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Issue 28 - Dec 2008



Prosper! Dear Prudence, Won't You Open Up Your Eyes...
Investment Insights from Louis Boulanger

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louisboulanger now
Freethinking Investment Strategies

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Important Reminder for readers:

I do not consider what I write in these newsletters to be investment or financial advice and nor should you. *Prosper!* e-letters are issued and intended solely for informational and educational purposes. Statements made in these e-letters should not be construed by you, dear reader, or anyone else for that matter, to actually be investment or financial advice. You should not decide to act and make an investment or financial decision only on the basis of the information contained herein. I recommend that you first obtain professional investment or financial advice before making such decisions.

Denial Reigns Supreme

"We cannot expect the Americans to jump from capitalism to communism, but we can assist their elected leaders in giving Americans small doses of socialism until they suddenly awake to find they have communism."

*- Nikita Khrushchev
(1894 – 1971)*

First Secretary of the Communist Party of the Soviet Union from 1953 to 1964, following the death of Joseph Stalin

Gee whiz... where do I begin?? So much has happened since my last e-letter that my head is spinning!

How are you doing? Is your head spinning too? Or is it in the sand like most people and just hoping for the best? I hope not. I hope you have at least already started preparing for the global destruction of capital that just keeps keeping on and is about to get a lot worse. Time is running out. Money, as we now know it, is dying.

But you wouldn't think so if all you do is read and watch mainstream media or get your investment or financial advice from the well established banking and other financial services conglomerates. How many advisers in such firms these days actually manage OP'sM (Other People's Money) the same way they actually manage their own? I guess that's something we'll just have to continue knowing very little about or, in fact, next to nothing about...

If you are reading this, then please take responsibility for yourself and your loved ones (and, even more so, if you also have fiduciary duties as a trustee to act in the best interest of others) and position your investment portfolio(s) for protection against the systemic crisis and bad economic and financial times ahead. Even more so, prepare for all the governments' and central banks' continued insane market interventions!

The only reason why I write these e-letters is to do what I consider to be my obvious professional duty and alert as many individuals as possible, whatever they do, wherever they are and whoever they may be or work for, to the saga of the collapsing global monetary system. My other purpose, directly related to this, is to continue to advocate more and more and, hopefully, with greater and greater influence for a return to sound money.

I have not changed my opinion one iota since I started writing these e-letters in September 2006. In fact, if anything, I am more and more convinced that I am right by simply observing the increasing global contagion and the escalating signs of panic or desperation shown by our world leaders and their central bankers: this is a global monetary crisis of unprecedented proportion. Everything else is just a symptom or manifestation of our dying fiat money system.

But don't take my word for it. Of course, I could be wrong! Test the validity of everything that is written in my e-letters for your own satisfaction. Don't trust anyone! Trust only yourself; but first, make sure you know yourself... Or if you are going to trust anyone else, realise what you are doing and at least make sure that person/firm/board knows what it is doing **and** is acting in **your** best

interests.

Everything Needs To Be Re-evaluated

Everything has been built on credit and this entire recent convulsion of panic has been about lack of credit, quality of credit, and the resulting insolvency of credit. The credit system grew and grew until it reached "debt saturation". It grew solely by the use of additional credit that was based on currencies that were themselves based on absolutely nothing.

Globally, the US is no longer competitive with the rest of the world. It no longer has the financial and monetary strength it had when it was agreed in 1944 (Bretton Woods) by the whole wide world that its currency would be the only global reserve currency. Yet, it is still the US dollar which is at the center of our international monetary system. How much longer do you think that's going to last? What's next?

At the time of Bretton Woods, in 1944, gold constituted 90% of consolidated world central bank reserve assets and the US owned 90% of all central bank gold. Hence it was appropriate for the US dollar to then become the key currency in our new post WW II international monetary system. But that 'system' died in 1971 when US President Nixon unilaterally decided to cease to exchange US dollars for gold.

