



What's New?

Feddern Financial Consulting Group Newsletter

October 4, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. NEW HOUSING STARTS UP this Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!**
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! IT'S ACTUALLY NOT WORSE as a "%," Back to 9.4% - BUT IT CONTINUES TO MOUNT @ OVER 300,000+ weekly.**
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. A FEW POSITIVE SIGNS but mainly in TECHNOLOGY.**
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!**
- 5. The DOLLAR has to decline. Maybe it's started!**
- 6. Auto sales must stabilize at some NEW level. Maybe started!**
- 7. The consumer must get "back in the game of consumin'" NO WAY!
ANALYSIS OF THE ABOVE: No Real Hope YET! -10/4/2009**

A Gold Fable

By Jeff Clark

What if everyone in the world wanted a one-ounce gold coin? If we're right about where the price of gold is headed, the general public will someday clamor to buy all things gold. While gold stocks will be where the real leverage is, the rush will

start with gold itself. As a gold editor, I have a very natural question: is there enough to go around?

According to the U.S. Census Bureau, there are 6.783 billion earthlings. Meanwhile, CPM Group, a highly respected industry organization, estimates there are 4.8 billion ounces of above-ground gold in the world. And this includes jewelry, electronics, and dental. So, even if everyone around the world volunteered to have their chain, cross, or tooth melted into a coin, we're already short. Those towards the end of the line are out of luck.

However, it's worse than that. Of all the physical metal ever mined...

2.1 billion ounces, or 43%, is found in jewelry, decorative, and religious items. Private stock — gold already held by various private parties — accounts for 1.1 billion ounces.

Official reserves (central banks, IMF, etc.) stand at 1 billion ounces. Industrial use accounts for 530 million ounces.

Very little of this is likely to come available for purchase in coin form. After all, you're not selling any of your gold, and neither are many banks or institutions. Most everyone is buying.

So for those who don't yet have a gold coin (or you greedy investors who want more than one), this pretty much leaves us with mine production and scrap sources.

CPM forecasts that total new supply in 2009 will be around 122 million ounces. Only a small percentage of this is made into gold coins and bars, but if all of it were, it would amount to less than two one-hundredths of an ounce, or about half a gram, for every man, woman, and child on earth this year. A product of this dimension is about half the size of that small button on your shirt collar.

Since this supply is only available annually, it means 0.018% of the global population — one in every 55 people — could buy a one-ounce gold coin this year. Or, said differently, it would take 55 years before everybody had one, assuming the population never increased (it is) and supply never decreased (it is).

But it's worse than that. Actual 2009 coin production will be around 5 million ounces (excluding medallions or "rounds"), leaving two one-hundredths of a gram of gold (or 0.3 of a grain) available this year for each of the planet's inhabitants. This is about half the size of the sesame seed that fell off your hamburger bun at dinner last night. It means that only 0.0007% of earth's

citizens — or one in 1,356 — can buy a one-ounce gold coin this year, and it would take 1,356 years for everyone to get one.

How's that for a supply squeeze?

But it's worse than that. Demand continues rising. Gold is more frequently in the news, attracting more customers every day. Hedge funds, which never before considered gold, are now buying physical metal (Greenlight Capital actually sold \$500 million of GLD and bought physical gold).

Central banks are net buyers of gold for the first time in 22 years. China is running TV ads encouraging its citizens to buy gold and silver. Last month Russia bought more gold than they actually produced. In a recent survey, 20 out of 22 fund managers bought physical gold for their personal investments. In other words, some investors are already scrambling to get it...and in big quantities.

But it's worse than that. Most of the ramifications of the money printing and dollar debasement haven't even surfaced yet. How will the general public react when the dollar is crashing and standards of living are threatened? What will they do when milk and gas prices surge to twice what they are now?

How will the greater collective respond when they lose faith in government interventions? Where will they invest when they see gold and silver prices screaming upward and don't want to be left behind?

The panic into gold by the general public hasn't begun yet. Available supply is scarce and will get smaller. There won't be enough.

Better get your speck while you can. - END

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www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

Call us anytime: 502-442-0363 502.442-0363 Direct 800/258-1502 Toll Free 502/442-0365 Fax 502/552-2049 Cell

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