannot tell the truth about the dollar without launching the worst financial catastrophe in world history.

But, instead of saying he will do ...

...whatever it takes to keep the dollar strong,...

...Bernanke says the opposite; he will do whatever it takes to avoid deflation and recession.

In other words, he is implicitly promising to continue inflating the supply of dollars, thereby undermining the value of each individual dollar.

This man is poison. My advice is, fire him now before it's too late.

Since August, federal agencies have provided nearly $1 trillion in direct and indirect support to US financial institutions.[4]

On top of that, Nobel economist Joseph Stigliz believes the cost of the war will eventually reach $3 trillion, and says this money could have been used "to put Social Security on a sound footing for the next half-century."

As I pointed out in February, retired baby boomers are likely, at some point, to find the Social Security cupboard bare. In their youths, the boomers were cannon fodder for the Vietnam War, and now they've become financial cannon fodder for this war. And...

..Hie cannon is being fired by Bernanke

Some in the mainstream press have begun to sound the alarm. On March 4th, the NEW YORK TIMES ran an article about the war titled "The $2 Trillion Nightmare."

On March 5th, the WALL STREET JOURNAL ran an article by economist Judy Shelton called, "It's the Dollar, Stupid." Shelton ended the article with this warning about McCain, Obama and the Clintons: "It's time the candidates devote less time on the minutiae of configuring the next economic stimulus package, or renegotiating the North American Free Trade Agreement. They should be thinking about how they will confront the imminent global currency crisis."

Of course, this is all old news to readers of EWR. For more than six years we've been earning fat profits from gold and other investments that do well during the monetary chaos that typically accompanies

[3] In Senate Banking Committee testimony 29 Feb 08.

[4] "Dow Rallies...," Wall St. Jrnl., 12 Mar08,p.Cl.

wars.

What is new is that the mainstream press is beginning to wake up and sound the same warnings. They are six years late, but they speak to millions, who have now begun moving into the investments we were in before 9-11. On February 29th, in its lead front-page story, the WALL STREET JOURNAL quoted well-known commodity investor Jim Rogers saying, "The dollar is a terribly flawed currency and its days are numbered."

Gold de ja vu

History never repeats exactly, but close enough to learn valuable lessons. As Patrick Henry said, "I have but one lamp by which my feet are lighted, and that is the lamp of experience."

During the 1979-80 global monetary crisis, millions became afraid to hold fiat paper money, and they were fleeing into gold, silver, platinum and other commodities.

America dodged that bullet, barely, but now history is repeating. On March 11th, the WALL STREET JOURNAL ran another front-page story, titled "Weak Dollar Feels New Stress." It revealed that "central banks from China to Chile," including those of the Persian Gulf, are fed up with the dollar and looking for ways to escape from it.

Note this: inside the US, the greater fear is of deflation and recession. Outside, it's fear is of dollar debasement. The Fed's offices are inside the US. Foreigners afraid of dollar debasement are thousands of miles away, and they don't vote in US elections. So, most of the pressure Fed officials feel is pushing them toward more inflation.

Summarizing, since the beginning of the war, the federal government's financial behavior has been as responsible as that of a gang of drunken teenagers in a brewery with a credit card. And, each time Bernanke "clarifies" his attitude toward the dollar, he throws another scare into dollar holders.

If someone doesn't muzzle Bernanke, the Federal Reserve's dollar will go down in history alongside the worthless Continental and Confederate dollars as another inflationary disaster. ♦

With gold punching through $1,000, one would expect to hear the roar of "barbarous relic!" that governments usually blast out when they get themselves into these situations. They need to discredit gold, to prevent investors from dumping fiat currency and fleeing to the yellow metal.

Strangely, this time, I've heard few attacks on gold, and this silence may be an indicator of what's coming.

Do they no longer want to discredit gold? Is the yellow metal now part of their plan?

I wonder if US officials intend to continue letting the dollar fall, maybe even deliberately talking it down, until it reaches whatever target gold price they have in mind. Then they'll announce they are returning to the old pre-1971 Bretton Woods system in which dollars held outside the US were convertible to gold.

If my hypothesis of a new attitude toward gold is correct, it leads to the question, how far do officials plan to let the dollar fall? What is their gold price target?

A very conservative off-the-wall guess might be $2,000 per ounce. I can't imagine them even thinking about convertibility at less than that.

At the other extreme..

