Macroeconomic Designed Bonds, and CDs

I'm not always necessarily thrilled with what the markets offer us. There are times when I see a macroeconomic opportunity. Let's say I see an opportunity where I think the market or the rest of the herd has priced the value of a class of assets wrong. At different times, I might see inflation coming, but it isn't yet priced in. I might see other currencies likely to rise in value against the dollar at some point in the future, but the dollar is strong at the moment. I think the prices of some commodities are likely to rise in the future, but they've just been running up.

I believe it's going to turn out that they were cheap right now, but that means I have to be right about my macro beliefs.

At these times, I may be reluctant to make a risky trade based on my beliefs. For one thing, I'm not too clear on the timing. I don't know when the expected change will happen, I just think it will, at some point in the coming few years.

Not being too sure about the timing also adds up to risk. For one thing, even though I think metals will eventually rise, they could easily fall in price first. I can be pretty certain that something will be worth more in the future, but that doesn't mean I know when this change will happen, or whether the price will move in the opposite direction first. Also, being fairly certain that some class of assets will eventually appreciate is one thing. Knowing how to pick the bottom tick is quite another. The fact that there are so many ways to lose stops a lot of us from taking advantage of some pretty obvious opportunities for profit.

Here's the deal. One of the things I've been through in the last couple of years was a huge learning experience.

I';ll tell you the truth. I never realized how much people listen to this show and to me, and follow a lot of what they get here.

I would put on the best show I knew how to do, and go about my life.

Much more than I used to, I realize what a big responsibility this is.

So we have to keep calling it as we see it, but I don't want thousands or millions of people to follow me and then end up getting hurt.

Now, you have to follow your brain and not your heart, and you can't be afraid to take appropriate action or you're going to get buried. It's a very rapidly changing world out there and a lot of people just don't understand it.

So this is the perfect opportunity,

Some very smart people came up with this perfect solution. They go out and negotiated with big banks to issue hedged bonds based on macroeconoic forecasts consistent with what Arthur and john Rutledge and I see is happening. But with guaranteed principle – guaranteed by the biggest banks in the world. (obviously we know we don't religiously believe in anybody including big banks without watching who they are.) well that's another story, but basically I was satisfied, it was like the proverbial magic bullet.

So what dcould go wrong?

Well those banks were making these bonds by hedging. That's fine and it's their problem. Because the bonds have a contract. If it's based on Chinese stocks or Brazilian real and it goes up, I get paid my high return and if I'm wrong and it goes down, I still get my principle.

So what could go wrong?

Guess…

What could go wrong is suddenly the u.s. treasury goes to such a low level on yield, the ten year is paying 2.4%? who would have expected something like that?

In fifty years, I'll tell you what. I've learned anything can happen. Anything.

Well with the rates too l0ow, the banks couldn't give me the deal I wanted anymore.

They came back with all kinds of hokey formulas. I just couldn't get the great deals anymore.

Like all great ideas, it doesn't last forever.

Well now notice the interest rates have moved up a little. Treasuries yields are a little higher than they were. More like up around 2 ¾%. And the banks who also loved that business are a little more eager cause they've been dead in the water. So now they have another one that I finally like.

100% Principal Protected

Basket:

20% EEM

40% GOLDLNPM

20% SPGCAGP (GSCI Agriculture)

20% SPGCLVP (GSCI Livestock)

6yr = 82% Participation

Our Global Growth Structured Note was designed to benefit from the growth outside the US, especially in the emerging market economies. This note was created by us through Morgan Stanley, and is principal protected for a maturity of 6 years, subject to the credit risk of the firm. This note will capture up to 80% of the gain of these components while protecting our principal in the process. The note was specifically constructed to have exposure with the following weights: 20% in the MSCI Emerging Markets Index, 40% in Gold (London), 20% in the Goldman Sachs Agriculture Index and 20% in the Goldman Sachs Livestock Index. The emerging markets component gives us exposure to the stocks of the emerging markets: 16% Brazil, 13% South Korea, 13% China, 10% Taiwan along with smaller portions in India, Russia and Thailand to name a few. While Gold is at record highs, it remains the emerging market's commodity of choice, used primarily as a store of value against inflation from their rapidly expanding economies. Agriculture and Livestock - As emerging markets nations industrialize; their people will shift away from a diet of mostly grains toward a diet of grains and meats. Therefore to take advantage of this, we included 20% of the GS Agriculture index which includes: Wheat, Corn, Soy, Cotton, Sugar, Coffee and Cocoa and 20% of the GS Livestock Index which includes: Live Cattle, Feeder Cattle and Lean Hogs. The benefit of this note versus direct investment into these areas is that if these investments do not turn out as expected, the note will pay back our initial principal.

Now here's what happened. Very interesting.

The

The goal is to hedge against potential poor economic activity and monetization of the U.S. debt.

We have designed and negotiated what we believe is an ideal tool to protect our portfolio from uncertainty and inflation. We give up a little of the upside in order to fashion a much less risky trade.

And as I've described them before, a bond in its simplest terms is just a promise. We lend our principle to a financial institution, protected by the full faith and credit of that financial institution, and we get a promise to be repaid.

So we make this loan to the bank. We provide our capital, and they give us a specific date as to when we can redeem that bond or note or CD, and we're looking for somewhere in the two to six-year range. The bond or note provides for a guaranteed return of my principle at the preset date of maturity as in any other note or CD. But here's where it's a little different. The interest on my money is calculated based on the performance of some index or the change in price of a certain class of assets.

Just this month you've heard me discuss bonds and notes I've created, based on the changing value of the Chinese currency, which is just starting to appreciate against the dollar; based on other emerging market currencies, based on rising interest rates. I'm working on technology, global internet infrastructure, bets on falling prices for U.S. Treasuries. We have no shortage of great ideas – AS LONG AS WE DON'THAVE TO BE ABLE TO GUESS THE TIMING PERFECTLY!

Of course, we can always take profits on these notes in the open market, so we aren't stuck. And again, as long as our strategy is correct, we not compelled to have guessed the right timing in advance. Now, at that point we have return of principle, and the interest is calculated based on an index.

In June of 2009 we saw an opportunity and were able to use this tool to take advantage of it. At the time, the dollar was looking pretty strong, but we expected it to fall in value against some of the other fast growth currencies around the world. Because the dollar was high at the time, and the markets weren't anticipating the change, it was relatively inexpensive for financial institutions to make the following deal.

We created a three-year note with return of principle guaranteed in three years by the full faith and credit of that financial institution (in this case, Barclays Bank), with the interest to be calculated based upon the change in the value of the dollar versus three currencies: the Chinese Yuan, the Russian Ruble, and the Canadian Dollar. Another note we created was based on the changes in value of the BRIC currencies (Brazil, Russia, India and China).

