

The Daily Reckoning
 Weekend Edition
 February 26-27, 2005
 Baltimore, Maryland
 By Addison Wiggin and Tom Dyson

MARKET REVIEW: MARKET ROCKETS

Central bankers around the world are ditching the dollar. This week, we add another signatory to the list - South Korea. In a report to a parliamentary committee on February 18, South Korea's Central Bank said it was planning to increase investments not denominated in dollars.

South Korea has the world's fourth-largest currency reserves, behind Japan, China and Taiwan, according to data compiled by Bloomberg. It is also the fifth-largest foreign owner of U.S. Treasury Bonds. This statement was a big deal and the currency markets reflected this by punishing the dollar...

Against the euro, the dollar was down 176 points, from \$1.3008 to \$1.3243 last week. Against the pound, 247 points were shed, so that a pound is now worth \$1.92. The South Korean won jumped to an 87-month high.

But South Korean central bankers aren't the only officials with an opinion on the dollar. Some Australians are equally concerned.

Australian Treasury Secretary Ken Henry thinks the spirit of the Nasdaq bubble has reincarnated. Last week, speaking to a group of Asian treasurers, he likened the flood of money pouring into the U.S. to support its budget and current account deficits to the stock market's dot.com bubble of the late 1990s.

"Peter Costello's [Treasurer of the Commonwealth of Australia since March 1996] closest adviser fears the U.S. is heading for a devastating financial crash that could ravage Australia's economic growth," reports the Australian. "The financial crash feared by Dr. Henry would involve a sharp fall in the U.S. dollar and a bond market sell-off, which would push up U.S. and world interest rates."

This is good news for holders of gold...like us.

On Thursday, we converted the sum total of our savings from 2004 into gold coins and then wrote the experience up in Friday's edition of the Rude Awakening. Judging by the quantity of emails we received shortly after the piece was published, we are not the only ones with an interest in gold coins.

In today's edition, we'll pass on the expert recommendation

of Dana Samuelson, one of the many numismatists we spoke to at the convention. We asked him what we should buy, given that we know nothing about gold coins, that we can't spend more than \$10,000, and that we plan to hold for the long-term.

The \$10 Liberty, the \$10 Indian and the \$20 dollar Liberty would be good coins for our purposes, he said, but make sure they are graded either MS-64 or MS-65. They have excellent leverage to the gold price, they're scarce, and they're affordable, he told me. What's more, they hold their value extraordinarily well. Dana calls these coins 'Market Rockets.'

To prove his point, he produced recent price charts for all three coins, noting that while gold fell from \$455 in December to below \$420 a couple of weeks ago, the prices of these coins had not budged. Yet, when gold goes up – like it did in the last quarter of 2004 - the coins spike upwards.

"I wouldn't be at all surprised to see gold in the \$480 to \$550 range by 2006," he said. "If you want an aggressive prediction from me, I'd say any one of these coins could double in value with gold in that price range."

Last week, gold was moving in the right direction, powered by moves in the forex markets. Our favorite yellow metal gained almost \$8 on the week, to close at \$435.20 an ounce.

For all the market statistics from last week, scroll down to the end of this email,

Regards,

Tom Dyson,
The Daily Reckoning

P.S. Kevin Kerr, commodity trader extraordinaire, says it's only a matter of time before gold rallies past \$450 and towards \$500. We don't doubt him...of Kevin's last 16 commodity trades, all 16 turned out winners...a perfect 100%! [Ed. Note: For the full details of Kevin's track record, see here:

Kevin Kerr's Track Record
<http://www.agora-inc.com/reports/RTA/maniacF315>

"I can just tell, because the dollar sold off so much on the announcement that South Korea wants to diversify its currency holdings," Kevin writes. "Wham! The market sold off the dollar lickety-split. Then, the recovery was less than stellar..."

Check out 'Flotsam and Jetsam,' below, for more commentary by Kevin Kerr...

--- Daily Reckoning Book Of The Week ---

Ayn Rand and Business

by D. Greiner and T. Kinni

Ayn Rand was Alan Greenspan's mentor. So even if you disagree with her ideas, it's imperative that you must at least be aware of what she proposed. Here's what Trader Vic had to say:

"Ayn Rand has had the greatest impact on my being a successful trader. The dedication to reality in admitting that you have made losing trades and taking action (selling), is summed up in her quote `a wish is not a claim on reality.` This concept along with dozens of others should prevent failure and create victory no matter what business is discussed. A must for thinking people."

- Victor Sperandio, author of Trader Vic: Methods of a Wall Street Master

This is an easy-to-read introduction on the Ayn Rand and the Objectivist movement. We suggest you take a look:

Ayn Rand and Business

<http://www.lfb.com/cart/affiliate.php?code=10438&stocknumber=AR8563%20>

--- Advertisement ----

You've got a short 7 days left to jump in on 270% gains...

He's 16 for 16 - With an Average Gain of 90.7%. Our "Maniac" Trader's LOWEST gain was 23%. He's embarrassed about that...

But, he's taken recent gains of 270%, 178%, and 120%...

His last 16 recommendations were winners - averaging 90.7% gains per trade.

Jump in now - because this deal expires on March 4, 2005...

<http://www.agora-inc.com/reports/RTA/WRTAF300/>

THIS WEEK in THE DAILY RECKONING: We welcome economist Mark Skousen to the roster this week for the first time. Mark is an economics professor at Columbia University and author of 20 books. Also, on Tuesday, we published an essay by Doug Casey on his hunt for property in Cyprus. It's an extremely interesting piece on the effects of national hatred on property prices...