This is euphemistically known as and casually referred to as 'the closure of the gold window'. In actual fact, it represents a default of the US government on its most important agreement and obligation to the rest of the world under the agreed global monetary system: to redeem on demand by any non-US central bank their US dollars for gold at the agreed measure/price of US\$35 an ounce.

At the core of the agreed Bretton Woods international monetary system, was the fact that the integrity of the US dollar was guaranteed by the right of non-US central banks to convert their US dollars to gold if they feared that the purchasing power of the US dollar could be devalued through excess creation of money. Well, that arrangement died in 1971 and so did the Standard and 'money'... lost its integrity!

You see, the world's money system came off the US Dollar/Gold Exchange Standard at first to permit inflationary financing of the Vietnam War (just as the end of the British Gold Standard in 1914 was to permit their inflationary financing of World War I). This led directly to the Great Inflation of the 1970's and the increasing debt that ensued.

The 1970's Great Inflation of money ended in 1981, resulting in falling interest rates and strengthening bond and equity prices for the next twenty years. But realise that there was also **no return to the prudent measure** of the US\$/Gold Exchange Standard. Money, as it were, simply continued to be irredeemable... How did we get so naive or become so oblivious to what history tells us about how we humans always seem to end up abusing power, especially the power to create money out of thin air?

The change in policy, beginning in 1981, was in my view a deliberate attempt by the world's central banks, led by the US Federal Reserve under Paul Volcker to maintain at least the appearance of the integrity of the US dollar and

other means of exchange, or the quality of 'money' overall, by keeping the rate of change in the total international monetary reserves as close to zero as possible. This remained official policy for much of the rest of the twentieth century. But since the year 2000, the rate of change has accelerated in a worrying sign...

Why I Write

I happen to believe very strongly that the global regime of irredeemable fiat currencies is mortally wounded and will bleed to death as all other fiat currency regimes in all of human history have done in the past. But that was then and this is now. The catastrophic earthquake of dark liquidity has not yet happened.

There is still time to protect your wealth from the devastating effects of the coming Great Tsunami of hyperinflation (or money devaluation – same thing) that will wipe out much of what's left of the world's financial assets. But time is a luxury that is quickly running out.

If I was able to broadly anticipate the start and the course of the current crisis back in 2006 (I refer you to the earlier issues of this e-letter), it is simply because I took a few years off after leaving Mercer in 2004 to travel and read a lot with an open mind and do my own independent research to understand what was going on right now in the world of money. I had the 'luxury' of time on my side and used it to discover or at least search for the truth about money.

I know that for most people, probably including you, life is now simply going too fast and there is just too much to do in a day, every day, to even consider taking time to pause and question things. Let alone the luxury of time to search for esoteric things like the truth about money and the meaning of life! Well, I made a decision four years ago to ensure I always had that luxury from now on in my life and in doing so made the commitment to be authentic in all aspects of my life, including my professional life.

It is with that newfound determination and personal freedom that I found myself beginning to focus increasingly on understanding what money actually was. That then naturally led me to start questioning much of the typical explanations of what money was and test for myself the truth behind what we all seem to so readily accept as sound central and commercial banking. And I began sharing freely some of my findings with you in 2006 as investment insights in these Issues of *Prosper!*

Of course, all my past education, experience and technical knowledge as an actuary and financial analyst helped. But what helped me the most, given that I already had that knowledge, was the ability to put into practice the power of my discriminating mind more than ever before. I have meditation and the School of Philosophy (www.philosophy.school.nz) here in Auckland to thank for that.

Above all, I now realize that I have a role to play in all this terribly sad saga, even if only a small one, in unveiling the real toxicity in our global banking/financial/monetary system: **the lack of measure!** I know, this sounds overly simplistic, but where does it say that everything banking/financial/monetary has to be so complicated? What makes a simple lack of measure so toxic is the persistence of the delusion which is so

forcefully defended and reinforced by its perpetrators.