Because the prices of options on those assets were favorable at that moment, the formula for calculating the interest worked out to be about double the change in those currencies vs. the dollar. That means that if the change in the value of those currencies versus the dollar over that period of time was ten percent, then we would have a total return of twenty percent. If we had a sudden huge round of inflation in America and the dollar declined by thirty or forty percent, which I saw as totally possible, then we would have a very large gain as the interest is calculated on that note.

The financial institution bears the responsibility of going out and hedging their position as they see the need. It isn't my problem; I simply have a contract to receive principle and interest based on an agreed-upon formula at some point in the future. And frankly I don't really care how the financial institution goes about protecting themselves, that's their job. I'm sure they buy options or futures contracts to hedge our agreement, and they calculate the cost of those instruments into the deal.

They are using derivatives, and I'm using derivatives. I'm not overleveraged. They're not overleveraged. I get to use these instruments to make the exact bet I want to make with the exact level of risk and protection I feel is appropriate. They simply guarantee to pay me an interest rate based upon the performance of a certain index. And then we create the formulas according to what's possible in the market at that time, based upon that financial institution's ability to hedge various situations.

If I happen to be wrong, I still get my principle back, and so I consider this a terrific tool to help me preserve the value of my money, when my country's currency is in danger of falling off the proverbial cliff over the next several years, along with a host of other big changes. They now frighten me less, because I benefit from them. (I'm still left to be concerned about the direction of our country. Even if I am making money, as a citizen, I'm not happy about what we are doing to the next generation. I want very much to influence my listeners to get involved and help turn some of these harmful policies around. You and I just don't have to let these policies impoverish us right now.)

Does the word derivative bother you at all? I know it bothers some people. Understand that *derivative* is a word that sends chills up the spines of most people. I want you to get used to that word. Don't react to it as a robot or as a member of the herd. The word derivative just refers to something that's actually made up of something else.

For example, orange juice is a derivative. So are the structured notes I just described. So are convertible bonds, so are warrants that are simply 'equity kickers' that we use in the best private deals. So are mortgage bonds that have made me richer than I ever thought I might be. How? They helped to keep me out of the stock market when almost everybody else on Wall Street was on an eight-year campaign to basically put themselves in the poor house.

The plain truth is, I have tools available to me that allow me to make decent - not exciting - but decent money, so I'm able to be very choosy about the stocks I invest in, and I can afford to wait until the moment is just right.

I can patiently wait to deploy my money and take risks when I really, really like the deal – when conditions are ideal and when the time is as right as I can make it. Contrast this with most people, who are in a rush and feel they have to hurry up and buy stocks or mutual funds because they're running out of time. If they're in a rush, they'll rush to judgment, and that's the ultimate case of what I call very poor timing. A regular equity investment or a futures market trade require a level of precision that makes the odds of winning much lower than the odds of eventually being right.

So now a fair question might be, "How do you find these macroeconomic strategic notes and CDs"? I can sometimes negotiate a deal with investment banks like Barclays Bank and Goldman Sachs. Sometimes I can find these notes and CDs out there in the secondary market; a place where *you* can actually go out and buy them, because they're left over from a deal done by some institutional investor (like me). I see them on the Web all the time. One website available to everybody, where they list hundreds of these "structured notes" is XXXXXXXXXXXX.

Here's where you get paid big money as though you took a lot of risk, but all you've really done was your required homework, just as my grandfather promised me fifty years ago. You have to be very careful. You have to know what you're doing, and you have to read THE FINE PRINT, because sometimes the *way* these notes are structured can be very deceptive.

Whenever we can't find exactly what we're looking for, we'll actually create such a deal in collaboration with somebody like Barclays Bank. If you don't have a few million to invest at a time, you can't do it this way, but I want you to know that it's going on out there, and I assure you, you *can* find the right people to help you. But be on your toes… and don't check your brain at the door.

6 Investment ideas to avoid debasement of the US$

Special Report by William C. Heath, CFP®
Barrington Financial Advisors, Inc.

Many of our fellow radio listeners are well aware that the concept of markets with boundaries or borders is a concept of the past. In this age of technology, those borders have been dropped and investors can and do invest in areas of the world's market where the flow of money is going, much more that in the past. Studying and learning why the flow of money is heavier or more concentrated in particular areas is one of the way investors can guide their decisions in the best possible manner.

Of particular concern is the recent (and possible expected continuance) of this new device in the U.S. called Quantitative Easing. There's growing concern about its effectiveness in the near term but more importantly, its effects of flooding the marketplace with US$ that will likely only see the currency lose value. Of course, there's the huge problem of inflation as a result of all those additional dollars out there chasing goods and services.

In this report, we take up the subject of searching out several ideas which would serve to participate in the areas of the world's market where the flow of money and resources are going and at the same time, avoid or mitigate the effects which might devalue the US$.

Sovereign Bond ETF (EMLC) This is a bond ETF that holds mostly government and some corporate debt of countries like Malaysia, Thailand, Poland, Indonesia, Brazil, Egypt, Philippines and others. This one is set up in the currency of the foreign countries which makes it a bit different than some other funds. This gives us a bit of an extra currency play, which adds to the diversification of our portfolio. The importance of this holding is that it gets us immediate, country specific currency exposure based on these debt holdings. Any one of these and perhaps most of them should hold or increase their relative value to the US$, which is likely to remain under pressure even before all of the Quantitative Easing.

Gold/Silver Mine Company (FRG) Fronteer Development Group Inc. engages in the acquisition, exploration, and development of mineral resource properties in Canada, the United States, Mexico, and Turkey. The company focuses on gold, silver, copper, and uranium properties. As of March 29, 2010, it held interests in six mineral properties, including the Northumberland property in the northern Nye county, Nevada; Long Canyon property in Elko county, northeast Nevada; Sandman property in Winnemucca, Nevada; Zaca property in Alpine county, California; Halilaga property in the Biga Peninsula of Northwestern Turkey; and CMB Uranium property near the coast of Labrador on the East coast of Canada. The company was founded in 1999 and is headquartered in Vancouver, Canada. Clearly, as growth takes hold, many of these countries are already in development of nuclear facilities for power generation, which will consume plenty of uranium. Gold, silver, copper and other ancillary metals that come out of the ground have many industrial uses that will be in demand for and contribute to the growth that is underway.

Chilean stock ETF MSCI Chile Investable Mkt Idx (ECH) This ETF holds various classes of securities such as Bank, Airlines, Electric Suppliers, Miners, etc. Chile's economy contracted through late '08 and into mid '09 but has since returned to growth, despite the blip that occurred with the February 2010 earthquake in Santiago. Industrial production is quite strong and is enhanced by good management, especially with their vast copper resources. A steady and expanding economy, coupled with a stable population will keep them on good footing. Yet another way for us to capture non-US$ exposure.

