

GOLD MAY SEE FURTHER UPSIDE

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RIO Professional Investors fund has benefited from recent Gold moves and will continue to buy Gold on market correction.

News stating that the G-7 finance ministers, meeting in Tokyo, recommended the IMF to sell a portion of its gold reserves weakened bullion only temporarily. I believe the move came from a more pessimistic assessment of the credit crisis, which triggered heavy safe haven buying in bullion, as I predicted years ago. A surge in oil prices after reports of refinery outages in Delaware may also have helped support gold and silver prices.

The G-7 approval of an IMF gold sale is logical, according to the Italian Economics Minister Tommaso Padoa-Schioppa. Mr. Padoa-Schioppa, who is also the head of the International Monetary Fund's Steering committee (IMFC), said the agreement to sell gold would be finalized in April and would complement spending cuts being drawn up by the IMF. The sale of bullion at current high gold prices could ensure a flow of income to the fund according to the Minister. According to IMF data, the fund holds 103.4m oz of gold, which at current prices amounts to USD95.5bn. It is not certain that the IMF will approve any plan to liquidate part of the fund's gold holdings. The US to date is still officially opposed to any sale plan and, while the US Treasury Secretary may not have opposed the G-7 statement, approval by Congress is still needed before the US can support the issue at an IMF vote.

Speaking after the meeting of G7 finance ministers, Peer Steinbrück, the German finance minister, said the G7 now feared that write-offs of losses on securities linked to US subprime mortgages could reach USD400bn. My comment on this is that this is three times more than the Fed's estimate of losses. It is also sharply higher than the USD120bn in credit losses that Wall Street banks and other institutions have revealed in recent weeks, according to the Financial Times. This gloomy picture should support the gold price again, I believe, as it increases investor risk aversion and stimulates safe haven buying in bullion. To put the figures in some perspective, USD400bn is only USD53bn less than the entire US defense budget, and the budget office of the President puts that at USD453bn for FY2007.

The next two weeks will be of crucial importance to the financial markets, since results of the first audited accounts from financial institutions following the start of the crisis, will be reported. If they show the situation to have deteriorated beyond market expectations, gold demand may be further stimulated this year.

RIO's recommendation is to buy RIO Professional investors Fund, which will benefit from a gold rally. This fund is also positioned to benefit from any further interest rate cuts in USA which is almost certain.

USA Economic Rescue Package- may just delay the inevitable

US Congress gave the final approval to a \$168 billion economic rescue package as members will know from news coverage. This 'stimulus plan' is supposed to motivate people into spending, rather than saving, thereby rescuing the economy from an acute and feared recession.

But long-time DR sufferers know better than that! When most people are in deep, the only thing that is likely to encourage them to spend is actual income, or perhaps a return on investment. Thus, in my opinion, this 'stimulus plan' invigorates nothing except the federal budget deficit. Nice try but no cigar!

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