Above all, I believe, universities, governments, central bankers and mainstream media have a lot to answer for. But, to be fair, I suspect most of them are numbingly unaware of the lies they propagate and the devastating consequences caused by those perpetuating lies. I am sure most of them mean well and are 'just doing their jobs'. But the intellectual damage nevertheless continues. What a shame!

I came to the conclusion at the beginning of 2006 after much research that there had to be at some stage a global systemic crisis, calling into question the global financial and economic order born in the aftermath of WWII in Bretton Woods and its destruction 37 years later in 1971. In this regard it is quite ironical that the near totality of leaders, experts and media worldwide are now, 37 years later once again, overbidding on the necessity of a new Bretton Woods.

That says a lot, I think, about their capacity to understand what is going on today and to anticipate the months and years to come... Bretton Woods died in 1971 and we've been sailing the high seas of debt aboard a rudderless ship with no captain ever since! Don't they know this? Global leaders' reaction, G20 in the lead, is inefficient and running after the events. They are treating the symptoms, not the cause. There is no plan for a lasting solution; they are making decisions as best they can as they go!

It therefore belongs to you, dear reader, as an individual player (person, company or municipality), to get ready for what I think will be a breakdown of the global monetary system, possibly even as early as next year now. My sincere hope is that my insights will be helpful to as many discriminating readers as possible.

The truth about money is there for all to see, but it is also kept well disguised behind an elaborate and persistent veil of deceit, which is also unfortunately for us also ably and perniciously made irresistible to our deeply held need for hope and desire for security. In truth, however, the global financial system is close to a systemic failure.

Protect yourself. Preserve your capital. Don't listen to the siren song of debt and paper profits. Leave some of your money off the table of financial assets. In other words, don't put all your 'eggs' in the same 'basket' of financial securities. Take some of your money OUT of financial markets and AWAY from the banking system NOW before it's too late. One day, when the insanity is over, you'll be able to re-deploy your capital and **Prosper!**

"The acute financial difficulties which are being experienced among major institutions could result in economic hardship for many people. In one way or another, these difficulties are the result of a disregard of the true principles of human living. In the School the aim is to understand these principles, both spiritually and practically. With such understanding, everyone may enjoy progress and prosperity. This is as pressing a matter now as it has ever been."

Donald Lambie

Leader of the School of Economic Science (www.schooleconomicsscience.org)
in London, to which the School of Philosophy in Auckland is affiliated

Please note that all past issues of *Prosper!* are available [Here](#) for your convenience.

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Something's Up; But What?



"By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

- John Maynard Keynes
(1883 – 1946)

British economist whose ideas, called Keynesian economics, had a major impact on modern economic and political theory as well as on many governments' fiscal policies; considered by some to be (quite sadly, I would add...) the most influential economist of the 20th century

Do you get the feeling that there is definitely something fishy going on? Central banks and governments around the world have been pumping money into the system like there's no tomorrow and are now also offering attractive capital guarantees. Some have greatly increased their enthusiasm recently for all manner of such actions and it seems the race to zero is gaining speed!

In fact, it's quite hard to keep up with it all, as there are so many newly invented twists and turns (and terms) that keep popping up. The Fed's toolbox seems like a magic hat! What else is going to pop out of Ben's hat next?? A Black Swan, maybe?!!

Even the central bank of Canada now lists 42% of its assets as 'other'... which has become the largest component of the central bank's assets (government bonds now making up only 15% of total assets)! Canadians should be worried. In fact, there may not be any tanks in the streets or protesters occupying the airport, but Canada is in the midst of political turmoil the like of which this normally placid country (which happens to be where I come from) has rarely seen!

Canada's political crisis, which will keep the nation's legislature closed for the next seven weeks, may exacerbate financial turmoil. *"We are in the worst crisis since 1929 and we have no government. How can this be good?"* said Stephen Jarislowsky, the 83-year-old chairman and founder of Montreal money manager Jarislowsky Fraser Ltd., which manages about \$40 billion.