Institutional Structured Notes. We have spent considerable effort in this area to identify the very top institutional banks around the globe where we can participate in all of the upside of exposure to foreign currencies and exchanges, while protecting our principle. The flow of money and resources into areas of the world where the growth is occurring is just where we want to be positioning ourselves with some of our investment dollars. Brazil, China, Thailand, Indonesia, Korea, Australia, Canada and others are making the greatest transformation in terms of the growth. This is win-win proposition and we don't have to open up a currency trading account to be able to participate in the movement of these growth areas, with practically no downside. Also, of value, is that we are creating these notes with quite short maturities, usually 3-6 years, which means we don't have to wait very long at all in order to capitalize. We can sell these at any time during their life and we may reach our goals and returns much sooner than maturity.

EcoPetrol stock (EC) Ecopetrol S.A. engages primarily in the exploration, production, refining, transportation, and commercialization of crude oil and gas in Columbia. It explores hydrocarbons in 32 blocks of Colombian territory directly, as well as in 15 blocks with other companies. The company engages in the crude oil and gas production activities, including the extraction, collection, treatment, storage, and pumping or compression of hydrocarbons. It also offers multimodal transportation services through its oil pipeline networks, multiple-use pipelines, and tankers. The company operates 53 stations pumping crude oil and products, as well as operates storage centers. In addition, Ecopetrol commercializes various crude oils and by-products, as well as operates Barrancabermeja and Cartagena refineries. It also operates in Brazil, Peru, and the United States. The company was formerly known as Empresa Colombiana De Petroleos and changed its name to Ecopetrol S.A. in June 2003. Ecopetrol S.A. was founded in 1948 and is based in Bogota, Colombia. Again, the value of a company like this is that it is a major player in the oilfield space and will likely continue to thrive as long as the consumption of oil and oil-related products are in demand.

Cameco (CCJ) uranium. Cameco Corporation operates as a nuclear energy company. The company operates through three segments: Uranium, Fuel Services, and Electricity. The Uranium segment involves in the exploration for, mining, milling, purchase, and sale of uranium concentrate. It holds interests in uranium properties in the United States, Canada, and Kazakhstan. The Fuel Services segment involves in the refining, conversion, and fabrication of uranium concentrate; and the purchase and sale of conversion services. Its products include uranium trioxide, uranium hexafluoride, and uranium dioxide. This segment also manufactures fuel bundles, reactor components, and monitoring equipment used by Candu reactors. The Electricity segment involves in the generation and sale of nuclear electricity, through its 31.6% interest in the Bruce Power Limited Partnership. The company was founded in 1987 and is headquartered in Saskatoon, Canada. We've already mentioned the value of holding securities which are giving us exposure priced in currency that is not the US$, and with the growth happening around the world, demand for uranium will remain strong for the production of electricity.

DISCLOSURE: The aforementioned securities are presented for educational purposes and are not an offer to sell, buy or any other transaction. We suggest these securities as a starting point for the investor to begin his/her research to ascertain the appropriateness of their inclusion into their portfolios.

Five little leaks that keep investors down.

After more than half a century investing in the same markets, I have come to know that although my audience believes the answer to their investment problems is the next stock tip, the real answer is improving the mental game, and gaining just a few skills. This is all pretty easy to do, but most of us are simply looking in the wrong place for the answer.

1. Sticking with what feels good.

This is the big one, costing more money than all the rest of the common mistakes combined. I suggest reading this one over a couple of times and giving it some real thought.

One of my mentors, who started with nothing and died VERY rich, used to tell me, "You want to feel good, take valium. We're here to make money!"

We all know that on Wall Street a few win and most lose, and all kinds of excuses and conspiracy theories are offered to rationalize the pathetic results achieved by most would-be investors. I call them would-be investors, because even the IRS doesn't allow us to call anything a business unless we are able to make money on it pretty frequently. Otherwise, the IRS calls it an expensive hobby.

In this section, which will only take a few short minutes to read, I'm going to give you a simple formula that can transform anyone with reasonable intelligence from a would-be investor with an expensive hobby, into a real investor who grows consistently richer for his efforts.

Reading this chapter, and knowing all this intellectually, won't be enough to change your life, though. Putting this into effect is going to take some practice, but I can promise you, if you master this discipline, you will become richer.

I am not a cynical guy, but I can also promise that this formula will work even better than it should, because most who read it will not apply it, leaving – as always – lots of room at the top.

Why would people ignore something, when it is obviously in their best interest to use it?

Because they value the respect of their peers and the feeling of being smart, higher than they value money or financial security. Doing what they are already doing feel less risky, no matter how poorly conceived, because they won't be vulnerable to new feelings of foolishness and rape – they won't be caught making a mistake - unless they change something. Insistence on perfection at some point just becomes avoidance and procrastination.

Why do smart people do so well at their chosen profession and then experience such mediocre investment performance?

In my line of work I meet a lot of successful people. Many of them have learned that they had better control their environment. To the extent that they've done this successfully, they've ended up with some money.

This means, they generally learned to keep their options open, and not let themselves get tied up. These people feel a need for liquidity, and they value it, often above all else. By nature, I am one of them.

Some people absolutely hate the pain of making mistakes, especially in front of those who think they are geniuses. Imagine the physician who married his nurse twenty years ago. The thing he liked the most about her was that she thought he was the smartest guy on earth. His risk aversion has little to do with the optimum cash results. They are all about preserving the fiction of infallibility.

Others learn how much they enjoy excitement and adventure, and they love the thrill of victory the sport of avoiding the agony of defeat.

While all of these people may be totally objective and well-rounded in their businesses, they allow themselves to be more guided by emotion when it comes to their personal lives. This is where their biases and quirks come out.

Safety – For thirty years, I've been watching in amazement, as the smartest, best informed business people – many of whom I really look up to – make the most childishly emotional mistakes about how to handle their money.

Some are so afraid to make a mistake, so afraid of potential humiliation, so hurt when they feel foolish, they are hamstrung. Paralyzed. Unable to take crucial action because they can always find something to be afraid of.

Liquidity – No matter how much you value keeping your options open, the reality is, there is no chance you will spend your last dollar in the next few years. No matter how poorly you or the economy do, you will not use up all your assets and leave yourself penniless for the last ten or twenty years of your life. You will simply go on a tighter budget.

This means you can afford to tie up at least some of your money for a good enough deal.

That being the case, simple math tells you that no matter how much you value keeping your options open, if you can get both growth and safety in one investment, it is worth it for you – regardless of your discomfort – to give up some liquidity in return. This is not easy for a control freak to do, but you are smart enough to get it, and that's the value this article brings to your life. You do have liquidity to give, and when you are getting enough safety and growth, you can learn to take it.

Growth – Some of us are born hunters and adventurers. That type of courage is very valuable, but for best performance, even the best passing quarterback doesn't throw the long ball on every play. The winner goes against his own tendencies and learns balance.

Each of those types ends up turning their strength into a weakness by being governed by feelings, and overdoing one part of their lives at the expense of the other parts.

On Wall Street, there are only the big leagues. There is no beginners' squad or white belt class to be placed with. You are put in with the black-belts right from the start.

There is a black belt out there waiting to take your money, and though they are very well trained, they are human. That means they know your weaknesses, because they share them.