... a common but very rough estimate of the number of paper greenbacks plus U.S. government bonds held outside the U.S. is $3 trillion. I've heard estimates as high as $6 trillion, but let's go with $3 trillion.

The government's reported gold reserve is 261 million ounces.

Divide 3 trillion by 261 million. We get 11,500.

For the government to make its external dollars and debt fully convertible to gold, they'd have to do it at the rate of $ 11,500 per ounce.

But, letting the dollar fall far enough for gold to hit $11,500 would surely trigger a global flight from the dollar that would not stop until the dollar was worthless.

So, they may have a compromise target in mind. They'll let the dollar fall until gold hits, I'd guess, $3,000, then make the external dollar and debt convertible at that price, and hope very few foreigners actually ask for their gold.

This is all guesswork, of course, I could be totally wrong, but each news story about large foreign holders of dollars edging toward the exits makes me more convinced $3,000 gold is baked in the cake.

If one of the big dollar-holding groups loses their nerve and lunges for the door, triggering a stampede, I think we will be very lucky if US officials can get the crisis stopped before gold hits $5,000.

Watch for fear-of-the-dollar news stories, and own some gold. 4

Time to Bail Out?

We recently received this note:

"I love your newsletter and I want to use your portfolio for the aggressive part of my finances. Everything else I've read is all hype with very little fact. My father was an avid reader of your newsletter and he was very wealthy from it before he died. I found it with his personal effects and I want to continue on for my children and their children. Keep up the good work."

Throughout the 1990s, I wrote about a coming world war between Washington and Muslims. In the March 2000 EWR, I said it was time to get back into investments that do well during wartime "before the new era of war does a moon shot with our War Portfolio."

CORE *EWR* RECOMMENDATIONS

Imeslmcnt	Sxmhol	Bu\date	Price	No\\	(in/Loss
Gold	N/A	Jan-01	$271.10	$945.90	249%
Silver	N/A	Jan-01	$4.67	$18.08	287%
Platinum	N/A	Jan-01	$621.51	$2,172.00	249%
Alliant Techsystems	ATK	Jan-01	$29.33	$106.20	262%
BHP Billiton	BHP	Jan-01	$7.02	$73.83	852%
Central Fund Canada	CEF	Aug-04	$5.58	$13.28	138%
Encana	EGA	Oct-02	$14.98	$70.96	374%
EOG Resources	EOG	Jan-01	$26.21	,_ $99.35	279%
Fidelity Select Defense	FSDAX	Jan-01	$38.08	$81.63	114%
Fidelity Select Energy	FSESX	Oct-04	$41.55	$92.00	121%
General Dynamics	GD	Jan-01	$34.57	$83.65	142%
Halliburton	HAL	Jan-01	$18.37	$36.16	99%
Lockheed Martin	LMT	Jan-01	$31.82	$105.12	230%
Merk Hard Currency	MERKX	May-06	$10.49	$11.89	13%
Northrop Grumman	NOC	Jan-01	$36.87	$79.09	115%
Perm Portfolio Fund	PRPFX	Jan-01	$16.60	$37.27	125%
Raytheon	RTN	Jan-01	$28.03	$66.04	136%
Schlumberger	SLB	Jan-01	$38.12	$85.45	124%
Silver Standard	SSRI	Sept-02	$4.95	$33.12	569%
Suncor Energy	SU	Mar-04	$27.48	$96.68	252%
Textron	TXT	Jul-03	$19.83	$56.78	159%

In his excellent GLOBAL CHANGES AND OPPORTUNITIES REPORT (800-528-0559), Jim Powell keeps track of the moon shot. This is the chart of our more conservative picks Jim ran in his March 2008 issue. I think the Gain/Loss column shows rather clearly that, these days, to understand how to invest, one must understand the war.

Jim also runs a much larger chart of the more speculative EWR investments, some of which are up over 1,000%.

I do not see any reason to expect this trend to stop during my lifetime. There will be pauses along the way, but I think this war will be a permanent feature of the US economy for many more decades. That's why my unrelenting advice has been, and remains, buy things that do well in wartime and get out of those that don't.

This crisis is unprecedented

The world has never been through anything like this. There is no precedent for fiat money being the world reserve currency, so there is no precedent for the world reserve currency going down the tubes. What will happen is anyone's guess.

To pay for the war, they've made such a hash of the financial system that if they tighten enough to make the dollar a trustworthy store of value, I think they'll trigger not a recession but a depression. Consequently, I believe further sharp declines in the dollar are virtually certain.