Prime Minister Stephen Harper, in an unprecedented move, suspended Parliament last week until the 26th of January 2009... Why? He apparently did so to stave off a bid, which seemed certain to succeed, by opposition parties to oust him and his government. The turmoil comes as Canada faces its first recession in 16 years and lenders are posting record debt write downs that are shaking the country's financial system.

Meanwhile, Back in the US...



What's one to think of all the Big Bailouts lately, er sorry... rescues, which are endlessly going on in the US?! Will the above three begging CEOs from Detroit be next? Here's the amazing tally so far:

Follow the \$8.5 trillion: Breakdown of the government's rescue funds

FEDERAL RESERVE PROGRAMS	Maximum commitment	Tapped so far
Commercial paper program Buys short-term notes from companies, which use the proceeds to pay bills	\$1.8 trillion	\$271 billion
Term auction facility Provides a negotiated rate for banks to borrow from the Fed	\$900 billion	\$415 billion
Other assets	\$606 billion	\$606 billion
Finance company debt purchases Buys debt issued or backed by government-chartered housing-finance companies including Fannie Mae and Freddie Mac in an effort to reduce their debt costs and thereby lower mortgage rates	\$600 billion	\$0
Money market investor funding facility Buys assets from financial companies to bolster money-market mutual funds	\$540 billion	\$0
Citigroup bailout The Fed agreed to guarantee \$291 billion of Citigroup's toxic assets	\$291 billion	\$291 billion
Term securities lending Allows financial firms to borrow Treasury bonds in exchange for collateral	\$250 billion	\$100 billion
Term asset-backed loan facility Lends money to owners of top-rated securities that are backed by school, car, credit-card and small business loans	\$200 billion	\$0
Other credit extensions Loan to American International Group	\$123 billion	\$87 billion
Discount window Lends directly to commercial banks	\$92 billion	\$92 billion
Commercial paper program 2 Lends to banks so they can buy commercial paper from mutual funds	\$62 billion	\$62 billion
Discount window 2 Lends directly to all financial firms, including securities firms	\$50 billion	\$50 billion
Bear Stearns assets The Fed guaranteed \$29 billion of the firm's assets when JPMorgan Chase bought it	\$29 billion	\$27 billion
Overnight loans Makes one-day loans to banks based on collateral	\$10 billion	\$10 billion
Secondary credit Lends at higher interest rates when collateral is weaker	\$118 million	\$118 million
Federal Reserve total	\$5.5 trillion	\$2.1 trillion
FEDERAL DEPOSIT INSURANCE CORP. PROGRAMS	Maximum commitment	Tapped so far
Loan guarantees Takes the risk out of bank-to-bank lending	\$1.4 trillion	\$0
Guarantee to GE Capital Supports the lending arm of General Electric	\$139 billion	\$139 billion
Citigroup bailout FDIC agreed to guarantee \$10 billion of Citigroup's toxic assets	\$10 billion	\$10 billion
Federal Deposit Insurance Corp. total	\$1.5 trillion	\$149 billion
TREASURY DEPARTMENT PROGRAMS	Maximum commitment	Tapped so far
Troubled Asset Relief Program Approved by Congress	\$700 billion	\$375 billion
Stimulus package Checks mailed to taxpayers last spring	\$168 billion	\$168 billion
Treasury Exchange Stabilization Fund Buys and sells short-term notes to moderate fluctuations in foreign currency exchange rates	\$50 billion	\$50 billion
Tax breaks for banks	\$29 billion	\$29 billion
Treasury Department total	\$1.1 trillion	\$597 billion
FEDERAL HOUSING ADMINISTRATION PROGRAM	Maximum commitment	Tapped so far
Hope for Homeowners Provides loan guarantees for struggling mortgage borrowers	\$300 billion	\$300 billion
Federal Housing Administration total	\$300 billion	\$300 billion
U.S. Government total	\$8.5 trillion	\$3.2 trillion

Sources: Federal Reserve; Federal Deposit Insurance Corporation; Federal Housing Administration; Treasury Department

Bloomberg

US\$8.5 trillion! That's \$8,500,000,000,000... Even World War I & II combined cost less than that!! That does not look like a healthy situation, no matter how you look at it. In fact, what do doctors think of Ben and his cronies busily administering massive doses of the same bad medicine that has so ailed the US and global economies? Well, apparently...