They have just learned to work around them, like a great infielder who has trained himself to keep his eyes open even though he knows the ball could take a bad hop. Instinctively you look away, but the guy who counters his human tendencies is much safer than if he succumbed to the avoidance reflex.

Or the wide receiver, who holds on to the ball, when he knows he is about to be hit in the ribs by a 200 pound muscle man.

It is not natural in this world, to succeed financially. Most human beings are broke. Most human beings close their eyes in a fight, and most human beings drop the ball. The few winners learn to transcend their human tendencies, and that's how they get the great performance. Anyone could do this, most just don't.

Those who do succeed, do it because they are able to rise above their own tendencies.

Now the strategy to turn all this to your competitive advantage.

**How to force yourself to be prepared and grow your wealth,
no matter what new surprises the world throws at you.**

What makes the perfect investment anyway?

- We want an investment to grow so it can keep up with inflation and more. The adventurer focuses on growth, and the risk averse avoids it, but we all need some growth, because we face rising prices, an eroding dollar and expectations of a better life for ourselves and our families.
- We also need certainty, because our savings were too hard to come by in the first place. Losses are mathematically difficult to recover. Just do the math. A 50% loss requires a 100% gain to get even. That's why losing money is much worse than losing opportunity.
- We also need liquidity, because feeling trapped is too painful and frustrating. Entrepreneurs and businessmen in particular hate to feel they are giving up control. They feel they must keep their options open, and they are right. Change is coming constantly and it is coming too fast to try to drive without a steering wheel and brakes.

The dilemma is, not one investment has all these attributes, and the reason most people do well at many things, but lose money on their investments is because they favor the type that appeal to them, and ignore the others.

Paralysis that leads to being caught unprepared and losing money happens because we aren't able to get ourselves to take action when we find something we don't like about an investment. But that means doing only those things that appeal to us emotionally and that we find familiar and comfortable. There aren't any investments that I like everything about. If anything was actually that good, they would not let us buy it.

So every investment we can get has something wrong with it. It is either not safe enough, doesn't grow enough, or isn't liquid enough. I repeat, one of these things is wrong with every single investment you or I own, but the bad news is this stops us from using the tools that don't naturally appeal to our emotions, whether they would do us good or not.

Politicians facing the same kind of paralysis in a social context, have coined the term," allowing the perfect to be the enemy of the good."

Now, here's the secret of applying this truth to your life. Master it, and it will mean automatic and steady increase in wealth for the rest of your life. Ignore it and you will continue with the same results you've been getting, for better or worse.

<u>Deciding how to deploy your assets to create one portfolio means engineering and crafting together a group of imperfect investments…</u>

each of which has something wrong with it, but which crafted together make a group of holdings that combined, fill our needs.

Combined, the portfolio can give you the assurances you need to be able to look forward to having some money in the future – safety.

Combined, the portfolio can give me the growth I need to stay ahead of inflation and actually end up with more money than I have now, because I use my capital to help others get what they want.

The portfolio can also provide us with enough flexibility so we're free to take advantage of new and opportunities and adapt to rapid change.

Portfolio design is really an engineering job, not the search for the perfect investment, by excluding everything doesn't match our own personal emotional makeup.

Engineering a portfolio is analogous to engineering a bridge. Concrete is very strong and reasonably priced. It is great to put under things. Steel on the other hand has great tensile strength, and can stretch across a long span. Steel, though, is much too expensive to build a bridge out of.

Whether you love concrete or love steel, our society has learned to combine concrete and steel to make an affordable, strong bridge. Building a portfolio is not fortune-telling. It is engineering.

Bottom line. By creating a portfolio of assets, many of which have attributes you don't like and attributes I don't like, we have been able to engineer a portfolio with these attributes:

- If the dollar collapses, we will be fine.
- If the dollar is strong, we will be fine.
- If the U.S. economy continues to strengthen we will benefit.
- If the developing world continues to catch up with us in many ways, we will be fine.
- If the prices of raw materials and food commodities soar, we will be fine.
- If U.S. optical and broadband mobil technology continues to proliferate around the world, we will be fine.
- If the economy suffers from external shocks and stocks have a rough time, we'll be fine.
- If these risks surprise us by happening when we least expect, we'll be fine.

Here is the rub. The gambler who bets on when and exactly how any one of those scenarios plays out, is willing to make a huge bet on his belief. If he wins his bet and guesses right, he will outperform us. But for each winner like that there will be countless losers, who made huge bets and were wrong about either the facts or the timing.

Instead of being comfortable now by doing only what I'm already programmed to do, I'd rather stay conscious now and end up comfortable later, because I was prepared for the risks as well as the successes, and came out fine.

2. Using excessive leverage – the bucket shop –

People use the term bucket shop pretty freely these days, to mean a rip-off. Actually, though, a bucket shop was once a real place. Back in the 1920's a bucket shop was a kind of gambling establishment. Instead of a roulette wheel, it was based on the stock market. Gamblers would come to the speak-easy with their money. A guy with $500 would buy chips, and the speak-easy would provide him automatically with leverage. If he arrived with $500 in real money, he would end up with $5000 in chips to play with.

The game was the stock market, and the stock market gives people about an even chance of being right on any given transaction. But, the additional leverage available to investors in the bucket shop, felt to them like an edge, but it radically increased the odds of the house taking all the mark's money.

The sucker or mark would lay down his bet on his chosen stocks. He felt like he had $5000 to play with, but he really didn't, because the house never let him play with their money. As soon as she lost his $500, they would catch him it out and get rid of them.

The bucket shop operator found that because of human nature when people were using that kind of leverage, they lost every single time. For that reason the bucket shop operator disconnected himself from the New York Stock Exchange ticker, and no longer bothered to use the real stock prices. He just let the people play against the house.

They lost every time, not because of the stock market, but because of their human nature and the fact that when they were playing with that kind of leverage they weren't really themselves. They lost all common sense, if they ever had any. They took excessive risks, made bad decisions, stayed on at the wrong times, quit and sold out at the wrong times. Bottom line, they lost virtually ever time.

The great investors you hear on my radio program every day, use various techniques, and subscribe to various ideas, but they all have one thing in common. They have become successful because they all have in common the fact that they never bet so much on any one event or investment, that their lifestyle would be changed by the outcome.

They know from experience, that would be the kiss of death. They know they can't possibly make any money when they are operating on some combination of adrenaline (which gives you that compulsion to run or fight) or dopamine (which fills your brain with pleasure.)

The regulars on The MoneyMan Report ore hand-picked for their accuracy. We want to cover all kinds of opinions and new ideas, but the regulars are chosen for their accuracy over many years.

These pros just want to be reacting, as closely as possible to the real world.

At least 75% of the investors to listen to my radio program, have got more than 70% of their money and stocks and equity mutual funds. Their very lives depend upon whether the markets go up or down. Their investment life is all about adrenaline and and substance T, secreted into your brain, depending on your perceptions at any given moment. They seldom think about their investment moves in the relaxed state of concentration where they are at their best. So, naturally, they end up with losses.

