

## ***Short Takes - Market/Metals comments***

***The following comments are taken from editorial copy from the various publications - the publication and issue date are referenced for each one. They are mainly from 2002-2003. We threw this together for the "One Minute Managers" in the crowd who wanted some background on our comments without having to wade through all the pages of commentary from these years themselves.***

### ***HRA Special Delivery #119 January 2002***

"The good news is that the precious metals markets seem to be coming off the bottom we had hoped was forming in the fall. This rally feels like it may have some staying power, in part due to the lack of a simple single cause like the "crisis rallies" that have come and gone quickly in the past couple of years."

### ***HRA Dispatch – April 2002***

"We are now finally in the beginning stages of a cost-push on the metals sector that will force most prices higher as global industry slowly uses up excess capacity, and inflation reasserts it's self. We have long advocated the belief that recovery from the US equities bubble economy of the 90s would be in the form of non-US growth leading to a weaker greenback and higher inflation in the US. Most of the pieces are now in place for that scenario to unfold, albeit slowly. Although the mining sector's strong share price gains to date this year mean it is time to go slow on accumulating the larger and better known producers, this is the time to be on the buy side of the sector for a 5 year cycle of improving prices."

### ***HRA Dispatch May 01, 2002***

"We have mentioned several times in the past couple of years how critical we felt a downward move in the US currency would be to the upward move in the gold price... The top put in by the US Dollar Index in the beginning of February also marked, not coincidentally, the start of the breakout in the gold price from the \$280 level. We are reiterating the point about the inverse gold/\$US relationship. If you are following the gold price closely, keep an eye on this index as well."

### ***HRA Dispatch March 2003***

"The XAU is sitting at the same levels it was at when the Gold price was bouncing between \$310 and \$320. There are undoubtedly many who see a quick and simple campaign in Iraq as a panacea of sorts for the Dollar. There is no reason it should be, since the situation there has little if anything to do with the currency's decline. Washington has laid out spending and tax cut plans that will see the Federal deficit balloon enormously. The US seems destined to years of huge current account deficits that will require large increases in interest rates or the printing of a lot more Dollars to sustain. Its unlikely Washington will for the interest rate route anytime soon, so we

expect the dollar to keep getting marked down in the future. Any trade would be a brave one in the next few days, but strong producers with good gold price leverage should still reward investors once the dust settles."

#### **HRA Journal Feb 2003**

Longer term, our feelings have not changed. It's likely the gold price will go a lot higher before this bull market is over.

#### **HRA Journal Nov 2003**

"Our call early this year was for Gold to see \$400 by year end, and that still holds. The Dollar is looking very weak technically, and that might speed up a move to a new high for gold. It's more solid evidence that the run in the gold price is far from over."

#### **HRA Journal - January 2004**

"The US is now in the middle of a huge game of Liar's Poker, with itself. It has to generate easy credit and tax rebates to keep the consumers spending. Debasing the currency in the process is a necessary evil. If creditors stop fearing the Mighty US Consumer and sell to better credit risks, the bluff will be called. The US cannot afford that now and will not only tolerate but pursue a cheaper Dollar. Bumps in the road? Yes, but the road still leads to an ever cheaper currency and higher commodity prices. Welcome to the secular bull market in commodities."

#### **HRA Journal - April 2004**

"Gold leading metal sector price gains is atypical. In a warehousing cycle base metals typically get the first gains, early in the economic cycle as the market moves to the buy after a consolidation or recession. Gold's gains may ultimately shoot past those for base metals, but it rarely leads out of the gate. Take note however that the new more inflationary environment, if it holds, is much more like a typical early cycle so base metals may start another upwards move quickly too."

#### **HRA Journal Oct 2004**

"We think the major bull market in metals is far from over. The simple fact that China looms as large as it does in trader's minds speaks volumes about the changes in the last decade. This is a very different market and the drivers for it increasingly seem rooted in the East. It's still the decade of commodities and the general public is still just beginning to sense it. That's good, since that's the mark of a market still on its way up."

#### **HRA Journal December 2004**

"Base on history, a secular commodity bull market 10 years long would be no surprise. The prices most commodities reach before it's over *will* surprise even bulls."