The Allergists voted to scratch it.

The Dermatologists advised not to make any rash moves.

The Gastroenterologists had sort of a gut feeling about it.

The Neurologists thought the administration had a lot of nerve.

The Obstetricians felt they were all labouring under a misconception.

The Ophthalmologists considered the idea short-sighted.

The Pathologists yelled, 'Over my dead body!'

While the Paediatricians said, 'Oh, grow up!'

The Psychiatrists thought the whole idea was madness.

The Radiologists could see right through it.

The Surgeons decided to wash their hands of the whole thing.

The Internists thought it was a bitter pill to swallow.

The Plastic Surgeons said, 'This puts a whole new face on the matter.'

The Podiatrists thought it was a step forward,

But the Urologists felt the scheme wouldn't hold water.

The Anaesthesiologists thought the whole idea was a gas,

And the Cardiologists didn't have the heart to say no.

In the end, the Proctologists decided the decision was best left up to the
assholes in Washington...

What's Going On With Gold?

"Gold demand has exploded," reports Doug Hornig of Casey Research, "and not just here and there. Everywhere! Around the world, customers have been queuing up to strip coin shops' shelves bare. Mints have been running 24/7 and still have been forced to ration coin shipments to their dealers. ETF vaults are bulging. Now the World Gold Council has confirmed the trend with hard numbers for the third quarter of this year. In a page-and-a-half press release summarizing 3Q 2008 activity, the WGC had to use the word 'record' 10 times."

Here are some highlights:

- Dollar demand for gold in Q3 was a record US\$32 billion, 45% higher than the previous record, set in 2Q 2008;
- Identifiable investment demand, which incorporates demand for gold through exchange-traded funds (ETFs), bars and coins, rose to US\$10.7 billion (12.3 million ounces), double year-earlier levels;

- Retail investment demand rose 121%, to 7.5 million ounces, with strong bar and coin buying in the Swiss, German and U.S. markets. Europe as a whole saw an all-time record 1.64 million ounces of bar and coin buying. France became a net investor in gold for the first time since the early 1980s;
- Gold ETFs posted a record quarterly inflow of 4.8 million ounces in Q3. After the collapse of Lehman Bros. in late September, ETF inflows shot higher by an unprecedented 3.6 million ounces in only five days;
- Demand for gold jewellery hit a record US\$18 billion. Leading the way was India, which witnessed a rise of 65% in dollar value (1.3 million ounces) compared with 3Q 2007. The Middle East, Indonesia and China all experienced increases of more than 40% in value or 10% in weight, year over year;
- At the same time that demand is setting records, supply has been unable to keep pace, falling 9.7% from year-earlier levels. The drop was largely due to inaction on the part of central banks, which have increasingly shut their vault doors.

Hornig continues: "Heavy demand, declining supply... small wonder that gold prices have remained near record highs in most of the world's currencies, that dealers have been marking up coins by 10% or even 15% (when they can get them) and that 1-ounce coins still fetch bids close to \$1,000 on eBay. When will the spot price in US dollars, which is set by the futures market, catch up? No one knows. But it will."

So, let me get this straight:

- Demand for gold has exploded, yet supply is dropping...; and
- The price for an actual 1-ounce coin of the metal in hand is 35% more than its spot price (if you can get your hands on it) which is determined by the futures market...

What's going on here? That does not make any sense! Oh, it's only the US\$ price of gold that has not kept up with the demand... I see now; never mind that its price is reaching new highs in just about every other currency. That makes a little bit more sense because everybody, it seems, has been turning to what they believe is the safest place for their money at this point in time: US dollar denominated debt!