Safe investments like bonds are perceived as boring by most investors. I know exactly how they feel, because in 2001 I felt exactly the same way. After a lifetime of investing I had never had the slightest interest in bonds, because they never made me feel that smart. I wanted to be outsmarting the world and getting that adrenaline rush, alternating with the dopamine swoon. I was investing to feel good about myself and smart, not for money. That's how kids are.

Fortunately for me, I realized in 2001 the stock market was going to be way too difficult. So I went back to some of the people I grew up with on Wall Street, and found that the ones who had gone into the bond market always found a way to make money. They didn't depend on good times and bad times.

While the stock market is based on uncertainty, and there is always somebody right and somebody wrong in every transaction, the bond market is based on uncertainty. A bond is an agreement between two people. One of them gets to furnish the money and get paid, the other one gets to use the money and pays. The deal is always set in advance. Both people know the outcome in advance, and the deal doesn't get done in less they both are happy with their side of the deal. 90% of the money in the world is invested in the bond market. They superrich have most of their money out for hire, and they don't take risks unless they absolutely have a very strong conviction that they're going to be well paid for taking that risk. They know very well that they can make very good money by simply renting out their capital.

Having a large percentage of your capital invested safely and predictably, will improve your results on your risk capital to such an extent, that even without the bond market returns you'll make more money. You are just a better player, when you are playing with your conscious mind rather than being run by the search for dopamine, and the fight or flight reaction of adrenaline.

Either way, when you really get to know about lending money, as the very rich all do, you'll find that you are going to be paid something close to double digits for the use of your money, at any given moment. The truth is, that's more than most people make on their risk investments anyway. Right now, because of the bad press they have been receiving, prices and select municipal bonds are down to the point where they are yielding as much or more than treasuries, even though you don't have to pay taxes on the interest in the United States. For many of our listeners, a 5% or 5.25% return on a municipal bond is equal to a better than 8% return. Go back over the last 10 or 12 years, and there is a good chance you will find that you made less than that on your stock portfolio.

3. Living in your own private mental prison-

If they have enough money to get through the week, pay their rent and eat, most people are motivated more by the need for love and self-esteem, then the immediate need for money. They think they are investing for money, but they are really investing to feel good about themselves. They want to prove they are smarter than everybody else, they want the admiration of their friends and family members, and they want the dopamine rush, that is always secreted in their brain when they have success. That's the mechanism in coded in the genes of human beings, to lead them toward striving for success. The member of the species of humans that didn't strive for success, has disappeared from the earth long ago.

The stock market runs in cycles. The cycles correspond to wartime and peacetime, high inflation and mild inflation, and other variables. Whatever is driving the market at any given time, the fact remains that there are 15 to 20 year long periods of flat consolidation, in which investors lose ground adjusted for inflation. These are alternating with periods lasting approximately 20 years, in which the markets run up at a very profitable rate. We experienced huge gains between 1980 and 2000, as you can see in the picture below, and most investors have had no gains since year 2000. We are now more than a decade into that consolidation period.

What most of us don't recognize, because we just don't get to live that long, is that these alternating periods have been going on for a long time. They are not just unique to our time.

Once you understand that, you also understand that what most of us learned to do over the 20 year period from 1982 year 2000, is totally inappropriate for the time we find ourselves in now. During that two decade rally, which started with Ronald Reagan and ended with George W. Bush, the absence of technique was the best technique. All you really had to do was on stocks. By the way, with interest rates falling from 15% down to 4%, or you really had to do was owned bonds also. That work almost as well.

Watch the consolidation going on in the markets and exchanges around the world, and the way the markets are adopting various techniques, and learning to use all kinds of derivatives, and you will understand that this complex time demands more technique and more tools.

My grandfather, when I was a kid, taught me something about people which has held up all the way to the present day half a century later. Once they consider themselves adults, people really lose the desire to read and learn new things. They also perceive all the things they don't know and understand as risky. They are correct, in so far as doing things you don't understand is risky. My grandfather used to tell me, that you could be paid for taking a lot of risk, when all you did was study and read the fine print. This was the way for a smart kid to get a bargain. I tell you that at now all the different tools that have been developed. I don't want to see people approaching retirement, start doing a bunch of things they don't understand. That would be foolish. What I do think everyone should do, is get a practice account. Many of the discount brokers, particularly the ones who are involved in options and futures, allow you to open an account with no money in it. You can trade for free. You get the do everything you would do with the money, but take no risk. If you really enjoy investing, and reading and studying and learning about investments, all you have to do is have ideas and try them out for free. The more you practice the better you get at them. The better you get at them the more confident you feel, and eventually, you will beside that the better results you're getting in your free account ought to be transferred to the account where your investing real money. If that doesn't happen, there was still nothing lost anyway.

This advice well appeal to anyone who really likes and is intrigued by, and has an aptitude for investing. There are many of us who find it mildly interesting, and even entertaining to listen to, but who don't really enjoy practicing and getting better. When they daydream, they are not daydreaming about investments and trading techniques.

The truth is, some people should be investing their own money, and some people should be finding someone who can help them when. What I have just described is how you can find out which of those you are. But, anyway you slice it, the use of the more modern techniques and tools gives those who understand and practice them an edge over everyone else. You want to benefit from that edge, whether you are the practitioner, or whether you get assistance from someone else.

4. Paying much more in taxes than necessary.

tax swaps – all the big hedge funds, and everyone who invests tens of millions of dollars or more, understands how import and a bite taxes take from their results. Those who grew up investing their 401K's, never learned that because taxes aren't a consideration in those types of accounts.

Even bad assumption about 401(k)s is in illusion, because instead of getting 15% capital gains treatment, 401(k)s force you to take money out, and to pay ordinary income tax on those proceeds. Sound analysis, will reveal to most people that they are not using those tax-sheltered accounts correctly. Most investors are using them more than is ideal.

Right now, I'm talking about the taxable investment account, and what a big bite taxes take from it. Short-term capital gains, of course pay tax at a much higher rate than long-term capital gains, and with the rapid changes that are going on in our lives right now, the ability to wait around for long-term capital gains treatment adds a lot to your risk. Sometimes, you just have to be able to move faster.

Smart investors know they make mistakes sometimes. In fact, sometimes I buy a stock or an investment, and it isn't even a mistake, it just moves in the wrong direction at first. My impulse is to assure myself that it will come back. I am often correct, and it does come back. But it taxable account, I can benefit from the fact that it moved in the wrong direction. I may make a perfectly sound move, I buy the stock, and it falls the first and second day. This doesn't mean very much, but suppose I sell that stock, take the loss and buy another stock in the same industry, or by an exchange traded fund, that correlates with that stock. Now I have an investment that's going to do basically what my old investment would have done, but I have a loss on the books. That loss on the books, didn't really change my investment posture, because I replaced that investment with another one that correlates. Eventually, when I had gains, I can offset those gains for tax purposes with those paper losses I created by doing the tax swap.