Literary Economics 02/25/2005

By Bill Bonner

"Bill Bonner examines the differences in the America's economic structure since the last decade of the 20th century. He points out that the world very rarely does what we want it to do, and more often it does exactly the opposite."

<http://www.dailyreckoning.com/Issues/2005/DR022505.html>

The Fatal Flaw in Social Security and Medicare 02/24/2005

By Mark Skousen

"If social welfare programs are only offered to people who meet the strict criteria for government aid...why do we give out billions in Social Security and Medicare - to people who don't need financial assistance?"

<http://www.dailyreckoning.com/Issues/2005/DR022405.HTML>

Investing in the Bubbles of Tomorrow - Today 02/23/2005

By Chris Mayer

"Investors are always looking for the next big thing to make them rich...but how can you be sure that your "sound investment" doesn't turn out like the tech bubble of the 90's - just a flash in the pan?"

<http://www.dailyreckoning.com/Issues/2005/DR022305.html>

Property Hunting 02/22/2005

By Doug Casey

"Despite all warnings, the real estate market is still quite tempting to some...Doug Casey recommends that if you must become involved, choose properties off the beaten path...after you've done your research, of course."

<http://www.dailyreckoning.com/Issues/2005/DR022205.html>

The Mutant Debt Monster That Ate The World 02/21/2005

By The Mogambo Guru

"It may be a holiday, but the Mighty Mogambo never rests...at least not when there's something out to destroy the entire world as we know it. No, it's not Godzilla, or little men from outer space...it's much, much scarier."

<http://www.dailyreckoning.com/Issues/2005/DR022105.html>

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[Jump in now:](#)

HEADLINE, NEWS And INSIGHT: This week's website articles...Sometimes Bill writes too much and we have to cut an extract from the DR. Here's where you get to read it. Porter's piece on AT&T is a well-researched and clearly written case study on the failure of the telephone giant. Highly recommended reading:

The Wealth Illusion

By Bill Bonner

"Who worries that we have no savings...and now depend on the kindness of strangers in order to maintain our standards of living and that the Chinese or Japanese could bring the United States economy to its knees with a single word?"

<http://www.dailyreckoning.com/Featured/TheWealthIllusion.html>

Adios, AT&T

By Porter Stansberry

"Had AT&T defined itself differently, AT&T could have easily been one of the world's biggest companies instead of being out of business."

<http://www.dailyreckoning.com/Featured/AdiosATT.html>

FLOTSAM AND JETSAM: Kevin Kerr, our resource trader, provides this week's roundup from the commodity markets...

Kevin Kerr:

Another incredible week for our portfolio as we watch the energy markets surge toward \$60. The basic fundamentals I have been telling you about for months are still well in place. In addition, the cold snap and snow in the Northeast are reminding traders that winter can still take a bite, and there are a lot of 'degree heating days' left in 2005.

The bottom line is all of our energy-related holdings are performing incredibly well and should continue to do so as prices steadily rise.

This week in Resource Trader Alert, we grabbed big profits in soybeans and soybean oil - BIG PROFITS! The best part is that we had already made money on the short half of an options spread in soybeans, and then proceeded to grab profits on the long half of the trade.

Absolutely unprecedented profits, if I do say so myself. I am not one to gloat, or encourage traders to gloat, but I have to point out that we made profits 16 out of the last 16 trades in RTA... WOW! It's not complicated, but it works. If you are interested in the grains or resource markets in general and want to take it to the next level, then I hope you consider joining us.

Resource Trader Alert

<http://www.agora-inc.com/reports/RTA/maniacF315>

***Gold

Gold has really pleased me this week, as the dollar has been smacked down again. It's only a matter of time now before gold rallies toward \$450 and then \$500. I can just tell, because the dollar sold off so much on the announcement that South Korea wants to diversify its currency holdings. Wham! The market sold off the dollar lickety-split. Then, the recovery was less than stellar. This is a clear indicator that the dollar has extreme weakness. Gold, on the other hand, now seems to have turned former resistance into support, and this could be the launching pad for gold's next run higher.

***Next Week

Look for another big week next week. I will bring you all the action. I have arranged to visit the New York Mercantile Exchange and the New York Board of Trade with several of my OI colleagues. We will all be reporting to you what we learn and what we can find out from exchange officials about any new resource futures and what resources and related equities may be on the horizon.

Yours for resource profits,

Kevin S. Kerr

[Ed. Note: Kevin would love to have you as a member of RTA, and share in the success. He hates it when we say this, but Kevin is a naturally gifted trader and consistently beats the market. Lately he's been really hot... 16 out of 16 trades made a profit! Like any experienced trader, Kevin knows that luck plays an important role in stats like this, but his expertise is undeniable. Here's how you sign up...

Resource Trader Alert

<http://www.agora-inc.com/reports/RTA/maniacF315>

Market Summary

	Friday	Thursday	This week	Year-to-Date
DOW	10,842	10,749	56	0.5%
S&P	1,211	1,200	10	0.0%
NASDAQ	2,065	2,052	7	-5.1%
10-year Treasury	4.27%	4.29%	0.01	0.06
30-year Treasury	4.64%	4.67%	0.00	-0.18
Russell 2000	638	628	7	-2.2%
Gold	\$435.20	\$434.05	\$7.78	-0.5%
Silver	\$7.28	\$7.35	-\$0.14	6.9%

CRB	300.23	298.04	9.57	5.7%
WTI NYMEX CRUDE	\$51.49	\$51.50	\$3.14	18.5%
Yen (YEN/USD)	JPY 105.21	JPY 105.39	0.43	-2.6%
Dollar (USD/EUR)	\$1.3243	\$1.3205	-176	2.3%
Dollar (USD/GBP)	\$1.9192	\$1.9109	-247	-0.1%