Hey, even the Fed is now buying US 10yr and 30yr government bonds (to keep US long interest rates down and also reduce US mortgage rates)!! No wonder the US\$ is currently so strong – that is, relative to other fiat currencies, which are of course all falling at varying speed – and the US Treasury bond yields so low. The yield on the US Treasury's 30yr bond has plummeted by more than 100 basis points in a fortnight, to 3.06%! It has certainly never been as low as it is now.

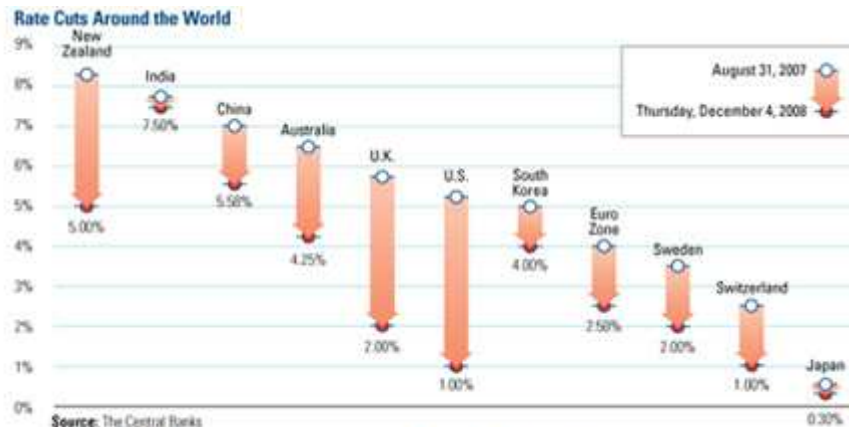
But hey, that won't last for too much longer. After all, keep in mind that the US's monopoly of issuance of the global reserve currency or currency of reference is in terminal stage. In any rational risk-taking, the probability to lose must be multiplied by the extent of the loss. In this case, the probability of a US

default (either by means of a sudden devaluation, placing under IMF trusteeship or collapse of the currency due to hyperinflation... the Fed's monetary basis today increases at the rate of 300 percent per year in average!) is increasing every day.

The bankruptcy (or public rescue) of General Motors, Ford and Chrysler will certainly represent a new tipping-point in the US crisis. In the weeks to come, it will become evident that the "safe haven" of the US\$ was in fact just an impression; a bit like being in the "eye of the storm". Far from being a haven of stability within chaos, the US dollar has simply gone through a few months of calm and will most likely quickly resume its continued collapse.

Central Banking Cartel at Work

I can't remember ever seeing all the world's central banks moving in such unison and with such gusto toward the bottom of the barrel. Could it be that they are now all working together? What happens when all of them have reached 0% (or close) interest rates? Check this out:



Source: US Global Investors' weekly Investor Alert on 8 Dec (note soon after, i.e. end of last week, India's central bank also cut its rate by 1% to 6.5%)

Four central banks in Europe lowered their benchmark interest rates last Thursday. The European Central Bank (ECB) cut its rate by 0.75% to 2.5%, Swedish Riksbank by 1.75% (a record cut) to 2%, the Danish central bank by 0.75% to 2.25% and the Bank of England by 1% to 2% percent (the lowest rate since 1951). New Zealand's central bank was in on it too, cutting its rate by 1.5% to 5% — another record and the bank's fourth cut since July!

With investor, business and consumer confidence low across the board, these reductions are meant to spur consumption and keep the economy from weakening further. However, by dropping rates to such low levels, many are getting dangerously close to using up their last remaining policy option to encourage economic activity.

But, don't worry; if ordinary policies (such as reducing official interest rates) come to a point where they no longer have any effect (soon) and so, fail to avert slump and deflation, the monetary printing presses are the final tool at the disposal of the money makers. Governments could borrow directly from central banks and distribute the newly created money to households and firms. Yippee, it's Christmas! Free money! Don't miss out; make sure you keep an

eye out for helicopters 'cause they are loading now!!