This technique alone can improve my results by several percent a year. Often that's the difference between the results obtained over time by the top professional, and everyone else.

5. Searching for a trusted advisor!

Be surprised to hear this one from me – a I supposed media expert - but the truth of it is irrefutable

evaluating ideas, one by one, is the way for you to form your strategy. But that takes lots of energy, and in this complicated world, with all kinds of demands on your time, you and every other American are looking for an easier way. Instead of evaluating each idea, which means an ongoing and endless effort, it just seems so much easier to find one person who we can trust. Once we're done with, we can go back to sleep. Too bad it just doesn't work.

I just don't believe there is anybody you can trust to do your thinking for you. There's a whole branch of psychology called Heurism, which studies human tendencies to simplify things so they can deal with this increasingly complex world.

Personally I get great ideas from hundreds of media, celebrity, experts, none of them is right frequently enough for me to risk my life on them. I wish they were, and for your sake I wish I were. Sorry. You will never get anywhere in these markets if you check your brain at the door, no matter how much you utilize others'thoughts and research. Being open to other ideas from other people is great. Relying on them instead of taking responsibility is financial suicide.

There are many things any of us could do to improve our performance. I promise you this, though. Focus on improving in these five areas and you will end up much richer, and much happier. That said, enjoy this website the thinking of all the brilliant people who contribute to it on radio and in writing.

6.

Additional script

All the ideas these guys have. These are the very best at what they do. Jack has been managing floor operations for his whole life,

Jason shadeworks like a dog all day every day and he just has a feel for how to trade around events.

Dan has written 2 books on the subject is known all over the country and the world. The things that are happening now were diescribed in both his books, especially the one about 6 billion investors – the world without borders, which is exactly what we have right now.

How to take advantage of the opportunities of a world growing at 6% a year…

Here's the reality. The world needs your capital and it is willing to pay primo dollars for it. all you need is skill. But I'll tell you this.

we were educated to believe that if you held on to your mutual funds and stocks they would be fine. They would always be the best place to put money.

Now those stocks have lost money for the last decade and yuour house isn't going to add value for another 5 or ten years.

You will have to do a lot of safe investing if you want to take advantage of the skills these guys have.

Safe investing doesn't have to be a lousy deal, but you have to preserve your capital above all. Safe investing means creative, lucrative but safe return of your capital.

It is what rich peoPle do with their money.

They lend it out for as much as they can get. They have people finding the good deals for them, and they only take risk when it is worthwhile. They don't have to do anything because they are still making money.

Right now – you can make double digit returns or close to it, that means double every seven years – for lending money to sovereign healthy economies without excessive debt, well managed, prosperous and they need your capital and will pay for it.

You can actually do even better than that with selected convertible bonds that when you pay less than par for them you can make very high returns with minimal risk. You just have to underwrite them like a loan officer at the bank.

Specially negotiated bonds and notes with money center banks based on macroeconomics, but with guaranteed principle

Let's be clear – there is not such thing as perfect safety. Everyone can fail, including the government, which will monetize debt and lose you money that way. You have to watch everything. You can't go to sleep.

The fact remains – YOU CANNOT TAKE ADVANTAGE OF THESE GREAT IDEAS IF YOU DON'T HAVE SAFE INVESTMENTS, AND THESE GUYS WOULDN'T BE ABLE TO DO THEM IF THEY DIDN'T HAVE LOTS OF SAFE MONEY BACKING THEM. THAT WAY YOU CAN AFFORD TO WAIT FOR THE RIGHT DEAL. YOU MAKE YOUR LIFE A BUYER'S MARKET.

Additional script

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Today's dirty little secret about bond funds is about to become tomorrow's headline story!

They called Meredith whitney the girl who cried wolf when she warned about the money center banks. Two years later she was on 60 minutes as one of the ten most influential women in the world.

More of our listeners rely on municipals for safety and tax advantages than any other investment, and Meredith is sounding the alarm now, because There are SOME safe muni bonds, but THE bond funds carry their own extra danger, and defeat the safety of the bonds themselves.

Bill Heath at Barrington Financial gets it. he knows the difference between a safe bond and risks caused by the funds themselves. He's also a great writer who's been around this business for forty years. In plain ENGLISH, Heath explains the problem and the simple solution in his FREE REPORT – THE SIMPLE FIX TO THE BOND FUND DILEMMA!

GET bill's WHITE PAPER at WWW.themoneyman.com,. It's free to read, expensive to miss. that's WWW.themoneyman.com

Announcer -- Here's radio and TV moneyman Dan Frishberg…

Dan (recorded) --- How you feel about Washington politics – that's your business, but everybody knows inflating our way out of debt means the dollar has to come down. It's already happening.

If the dollar keeps falling, what happens to your wealth, and your retirement, and all the things you've been planning on? what can you do, <u>put all your money in goldmines?</u>

experienced investors are stumped, but.

Bill heath at barrington financial has a new free report: 6 ways to protect your savings from washington's assault on the dollar.

Barrington is not a broker – no commissions – no products -- and they know <u>the actions you take right now -- will determine what kind of life you get to live for your next ten or twenty years</u>

Announcer –

Get bill heath's new FREE report…

<u>Six ways to protect your savings from washington's assault on the dollar.</u> call barrington financial at 877 342-6999; or get if free on www.themoneyman.com

Our marketing director, Sonia Jaoa, and I want to thank you for your interest in this Special Report. We think these issues are crucial and that's why our company is one of the key sponsors of The MoneyMan Report on Radio Wall Street.

I wrote this report because I've been in practice for 37 years, and I see that while most people are concerned about the effects of the current assault on the dollar, very few have the confidence to do anything about it. Though it is important, inflation is not the only concern Americans face in planning their finances for the next several years.

Many people responded when we offered this report, so in planning future white papers, I ask you to email me with an idea of what other issues matter to you.

I look forward to this valuable feedback from you, and I look forward to meeting you at some point in the future.

The New Story of Barrington Financial Advisors, Inc. …Asset Management Division...

The global economy is too complex and too new. Nobody knows how to read it. Nobody now knows whether we are on the way to inflation or deflation. Probably the answer is both. Low rates or high rates – the same answer.

Is the slow U.S. economy going to bring down the world economy? Is the need to crack down on local inflation going to cause the growth economies to step too hard on the brakes?

In the eighties and nineties stock prices only moved in one direction – up. Directional investing – simply betting on values to rise – took courage and a little homework, but it was doable.

Now we are halfway into a twenty year period of consolidation. Prices have moved sideways for a decade, and there is no low risk directional bet. Anything can happen next. Tying your net worth up in directional bets is crazy. No smart money is doing it, but tens of millions of Americans have been losing money and purchasing power month in - month out, year in and year out, for ten years, because they just don't know anything else to do.