What should you do?

We have thousands of subscribers, each with his or her unique set of personal circumstances, so it's difficult to give advice that works for all. But I'll try.

The most important thing I can say is, don't be fixated by momentary events. The threat at this time is a deflationary crash, but the much greater long-term threat is debasement of the dollar.

With much of the financial system under deflationary pressures, it's tempting to bail out of all nondollar assets and move entirely into T-Bills, CDs and other "safe" assets whose values are tied to that of the greenback.

If you do that, how will you feel if, without warning, the monetary crisis brings an overnight devaluation of the dollar by 59%, as happened in 1934?

Let me put it this way. Monetarily, the US is now a third world country. Woe unto anyone who does not arrange his finances accordingly.

We are in the grip of a velocity-driven crisis, which I explain below, and things can go from calm to crazy at the drop of a hat. On Black Monday in 1987, the Dow dropped 22.6% in one day.

The Fed's Blunder

When the Fed stayed tight in early August, then quickly loosened, they made clear to the world that they didn't know what they were doing.

In January, their huge 1.25% rate cut signaled that they felt we were in an emergency.

The emergency revolves around what I call…

…The velocity mystery

Here's the explanation I gave in the February 2004 EWR.

As this war was developing during the 1990s, I repeatedly warned that it was likely to bring *a* dollar crisis, and advised my readers to always have part of their savings diversified into non-dollar assets such as Swiss francs, New Zealand dollars, gold, silver, platinum, oil, and/or the Permanent Portfolio plan.

In the November 2003 and January 2004 EWRs I explained that the dollar crisis has begun, and it is generating huge profits in these investments. A major reason is velocity.

As far as I know, this is the only newsletter that reports much about velocity. I think this force is becoming a key driver in the dollar crisis, so here is a quick review and update.

Inflation or Deflation?

In their inflation watch, most analysts pay attention only to money supply. They forget the other, equally important side of the equation, money demand.

If people do not want a particular currency — let's say the British pound — then the value of a pound will fall. Sellers will demand more pounds in trade for their goods or services, and prices in Britain will rise *even if there has been no change in the supply of pounds.*

Also, if the demand for pounds rises, the value will rise and prices will fall even if there has been no change in the supply of the currency.

Velocity is the speed at which money changes hands. When money demand is high, money changes hands more slowly, and velocity is low. When money demand is low, velocity is high.

The key point: velocity and money supply can act as substitutes for each other. A 10% rise in velocity has the same effect as a 10% rise in money supply.

The Biggest Problem

The biggest problem with velocity and money demand is they can turn 180 degrees overnight. If people trust the currency, and suddenly perceive some kind of big threat to their futures, money demand can shoot up.

This can instantly cause the equivalent of a sharp *deflation* of the money supply by 10 or 20 percent, or more.

If they are nervous about the currency, and they perceive a sizable new threat to its value, money demand can plunge overnight, causing the equivalent of a sudden sharp *inflation* of the money supply. The farther the dollar drops against raw materials, other currencies, and other non-dollar assets, the higher the probability we will wake up one morning to find ourselves in a velocity-driven crisis, with most prices in the US rising noticeably every few days, as the whole world flees the dollar.

Five Signals to Watch

Velocity has proven impossible to measure with much accuracy and I have little faith in any velocity statistic. Day-to-day prices of foreign currencies and raw materials are much more trustworthy, so these are the signals I watch.

If I see the euro above $1.50, gold above $525, oil above $50, the Swiss franc above $1.20 and the British pound above $2.10, all at the same time, I will assume we have entered a runaway velocity-driven monetary crisis. The risk of owning dollars will have gone from grim to ghastly.

The crisis explained in that 2004 analysis is now here. Of those five signals, three have been triggered and the other two, the Swiss franc at $1.20 and the pound at $2.10, aren't far away. As we go to press, the franc is $0.99, and the pound $2.02.

When the sub-prime mess surfaced in August, and Fed officials stayed tight, they created fear of deflation, which tends to cause velocity to fall. They quickly reversed, and loosened, but the damage was done. I think they broke velocity loose from its moorings, and inside the US, the injections of new money are being neutralized by the fear-caused drop in velocity.

This happened in the Great Depression. The Fed was inflating. In 1932, money supply[5] was $20 billion, and by 1940 it was $38 billion. But fear was so great that velocity was falling faster than money supply was rising. This is why FDR said in his first inaugural address, "The only thing we have to fear is fear itself."