Stop Press: Gold Now In Backwardation

Professor Antal E. Fekete has just sent all of us who attended his last Gold University seminar in Canberra last month an urgent message (you can read it in full at www.professorfekete.com). Some of its content is technical, but in a nutshell his message is this: the end is near now for the regime of irredeemable currency. If you want to be saved, you must be prepared to save yourself.

“You cannot understand the process whereby a fiat money system self-destructs” the Professor writes, “without understanding the gold and silver basis. The Quantity Theory of Money does not provide an explanation, because deflation may well precede hyperinflation, as it appears to be the case right now.”

The Professor is a mathematician and monetary scientist who only means well and has dedicated his research to monetary issues that are unfortunately pointedly ignored by too many, especially those who should know better and have such influence over how we come to understand and accept things. I have no doubt that the day will come when his warnings will be recognized for what they were and his unique scientific research will shine through the darkness and help humanity to survive onto the next stage.

The seminar last month was all about helping us to understand the gold and silver basis, as the only measure left you can trust to be truthful in its value and its message with respect to the state of our paper money. This is nothing short of brilliant, in my view. The gold ‘basis’ is simply the difference between the futures and the cash price of gold.

More precisely, the basis is the price of the nearby active futures contract in the gold futures market minus the cash price of physical gold in the spot market. Historically, it has been positive ever since gold futures trading started at the Winnipeg Commodity Exchange in 1972. That is, until last week...

“December 2, 2008, was a landmark in the saga of the collapsing international monetary system, yet it did not deserve to be reported in the press: gold went to backwardation for the first time ever in history. The facts are as follows: on December 2nd, at the Comex in New York, December gold futures (last delivery: December 31) were quoted at 1.98% discount to spot, while February gold futures (last delivery: February 27, 2009) were quoted at 0.14% discount to spot. (All percentages annualized.) The condition got worse on December 3rd, when the corresponding figures were 2% and 0.29%. This means that the gold basis has turned negative, and the condition of backwardation persisted for at least 48 hours. I am writing this in the wee hours of December 4th, when trading of gold futures has not yet started in New York.

According to the December 3rd Comex delivery report, there are 11,759 notices to take delivery. This represents 1.1759 million ounces of gold, while the Comex-approved warehouses hold 2.9 million ounces. Thus 40% of the total amount will have to be delivered by December 31st. Since not all the gold in the warehouses is available for delivery, Comex supply of gold falls far short of the demand at present rates. Futures markets in gold are breaking down.

Paper gold is progressively being discredited.”

May the Professor live long and prosper! I am so looking forward to attending his next session in late March next year in Szombathely, Hungary. I encourage everyone who is in the area or who can be in the area at that time to attend. Details on the program and venue are on his website.

Why I Keep Mentioning Gold...

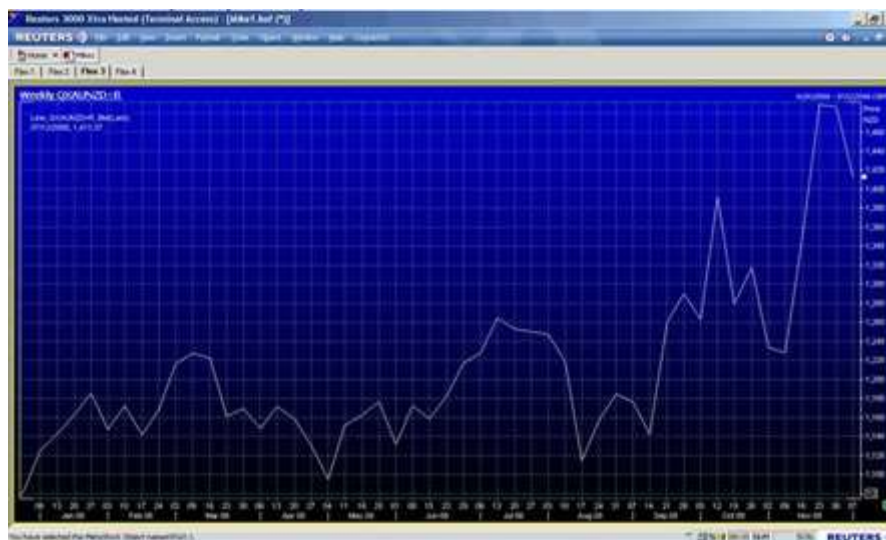
You see, it's not that I like gold per se. I don't even like money per se. But, most of all, I don't like being taken for a fool and lied to my face day in and day out. I don't like promises that can't be kept. And the only reason I like gold is because I know that one day its natural role will return to our lives (and it can't happen soon enough in my view; we've got wars to avert!). And when that day comes, it will be pretty much priceless. That day could come suddenly and unexpectedly.

