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GOING FOR THE GOLD **In these times of expected economic uncertainty, infinite terrorist probabilities and ongoing global instability, we believe that owning gold could prove to be a good insurance policy as major economies destabilize and hostilities intensify. These are some of the factors that have led us to this conclusion:**

1. Argentina, regardless of any bailout package devised, will effectively default on its $132 billion public debt, face a worsening currency crisis and fall deep into depression. Contrary to conventional wisdom, we believe this massive socioeconomic shock wave will rattle throughout South America.

2. Mexico depends on the United States for 85 percent of its exports. As the U.S. economy falls deeper into recession, Mexico, already faced with high unemployment and still feeling the effects from the 1990s peso crisis, will suffer harshly as its economy contra.ets and its currency comes under attack.

3. The euro becomes the official currency of 12 European nations in 2002. Such a monumental undertaking occurs just when recession is hitting Europe and the world economy is dramatically slowing. When economic conditions worsen, cracks within the euro zone could appear as nations break ranks in attempts to salvage their separate economIes.

4. Another terrorist strike of a magnitude like that of 9/11 would likely throw the U.S. into depression and destabilize the global financial markets.

5. Having made a record 11 interest rate cuts in just one year, the Federal Reserve has flooded the world marketplace with cheap greenbacks, setting the stage for a weakened dollar.

6. Record levels of corporate and consumer debt in the U.S. and among debtor nations throughout the world will worsen the chances of recovery as defaults mount, bankruptcies rise and fiscal and monetary stimuli fail to salvage the economies of troubled nations.

7. Another Asian currency crisis is in the making. As the U.S. consumer market shrinks - the main outlet for Pacific Rim goods - hard times will hit the entire region. Even Singapore, the perfect corporate state, has already slid into recession along with Japan and a weakened Taiwan. China is next. The economic misfortunes will be accompanied by domestic instability.

8. It appears that only a miracle or divine intervention, neither of which appears likely, can cool the always boiling Mideast caldron where violence has created a breeding ground for global terrorIsm.

VIRTUAL INVESTMENTS

Unlike investments made in virtual companies like e-Pets and e-Toys or real companies like Lucent or Enron, whose share prices hit the stratosphere, fell sharply or completely evaporated, gold will always be worth something. Hovering at around $275 as we go to press, we think gold is only about $25 from its potential downside (severe deflationary conditions could push it lower).

A word of caution. Over the years, we've frequently missed the mark on gold. There are many unforeseen influences that can come into play that invalidate a well-conceived analysis. In the past, each time gold prices began to rise, coordinated efforts by world central banks to dump gold on the markets has halted its upward progress and ultimately pushed the price back down. Such a strategy can work for just so long and will prove ineffective in times of great wild card uncertainties, such as the new face of post-9/II terrorism.

Again, we consider gold a hedge against worse case scenarios; an insurance policy rather than a total investment strategy. If there is one lesson we should have all learned from recent events, it's that no one really knows what will happen next and what the fallout will be. Our strategy is to err on the side of caution. We are thinking in terms of survival. While we do believe that the eleven interest rate cuts will provide some stimulus, greater factors, such as those outlined above and throughout this *Trends Journal*, will keep the economy down and a strong recovery improbable.

Note: We do not provide investment advice. Proceed at your own risk.