1. When directional bets don't work, as they haven't for ten years now, the only way to make money is with skill – understanding the markets. Targeted, single asset specialists know how to make money because they know their own markets. We make money in this decade by good, safe driving, not just riding in one direction. Our job is to identify the people who possess the special skills to make money in the markets, put our money with them and give you access.
   Today they are making money on gold going down and stocks going up. Tomorrow, the opposite will be true. Jack Bouroudjian gave a perfect example the other day on the radio. He has a permanent position in IBM. He sells a call to make premium dollars, then buys a put to protect the downside. He makes money through skill and experience, not fortune telling.

   Jack has spent a lifetime on the floor at the CME and he knows the S & P Futures, the Metals and the disciplined traders who always make money.

   Hobbyists gamble, but you want to understand the markets and the people who always win, understand a power generating plant. They have those big turbines and all that equipment to give them a hedged position, but the real money is made on their trading floor. They are able to lock in the high prices for power in the futures market.

   They are also able to lock in the low natural gas prices on the trading floor They sell the future electicity when the price is up. They buy the natural gas to fuel the turbines on the futures market when the prices are low. They make their money by locking in the big spreads in the futures market. Maximum futures spreads equate to company earnings. They don't make the purchase or sale when they need the fuel or when the customer needs the power. They make it when the price is most advantage by understanding the markets. That's exactly what Jack Bouroudjian does for us. Jack has spent a lifetime managing floor operations in the futures and options markets, and he uses those techniques to keep risks exceptionally low, not to assume more risk.

2. Daniel Frishberg has spent years studying the global economy and the bond markets around the world. He's worked with the smartest most famous economists and traders on the planet and written two books on the subject.
   Dan locks in maximum returns with minimum risk with techniques the major financial firms in N.Y. use to manage their own accounts, but I don't know anybody else who knows how to do what he does for us regular people.

3. Jason Shade, is a great resource to have in a choppy market. Without market bias, he conducts short to intermediate term stock trades both long and short. His 12 point trading system allows him to find and execute low risk/high reward trades on individual stocks regardless of the market direction. His versatile, bottom up approach to stock investing provides our portfolio balance while lowering our volatility. He uncovers profit opportunities almost daily through his rigorous research, and then locks them in with discipline, while minimizing the risk on the downside.

4. For long term holdings we have some of the most experienced veterans in the business, with a proven record of identifying the winning companies and the patience to allow his plan to work. You remember John Dessauer from Wall Street Week. John was managing the Citibank global portfolio forty years ago, when I was playing baseball.

   John continues to travel the world and to invest in substantial solid companies with competitive advantages. He likes to catch those companies when their prices are down and when they present excellent long term value. He is not shaken by temporary fluctuations to the downside, rather focusing on the big picture where macro and microeconomics meet.

You want to access these giants. That's our specialty – managing them and helping them fit into your life. Barrington Financial is the place and we'd love to talk to you about it..

There is a big world out there where people are making money everyday. No matter what's going on in our markets.

Here at home, we've inspired the world and invented just about everything in the world that matters, from teleconferencing to 3-d movies to cancer cures-- and we've kept world peace for a generation.

Now the rest of the world needs capital and you are among the very few with savings.

It doesn't make sense to struggle with the same old stuff. Why not use your brains to get a better deal. Everyday we talk about global growth investments, designed bonds, convertibles AND knowing when to sell.

You're gonna find all that at barrington financial.

Safety, income and real growth when the time is right.

They are not afraid to sell and take profits. and since they aren't a commission broker, they know sometimes – patiently waiting for the best deal is DOING something

If you're willing to risk a half hour on barrington, they'll risk a half hour on you. …you may be right for each other…call---713 748- 9642.

Barrington Financial Advisors, Inc.

SPECIAL REPORT: HOW TO PROSPER FROM THE FED'S ASSAULT ON THE DOLLAR

By William C. Heath, CFP®

Before I begin this report, I would like to welcome you the audience, to our attempt to share education material from my research and the many years of assisting people in developing investment strategies. This is not a recommendation to buy anything, because I don't know enough about your financial situation, tax situation, or other needed data required to be an investment advisor.

It is my experience that most investors are having trouble implementing worthwhile strategies, because the economy is so different from what they have experienced in the past. I have studied this situation and have 39 years of experience working with individuals to adapt the best financial strategies available in the world to their attempt to develop an informed personal investment program.

Here are some ideas that will help you counteract the Fed's assault on the dollar by thinking outside our borders to find strategies that will hedge the US Dollar. Please remember that my suggestions here are the starting point in your personal research before you buy anything. I have always followed this sound principle: "Inspect what you Expect". I am certain you will find, as I have, this to be great advice. I wish you great success with your financial endeavors and hope you will find this report to be of use. If you believe a conversation with me would be beneficial, please feel free to contact me at 713-785-7100 or email me at bheath@barringtonfinancial.com. I am always interested in finding ways to help people achieve a better lifestyle.

Cameco

Cameco (CCJ) is a publicly-traded uranium company and the second-largest uranium producer in the world. Based in Canada, Cameco mines, mills, and processes yellowcake uranium to be used to fuel nuclear plants.

Though some still have reservations about the use of nuclear power and coal for energy, the fact that it will be used is undeniable; there is not enough oil and petroleum to sustain a new wave of wealth all over the globe. There are now 58 new nuclear generating plants under construction in China and India. This doesn't include the plants that will be built in the U.S., Europe, Africa and around the world. The technology now exists to produce nuclear energy safely and efficiently.

As the rest of the world's middle class emulates our economic success, Cameco becomes all the more relevant. We know that the middle class is growing at an exponential rate all over the globe, and we know that demand for natural resources will skyrocket along with it. We know that nuclear power will be harnessed to create cheap, efficient, and widespread electricity to meet the needs of these growing cities. Cameco has not even come close to its ceiling, which is why this uranium producer is one of our best bets as a hedge against the dollar's devaluation and the near certainty that supply will not keep up with demand over the next few years. Uranium prices, particularly in dollars, are going up.

EcoPetrol

Based in Colombia, EcoPetrol (EC) is one of the 35 largest petroleum companies in the world and the largest in the country. In 2003 the company announced its intentions to expand its exploratory sector, citing growing global competition in the oil market. EC saw its 3Q sales revenue rise 16.5% from a year ago, and earlier this month announced a new discovery in its exploration well in central Colombia.

Colombia is an economy to keep your eye on. EcoPetrol is one of the four largest petroleum companies in South America and is crucial to Colombia's economic well-being, regularly jarring the Colombian ETF on its own. A stable political environment in addition to recent free market reforms has made the country a promising investment option. Like so many other places in the world, they have taken a few pages from our playbook, ensuring the continued rise of the middle class and real growth. Other indicators of growth, such as loan demand and credit card use, are up significantly.

With more wealth and populations shifting inward to cities, demand for natural resources will shift with it. EcoPetrol has been consistent, regularly acquiring more oil-rich wells, and they will continue to expand upon their current success when demand inevitably grows.