Until then, it matters not to me what 'price' is put on the metal because it invariably has to be in fiat currency of one type or another and they are all going down. It's already happening. But most people can't even see it. The most recent example of that for me was last week when I gave a presentation at an IRG seminar in Auckland and asked investors in the audience if they knew what the movement in the price of an ounce of gold in NZ dollars was this year to date.

Well! One lady said "it's gone nowhere". Another said "it's down a bit". I asked if anyone disagreed with that and nobody did. Everyone, it seems, was convinced that gold had been a poor investment in 2008. It beggared belief, really. The truth about the price of gold was simply not known.

As a matter of fact, the NZ share market was down almost 40%, the Australian market was down almost 50%, interest rates were down around 40% (and so, less and less income was available to investors from bank deposits and investments in other fixed interest securities) and property prices were also down. So, even if it had been true that gold had not gone up or even had gone down a bit, it would still have been a good performer relative to financial assets.

But the amazing truth that did surprise everyone there was that the price of an ounce of gold in NZ dollars had actually **gone UP, not down, BY nearly 40%** this year so far! Check this chart out (my thanks to Michael O'Kane of the NZ Mint for sending it):



Yes, of course, much of that appreciation in price was attributable to the fall in the value of the NZ dollar relative to the US dollar – which has been getting stronger and stronger over the past few months due to the amazing amount of deleveraging going on (as I explained briefly in the previous Issue) presently.

And that's exactly my point when it comes to why you should own some gold. Until we return to a sound global monetary regime with redeemable currencies, gold is THE safe haven and a desirable alternative to fiat currencies (think of it as a protest vote). In fact, at the moment, the price of gold is already at its highest ever in most world currencies... except for the US dollar. But that too will soon be the case again as the US dollar resumes its inevitable path of destruction.

The world is bankrupt, but you don't need to follow it. Just watch the show. And if you have not bought any bullion yet, take advantage of the sale prices that are currently still on and thank the central banks' cartel for their gift (while it lasts)! If you need help with that, please give me a call or send me an email.

"In stark fact, the importance of Gold is that its circulation as MONEY makes "The Manipulation of Money and (therefore) Credit" impossible. The fundamental concern of those who do understand the current financial crisis is not how high or low the Gold "price" expressed in US Dollar or any other fiat currency may go. It is how long it will take for Gold to be re-established as money, and where that will take place first. Because SOUND money is necessary for savings, investment, credit and markets to function properly, the re-establishment of Gold as MONEY is crucial."

- Bill Buckler, www.the-privateer.com

Your freethinking investment strategist, resolute more than ever to do 'whatever it takes' (to use a phrase we hear more and more from our dear leaders) to help save as many people as I possibly can from the coming catastrophic collapse of money as we know it

Louis Boulanger, CFA
Louis Boulanger Now Ltd.

Disclosure and Disclaimer Statement:

I am not a disinterested party. I personally own gold and silver bullion and invest in a commodity index fund. One of my objectives in writing articles such as this is to interest potential investors in the subject of monetary reform to the point where you may be encouraged to conduct your own further diligent research. Neither the information nor the opinions expressed should be construed as a solicitation to buy or sell any security, currency or commodity. Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions. I have neither been paid nor received any other inducement to write this article.

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