Not until World War II, which gave the Fed an excuse to inflate wildly, did the depression end. By 1946 the money supply was $106 billion.

Investors who know economic history have been watching the Fed inflate heavily, and they've been fleeing to non-dollar assets. In other words, they've been dumping their dollars, boosting velocity, which has an inflationary effect.

Probably for months to come, and maybe the rest of the year, we will see this tug-of-war between ris-

[5] As measured by M1. Source: Historical Statistics of the U.S., Colonial Times to 1957.

ing velocity and falling velocity, meaning between inflationary psychology and deflationary psychology. One will surely become dominant, but we don't know which.

Because they are driven by fear, changes in velocity are contagious; they can go from one person to the next very quickly. But they aren't uniform. People in California, for instance, where the real estate boom was intense, and has now turned into a crash, may be a lot more scared than those in Buzzard-breath, Wyoming, where there was no boom at all and where real estate prices are unchanged.

What to do with your money

My overall investment strategy centers on Harry Browne's plan explained in his short, simple book FAIL-SAFE investing (www.harrybrowne.orgX You can read it in less than an hour.

The plan is in two parts. One is the Permanent Portfolio, a carefully balanced mix of investments that is designed to be as bulletproof as possible — able to withstand inflation, deflation, wars, recessions, depressions, you name it.

The second is the Variable Portfolio, which is, frankly, your gambling money.

You don't need to have a Variable Portfolio, but lots of people do, so the speculative suggestions made in this newsletter are for this purpose.

Investments cannot do double duty. Something you allocate to the Permanent Portfolio — let's say gold — cannot also be allocated to the Variable Portfolio. If you want to speculate in gold, you need to buy extra for the Variable Portfolio, so that when you decide to sell to take your profits, you don't make a hole in your Permanent Portfolio.

The way I see it, there are three ways to adapt to the present financial crisis.

Plan One is to cover against a deflation only, and move all your money into T-Bills and insured CDs, expecting to move back into non-dollar assets when you are sure the deflationary forces have abated.

Plan Two is to move everything into the Permanent Portfolio.

Plan Three is to stay in both the Permanent Portfolio and Variable Portfolio, grit your teeth, and ride through whatever happens.

For my personal investing, I'm staying with Plan Three. Here's why.

As I said earlier, it's important to avoid being fixated by the crisis du jour. I believe that as long as the war lasts, which I expect to be decades, the dominant economic trend will be debasement of the dollar. No matter how severe a deflationary episode might be, I think we will always return to that primary trend, war and inflation, for the rest of my life.

These have been the trend since the Berlin Wall came down. There have been several deflationary episodes since then, but I've ridden through them, so I think I'm emotionally ready to ride through another. And another, and another — there will be many more, count on it.

But everyone's temperament and circumstances are different, and declines that barely catch the eye of one investor can be paralyzing for another. Lots of people who think they can tolerate a sharp drop in their investments find out when it happens that they can't. They panic and sell at exactly the time they should be buying.

If you aren't highly confident you can comfortably live with whatever you regard as a huge drop, without panicking and bailing out, then my advice is to sell at least part of your Variable Portfolio.

This isn't to say the Permanent Portfolio will suffer no declines at all, but it remains the most robust strategy I've ever seen.

That's plan three. Plan One is, in my opinion, very risky. To stop the deflationary forces, the Fed is injecting unimaginable amounts of new dollars into the economy, thereby rapidly increasing the chances of a sudden global flight from the dollar.

If all your assets are in dollars, you'd better not sleep. I'm serious. A stampede out of the US currency would likely begin not in the US but in some foreign country a dozen time zones away. You don't want to wake up at 6AM some morning and find you should have switched everything to gold and silver four hours earlier.

Also, the government admits consumer prices are rising at more than 4% per year. If your T-Bills and CDs are earning 3%, on which you are taxed, then you are suffering a guaranteed loss, and the worse inflation becomes, the greater the loss.

Whatever you do, don't believe anyone who tells you to switch to a single investment that is safe. Federal officials have done so much damage to the financial system that there isn't any such thing as safe. There's safer, but there isn't safe.

So, in my opinion, it's a choice between Plan two and Plan Three. If you aren't highly tolerant of risk, stick with plan two, so that you are ready for either inflation or deflation.