There is now a good chance that the free trade treaty with Colombia, which is already negotiated and has since been ignored, will garner more support from the new Republican Congress. This will likely be one of the areas the two parties are able to get together on, and the treaty will be very constructive for growth in Colombia and for Ecopetrol.

The Emerging Markets Local Currency Bond ETF

To invest in high-yielding bonds not denominated in dollars, gutsy investors look to the emerging world. Van Eck's Emerging Markets Local Currency Bond ETF (EMLC), created this summer, provides exposure to bonds in emerging markets, notably Thailand, Brazil, Malaysia, Poland, and Turkey. The index that EMLC tracks is market cap weighted but individual country exposure is capped at 10% and each of the countries which are included in the fund are required to make up at least 3% of the fund's total assets.

Local currency bonds issued by emerging market governments are uniquely protected from future policy changes. The synergy created here is real. We are funding the greatest expansion of the middle class in decades, and the return will be dramatic. As the U.S. dollar continues to weaken, the EMLC investors will enjoy capital gains from the currency appreciation as well as a very enticing yield, currently around 6.5%.

Of course, with high yield comes risk. As Van Eck says on their website, “investments in emerging markets securities are subject to elevated risks which include, among others, expropriation, confiscatory taxation, issues with repatriation of investment income, limitations of foreign ownership, political instability, armed conflict and social instability.”

Fronteer Development Group

Fronteer Development Group (FRG) is a Vancouver-based company that explores for and mines gold, silver, copper, and uranium. It currently funds a gold project pipeline in Nevada, 40% interest in multiple gold and copper projects in Turkey, and owns uranium assets in Newfoundland. The company has also expanded its gold portfolio to Mexico with two additional projects.

Fronteer is a hot company right now. They have created a corporate culture that exudes the spirit of the old gold rushers and along with it a buzz about the company's upside. They employ the world's smartest and most educated geologists and implement unique ways to explore terrain, including complex formulas that identify unexplored areas with the greatest potential as well as methods of detecting concentrations of mineral deposits from the air.

With precious metals, we remain optimistic in the long-term. Gold and silver remain as reasonably stable and resilient alternatives to a depreciating dollar. Copper will rise with industrial production and be in high demand, in China and elsewhere.

And then of course, you have the uranium factor.

Like its Canadian counterpart Cameco, Fronteer is at the forefront of the uranium industry. And considering demand for uranium far outweighs supply at this point, with demand due to pick up even more in the long-term, we think this is an undervalued stock with much more room to grow. China, the world's second-biggest (for now) energy user with a rapidly expanding population, recently approved the construction of 28 more nuclear power reactors, scheduled to be completed by 2020. They will need to provide electricity to a billion new people, and uranium companies, including Fronteer, are set to reap the rewards.

Fronteer has been acquiring more production, but unlike other Jr. miners, Fronteer has the cash and does not require additional capital. They can expand without diluting the present owners.

NOTE: This can be deleted since the BONUS REPORT cover the same material.

Institutional Structured Notes

Some very smart people came up with the perfect solution to the twists and turns of mainstream investments, but it isn't something normally available to regular people around the country. They go out and negotiate with big banks to create and issue Institutional Designed bonds, based on macroeconomic forecasts.

The reason these instruments are not generally made available to the public is that while they make life simple for their owners by eliminating much of the risk, they are pretty complicated for the institutions to create. Conditions must be right. The banks must have room to make money, in order to offer us the deal we are looking for.

Our Global Growth designed bond from last year was designed to benefit from the growth outside the US, especially in the emerging market economies. This note was designed by us, and created by Morgan Stanley with Barrington Financial. It was/is principal protected for a maturity of 6 years, subject to the credit risk of the firm. This note will capture 82% of the gain of these components while protecting our principal in the process. The note was specifically constructed to have exposure with the following weights: 20% in the MSCI emerging markets Index, 40% in Gold (London), 20% in the Goldman Sachs Agriculture Index and 20% in the Goldman Sachs Livestock Index. The emerging markets component gives us exposure to the stocks of the emerging markets: 16% Brazil, 13% South Korea, 13% China, 10% Taiwan along with smaller portions in India, Russia and Thailand to name a few.

Does the word derivative bother you at all? I know it bothers some people. Understand that derivative is a word that sends chills up the spines of most people. I want you to get used to that word. Don't react to it as a robot or as a member of the herd. The word derivative just refers to something that's actually made up of something else.

For example, orange juice is a derivative. So are the institutional designed bonds I just described. So are convertible bonds, so are warrants that are simply 'equity kickers' that we use in the best private deals. So are mortgage bonds that for years made me richer than I ever thought I might be. How? They helped to keep me out of the stock market when almost everybody else on Wall Street was on an eight-year campaign to basically put themselves in the poor house.

The plain truth is, we have tools available to us that allow us to make decent - not exciting - but decent money, so we are able to be very choosy about the stocks we invest in, and we can afford to wait until the moment is just right.

I learned years ago by watching the giant hedge fund operators, that when we can't find exactly what we're looking for, we can do much better by negotiating our own contract in collaboration with somebody like Barclays Bank or J.P Morgan.

iShares MSCI Chile Investable Market Index (ECH)

One of the places to which Fed induced carry-trade money has been flowing is resource rich, Chile.

ECH, which seeks to emulate the performance of the MSCI Chile Investable Market index by investing at least 90 percent of the fund's assets in securities or ADRs that are on the index, is up almost 40% since the beginning of May. That's over nine times better than the Dow Jones 30. Chile's GDP is set to expand by 5.4% this year and 6% in 2011. The country's resolve is commendable; they overcame a massive earthquake earlier this year, and of course rescued all of its 33 trapped miners on a world stage. This is a country with high morale, and an emerging market that has come a long way from years of stifling inflation. Chile has performed well, and it's still an attractive buy.

Chile not only benefits from our Feds' policies, but also investor demand. The country which was once an inflation-ridden basket case, turned their situation around, by imposing restraint, and eventually, accumulating billions in capital. When the earthquake hit, the county had the resources internally to rebuild. This is now generating a booming economy.

Their strong balance sheet and abundant copper and raw materials, is attracting capital, as it is printed by the U.S. Fed and invested where the currency is sound and where growth strong. The demand for Chile's resources is likely to continue for the next several years. The rest of the world wants the "American lifestyle." And they will eventually get it, and to do so, they will need and compete for copper. Now the money earned by exporting copper and other resources is fueling internal growth as Chile is able to develop domestically.

In a country whose overall economy leans heavily on copper production (a main building block of industrial growth), one can see how Chile's Investable Market Index still has upside. Copper represents about 50% of overall Chilean exports.

There are several other promising South American economies, but they do not have Chile's natural resources or dramatically low labor costs. The political climate is stable, and its current administration has implemented several pro-business, pro-growth policies. They have shown to be proactive in removing obstacles to growth and encouraging global investment.

As always, we remind you to do your own homework before buying ECH or any of the foregoing suggestions

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