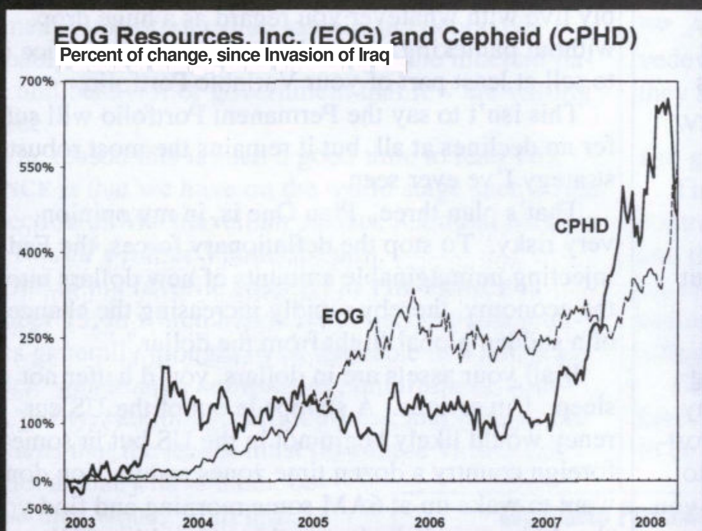
Fasten your seatbelt and be psychologically ready for a wild ride. *

Least scary investments

You may intend to stay in some of the speculations, and would like to stick with ones likely to give the least terrifying ride. I examined the track records of 73 we've been in since the invasion of Iraq five years ago, and picked these eight as the ones likely to give the mildest case of heebie-jeebies.

In the defense stocks, **Northrop Grumman (NOC,** NYSE) and **General Dynamics (GD,** NYSE) have had two of the more steady performances, and both are top companies in their field.

In the raw materials, **EOG (EOG,** NYSE), **En-cana (ECA,** NYSE), **Schlumberger (SLB,** NYSE) and **BHP Billiton (BHP,** NYSE) are top companies, and among the least erratic performers. In precious metals, if you will go to www.PCGS.com. click on PCGS3000, then Mint State Rare Gold Coin Index, you will see why I have so often recommended **numismatics.** (See the 9/07 EWR, page 8.) Since the March 2003 invasion of Iraq, high quality certified numismatics have probably given the smoothest long-term ride of any speculation I've ever written about, and I think they are still a ground floor opportunity. If we don't see them climb 1,000%, I'll be shocked.



EOG and CPHD arrived at roughly the same place, but CPHD"s long decline from 2003 to 2007, including the sharp drop in 2004, could have frightened an investor into selling before the big climb. EOG has been much less worrisome.

For **bullion coins,** platinum has given the best performance, but so much so that it may be due for a huge correction. I'm more comfortable with gold and silver. I think silver has more profit potential than gold, but it's also likely to give a more bumpy ride. Your choice.

I do not consider **Permanent Portfolio Fund (PRPFX,** 800-531-5142) a speculation. It's in a class by itself, and has put on an amazingly steady performance, with no sharp drops, ever. But since the beginning of the war, it's only risen 105%> ^ Again, it is crucial to step back and stay focused on the so-called Big Picture. The dominant US trends since 9-11 have been war and currency debasement. The present deflationary episode is a departure from the trend and isn't likely to last. The simple fact is that every time Fed officials inject more money to forestall recession, they make knowledgeable investors around the world more afraid to hold dollars; the velocity of the dollar rises. I think the weakness of the dollar will be the central fact of your financial life for as long as the war lasts, meaning decades.* ^* We've had a few cancellations for the Phoenix April 12th EWR seminar and Gala Ball to raise money for the battered women's shelter, Eve's Place. Grab them while you can. You'll have plenty of time to talk with me in person, so bring your questions. I'll look forward to seeing you. Call 800-509-5400. ♦

► There are days when I'd rather stay in bed, pull the covers over my head, and pretend the global chaos isn't there.

Again, we don't intend for EWR to be your monthly slap upside the head, and we try to soften the blow, by doing our best to make you rich, or richer. I haven't examined every investment publication in the world, so I can't say EWR's track record since 9-11 is the best, but it must be close.

Next month I'll give you a detailed explanation of the system we use to do it. Even if you are not an investor, you need to understand it; in one way or another, the chaos affects every aspect of your life, and forewarned is forearmed. Feel free to pass copies of this EWR along to those you care about. Plans 2 and 3 might help ease their worries. ♦